

This Prospectus is being displayed on this website to make the Prospectus accessible to more investors. The Philippine Stock Exchange (“PSE”) assumes no responsibility for the correctness of any of the statements made or opinions or reports expressed in the Prospectus. Furthermore, the PSE makes no representation as to the completeness of the Prospectus and disclaims any liability whatsoever for any loss arising from or in reliance in whole or in part on the contents of this Prospectus.

**PROSPECTUS
PART 2 OF 2**



Global Ferronickel Holdings, Inc.

(Incorporated with limited liability in the Republic of the Philippines)

Primary Offer of **250,000,000** Common Shares at an
Offer Price of **₱2.07** per Offer Share

**To be listed and traded on the Main Board of
The Philippine Stock Exchange, Inc.**

Sole Underwriter and Issue Manager



Abacus Capital & Investment Corporation

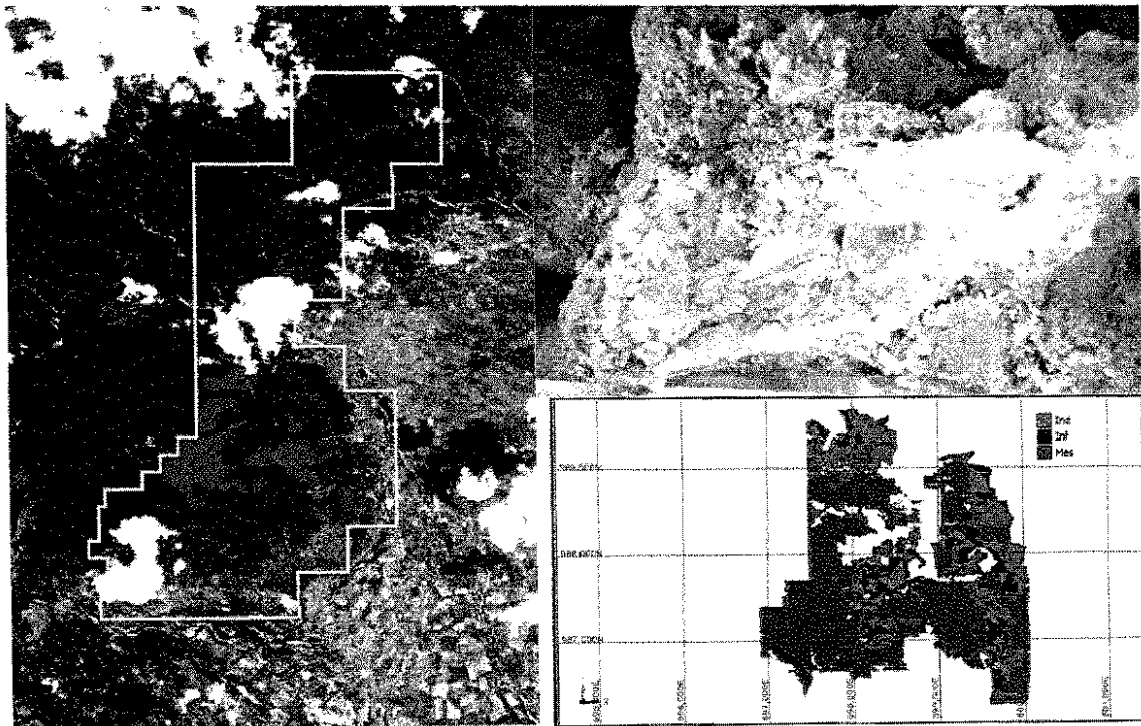
The date of this Prospectus is June 26, 2018

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.

ANNEX C

PMRC- Competent Person's Technical Report
Economic Assessment and Ore Reserve Estimation
Ipilan Nickel Corporation
Ipilan Nickel Project (MPSA No. 017-93-IV)
July 10, 2015

**PMRC- COMPETENT PERSON'S TECHNICAL REPORT
ECONOMIC ASSESSMENT AND ORE RESERVE ESTIMATION
IPILAN NICKEL CORPORATION
IPILAN NICKEL PROJECT (MPSA No. 017-93-IV)
BRGYS. MAASIN, IPILAN, MAMBALOT AND CALASAGUEN
MUNICIPALITY OF BROOKE'S POINT, PALAWAN
PHILIPPINES**



**Vicente M. Jayme Jr.
Registered Mining Engineer (PRC License No. 1085)
Registered Geologist (PRC License No. 248)
PMRC CP EM No. 1085-13-10**

10 JULY 2015

TABLE OF CONTENTS

Title	
IMPORTANT INFORMATION ABOUT THIS TECHNICAL REPORT	x
CERTIFICATION AND CONSENT OF THE COMPETENT PERSON	xii
EXECUTIVE SUMMARY	xvi
1.0 INTRODUCTION	1
1.1 Purpose.....	1
1.2 Scope of Work.....	1
1.3 Compliance.....	2
1.4 Declaration and Qualification.....	2
1.5 Reliance on other Experts or CPs.....	3
1.6 Disclaimer.....	3
2.0 TENEMENT INFORMATION	3
2.1 Description of Mineral Rights.....	3
2.2 History of the Mineral Rights.....	6
3.0 GEOGRAPHIC FEATURES	6
3.1 Location and Accessibility.....	6
3.2 Physiography, Climate and Vegetation.....	7
3.2.1 Topography and Drainage.....	7
3.2.2 Climate.....	7
3.2.3 Vegetation.....	9
3.3 Land Use and Infrastructure.....	9
3.4 Socio Economic Environment.....	9
3.5 Environmental Features/Concerns.....	10
3.5.1 Heritage and Cultural Values.....	10
3.5.2 Geological Hazards.....	11
4.0 PREVIOUS WORKS	12
4.1 Previous Resource Estimates	14
5.0 HISTORY OF PRODUCTION	15
5.1 INC Mining History	15
5.2 Mining System Description.....	15
6.0 REGIONAL GEOLOGY	16
6.1 Regional Geologic Setting.....	16
6.1.1 Stratigraphy.....	17
6.2 Structural Geology.....	18
6.3 Nickel Laterite Deposits- Weathering and Mineralization.....	18
6.3.1 General.....	18
6.3.2 Requirements for the Development of Nickel Laterites.....	18
6.3.3 Nickel Laterite Profile.....	21
6.3.4 Bulk Densities in Laterites	24
6.4 Nickel Laterite Deposits- Palawan Region	24
7.0 IPILAN PROPERTY- GEOLOGY and MINERALIZATION	25
7.1 Rock Types.....	25
7.2 Geological Structures and Trends.....	26
7.3 Mineralization in the Mineral Property.....	27
7.4 Stratigraphic Units/Laterite Profile.....	28
7.5 Indicative Mineralogy of INC Nickel Laterite Deposits.....	29
8.0 EXPLORATION	30

8.1	Geological Work by INC in the Property	30
8.2	Geological Mapping and Sampling.....	30
8.3	Test Pitting and Sampling.....	32
8.4	Topographic Survey.....	33
8.4.1	Drill Hole Collar Location.....	34
8.4.1.1	Checks of Drill Hole Collar Locations.....	35
8.4.2	Downhole Surveys.....	46
8.5	Geophysical Survey- Ground Penetrating Radar (GPR) Method.....	46
8.6	Drilling.....	47
8.6.1	Core Logging.....	49
8.6.2	Core Recovery.....	50
8.6.3	Core Photography.....	51
8.6.4	Core Sampling	51
8.7	Geotechnical Drilling.....	52
8.8	Bulk Density and Moisture Content Data.....	53
8.9	Metallurgical Test Work.....	53
8.10	Sample Preparation, Analyses and Security.....	55
8.10.1	Dispatch Method.....	55
8.10.2	Preparation and Assay Facility Type.....	56
8.10.3	Sample Preparation.....	56
8.10.4	Analytical Methods Used.....	61
8.11	Data Exclusion.....	64
9.0	QUALITY ASSURANCE/QUALITY CONTROL (QA/QC)	65
9.1	INC Drill Hole and Test Pit QA/QC	65
9.1.1	Accuracy.....	66
9.1.2	Precision.....	66
9.1.3	Blanks and Standards.....	67
9.2	QA/QC Analysis Methodology.....	67
9.2.1	Internal Repeats for INC.....	67
9.2.2	External Repeats for INC.....	85
9.2.3	Laboratory Internal Standards.....	93
9.2.4	Laboratory Blanks.....	93
9.2.5	Drill Hole and Test Pit Validation by Jinchuan.....	94
9.2.6	CP Review of Jinchuan Validation.....	94
9.3	Statement of CP on QA/QC	106
10.0	MINERAL RESOURCE ESTIMATE	106
10.1	INC Database Preparation.....	106
10.2	Integrity of Database.....	107
10.3	Data Verification and Validation.....	107
10.4	Data Quality Review.....	108
10.5	Data Verification Statement.....	108
10.6	Basic Statistics.....	108
10.7	Geostatistical Analysis.....	118
10.8	Geological Surface Generation and Domain Modelling.....	124
10.9	Grade Interpolation.....	126
10.10	Mineral Resource Estimation – Block Modelling.....	130
10.11	Model Validation.....	132
10.12	Mineral Resource Categories Used.....	135

10.13	Statement of Mineral Resources.....	138
10.14	Resource Estimates Including Inferred Resources.....	141
10.15	Current PMRC Estimate vs. Previous Resource Estimates.....	145
10.16	Exploration Potential.....	145
11.0	ECONOMIC ASSESSMENT OF THE MINING PROJECT.....	146
11.1	Description of Mineral Resources estimates for conversion to Ore Reserves.....	146
11.2	Type and Level of Feasibility Study.....	146
11.3	Brief Description of the Project	146
11.4	Marketing Aspects	152
11.5	Technical Aspects.....	156
11.6	Financial Aspects.....	193
11.7	Socio-Economic Aspects.....	207
11.8	Project Schedule.....	214
12.0	ORE RESERVE ESTIMATES.....	215
12.1	Database Used.....	215
12.2	Integrity of the Database.....	217
12.3	Data Verification and Validation.....	218
12.4	Ore Reserve Estimation Methodology.....	219
12.5	Ore Reserve Classification.....	226
12.6	Statement of Ore Reserves.....	227
13.0	INTERPRETATIONS AND CONCLUSIONS.....	228
14.0	RECOMMENDATIONS.....	229
15.0	REFERENCES.....	230

LIST OF TABLES

Table- 1	Details of the CNMEC MPSA	4
Table- 2	Geographic Coordinates of the CNMEC MPSA.....	5
Table- 3	MPSA Coverage in Each Barangay	9
Table- 4	Summary of Exploration Activities at CNMEC Area	13
Table- 5	Data Records Used by Snowden	14
Table- 6	Snowden Resource Estimates as at 30 December 2007.....	14
Table- 7	Data Records Used by TMM	14
Table- 8	TMM Resource Estimates as at 30 June 2010.....	14
Table- 9	Selected Drill Hole Details as Checked by INC/FPT vs. Jinchuan/JGS (July 2014).....	36
Table-10	Selected Drill Hole Details as Checked by Jinchuan/JGS vs. INC (December 2011 Data).....	37
Table- 11	Average DH Core Recoveries	50
Table- 12	Density Values	53
Table- 13	Excluded Data.....	64
Table- 14	QA/QC Results of Internal Repeats (Duplicates) of INC Drill Holes.....	69
Table- 15	QA/QC Results of Internal Repeats (Duplicates) of INC Test Pits.....	77
Table- 16	QA/QC Results of External Repeats (Re-Check) of INC Test Pits and Drill Holes.....	85
Table- 17	Drill Hole/Test Pit Validation by Jinchuan.....	94
Table- 18	DH/TP Validation of Jinchuan Samples (Internal Repeats).....	95
Table- 19	Drill Hole/Test Pit Validation of Jinchuan Samples (External Repeats).....	95
Table- 20	Test Pit Summary- Statistical Analysis.....	109
Table- 21	Basic Statistics (All Samples).....	109
Table- 22	Limonite Sample Statistics (No Topcut).....	110
Table- 23	Saprolite Sample Statistics (No Topcut).....	110
Table- 24	Bedrock Sample Statistics (No Topcut).....	111
Table- 25	Limonite Sample Statistics (Topcut Applied).....	111
Table- 26	Saprolite Sample Statistics (Topcut Applied).....	112
Table- 27	Bedrock Sample Statistics (Topcut Applied).....	112
Table- 28	Basic Statistics (Limonite Composites).....	113
Table- 29	Basic Statistics (Saprolite Composites).....	113
Table- 30	Basic Statistics (Bedrock Composites).....	113
Table- 31	Variogram Interpretation	119
Table- 32	Search Ellipse Parameters for Limonite at 25m Grid.....	126
Table- 33	Search Ellipse Parameters for Limonite at 50m Grid.....	127
Table- 34	Search Ellipse Parameters for Limonite at 100m Grid.....	127
Table- 35	Search Ellipse Parameters for Saprolite at 25m Grid.....	128
Table- 36	Search Ellipse Parameters for Saprolite at 50m Grid.....	128
Table- 37	Search Ellipse Parameters for Saprolite at 100m Grid.....	129
Table- 38	IDW Search Ellipse Parameters for Bedrock at 25m Grid.....	129
Table- 39	IDW Search Ellipse Parameters for Bedrock at 50m Grid.....	129
Table- 40	IDW Search Ellipse Parameters for Bedrock at 100m Grid.....	130
Table- 41	Dry Bulk Density.....	130
Table- 42	Block Model Parameters.....	131
Table- 43	Block Model Attributes.....	132
Table- 44	Summary of Block Model Validation for Limonite.....	133
Table- 45	Summary of Block Model Validation for Saprolite.....	133
Table- 46	PMRC Classification Based on Grade Interpolation Passes.....	136
Table- 47	Statement of Measured and Indicated Mineral Resources as at 03 October 2014.....	138

Table- 48	Statement of Measured and Indicated Mineral Resources by Nickel Cut-off Grade.....	139
Table- 49	Statement of Inferred Mineral Resources.....	141
Table- 50	Statement of Inferred Mineral Resources by Nickel Cut-off Grade.....	142
Table- 51	Marketable Ore Classifications.....	148
Table- 52	Capital Expenses for the INC Ipilan Nickel Project	149
Table- 53	Life-of-Mine (LOM) Mine Production Schedule	150
Table- 54	Detailed breakdown of direct mining and processing costs.....	151
Table- 55	Year 2012 to ending February 2015 Nickel Ore Prices	154
Table- 56	List of the Equipment Required for the Project	161
Table- 57	Detailed Annual Mine Production Schedule	164
Table- 58	Mine Production Summary	165
Table- 59	FMRDP Cost Breakdown	185
Table- 60	Deposit Schedule of FMRDP Fund	187
Table- 61	Annual Safety and Health Program cost Breakdown	192
Table- 62	Exploration Cost	193
Table- 63	Pre-operating Expenses Overhead	194
Table- 64	Capital Expenses for Equipment and Fixtures	194
Table- 65	Mine facilities and infrastructures cost	195
Table- 66	Environmental Works Capital cost	196
Table- 67	Capital Equipment Lists	197
Table- 68	EPEP Cost Breakdown	198
Table- 69	SDMP Cost Allocation	199
Table- 70	Ore Pricing used in the Economic Assessment	200
Table- 71	Projected Balance Sheet	202
Table- 72	Projected Income Statement.....	203
Table- 73	Projected Cashflow Statement.....	205
Table- 74	Project Workforce	207
Table- 75	Salary Scale of Mine Personnel	208
Table- 76	Project Time Table	214
Table- 77	Block Model Attributes	215
Table- 78	Block Model Geometry	216
Table- 79	Validation of the Location of Drillholes	218
Table- 80	Year 2012 to ending February 2015 Nickel Ore Prices	220
Table- 81	Marketable Ore Specifications	221
Table- 82	Cost Model for INC Deposit	223
Table- 83	Statement of Ore Reserves of Ipilan Deposit	227

LIST OF FIGURES

Figure- 1	CNMEC Tenure Map	5
Figure- 2	Project Location Map.....	7
Figure- 3	Philippine Climate Map.....	8
Figure- 4	Philippine Seismicity Map.....	11
Figure- 5	Philippine Seismic Hazard Map.....	12
Figure- 6	Mined-Out Area within the Tenement.....	15
Figure- 7	Geological Map of Southern Palawan.....	17
Figure- 8	Composite Diagram and Characteristics of Laterite Topographies.....	20
Figure- 9	Simplified Schematics of Different Laterite Landforms.....	20
Figure- 10	Relationships of Topography, Weathering Front and Water Table.....	21
Figure- 11	Weathering Development on a Hz Boulder.....	22
Figure- 12	Typical Complete Laterite Profile.....	22
Figure- 13	Simplified Laterization Process.....	23
Figure- 14	Laterite Weathering Profile.....	23
Figure- 15	Relationship of Bulk Densities with Depth of Laterite.....	24
Figure- 16	Peridotites Intruded by Gabbro Dikes.....	25
Figure- 17	Gabbro Peridotite Contact.....	25
Figure- 18	Basalt Greenschists Contact.....	26
Figure- 19	Geology/Structures of CNMEC.....	26
Figure- 20	Specimen of Bright Green Garnierite.....	27
Figure- 21	Generalized Profile of Significant Elements.....	30
Figure- 22	Geological Map of Ipilan Nickel Project.....	31
Figure- 23	Cross Section Along the Ipilan Nickel Laterite Deposit.....	32
Figure- 24	Test Pitting Excavation.....	33
Figure- 25	Test Pit Sampling.....	33
Figure- 26	Topographic Survey Coverage.....	34
Figure- 27	Drill Hole- HC/ZK1-05.....	40
Figure- 28	Drill Hole- HC/ZK1-07.....	40
Figure- 29	Drill Hole- HC/ZK1-12.....	40
Figure- 30	Drill Hole- HC/ZK1-18.....	41
Figure- 31	Drill Hole- HC/ZK2-01.....	41
Figure- 32	Drill Hole- HC/ZK2-05.....	41
Figure- 33	Drill Hole: HC/ZK2-07.....	42
Figure- 34	Drill Hole- HC/ZK2-09.....	42
Figure- 35	Drill Hole- HC/ZK3-01.....	42
Figure- 36	Drill Hole- HC/ZK3-04.....	43
Figure- 37	Drill Hole: HC/ZK3-07.....	43
Figure- 38	Drill Hole: HC/ZK3-09.....	43
Figure- 39	Drill Hole- HC/ZK3-12.....	44
Figure- 40	Drill Hole- ZK4-01.....	44
Figure- 41	Drill Hole- HC/ZK4-04.....	44
Figure- 42	Drill Hole- HC/ZK5-02.....	45
Figure- 43	Drill Hole- HC/ZK5-06.....	45
Figure- 44	Drill Hole: HC/ZK5-08.....	45
Figure- 45	Drill Hole- HC/ZK5-09.....	46
Figure- 46	Drill Hole- HC/ZK5-12.....	46
Figure- 47	Mechanical Portable Drill Rig in Operation.....	47
Figure- 48	Drill Sample Layout in the Core Tray.....	48
Figure- 49	Core Samples.....	49
Figure- 50	Drill Sample Identification and Splitting.....	49
Figure- 51	Core Logging by Geologist.....	50

Figure- 52	Basic Statistics of Drill Hole Recoveries.....	51
Figure- 53	Core Extraction Prior to Core Logging/Sampling.....	52
Figure- 54	Geotechnical Investigation Site.....	52
Figure- 55	Covered Core Box with Samples.....	55
Figure- 56	Sample Reconciliation from the Field.....	55
Figure- 57	Thermostat-Controlled Laboratory Oven at ITS Manila.....	56
Figure- 58	Thermostat-Controlled Manufactured Laboratory Oven at BNC Lab.....	57
Figure- 59	Thermostat-Controlled Fabricated Laboratory Oven at BNC Lab.....	57
Figure- 60	Rocklabs Boyd's Crusher with Automatic Splitter at ITS Manila.....	58
Figure- 61	Rocklabs Boyd's Crusher w/ Automatic Splitter at BNC.....	58
Figure- 62	Essa Labtec 2kg Pulverizer at ITS Manila.....	59
Figure- 63	Essa Labtec 2kg Pulverizer at BNC Lab, Quezon, Palawan.....	59
Figure- 64	Pulverized Sample Drying with Memmert Electric Oven at ITS Manila.....	60
Figure- 65	Pulverized Sample Drying with Dessicator at BNC.....	60
Figure- 66	Jaw Plates of Crusher.....	61
Figure- 67	Microbalance Weighing of Pulverized Sample and Flux.....	61
Figure- 68	Sample Fusion using 6-place Modutemp Fluxer at ITS Manila.....	62
Figure- 69	Sample Fusion using 6-place Claisse Fluxer at BNC Lab.....	62
Figure- 70	Panalytical Axios WD X-Ray Fluorescence Instrument.....	63
Figure- 71	Spectro XEPOS Energy Dispersive X Ray Fluorescence Instrument.....	63
Figure- 72	Barnstead Thermoline Furnace at ITS Manila.....	64
Figure- 73	Location Map of the Duplicate and Check Samples- QA/QC.....	68
Figure- 74	Drill Hole Internal Repeat (Duplicate) Plots for Nickel.....	70
Figure- 75	Drill Hole Internal Repeat (Duplicate) Plots for Cobalt.....	71
Figure- 76	Hole Internal Repeat (Duplicate) Plots for Iron.....	72
Figure- 77	Drill Hole Internal Repeat (Duplicate) Plots for Al ₂ O ₃	73
Figure- 78	Drill Hole Internal Repeat (Duplicate) Plots for Cr ₂ O.....	74
Figure- 79	Drill Hole Internal Repeat (Duplicate) Plots for MgO.....	75
Figure- 80	Drill Hole Internal Repeat (Duplicate) Plots for SiO ₂	76
Figure- 81	Test Pit Internal Repeat (Duplicate) Plots for Nickel.....	78
Figure- 82	Test Pit Internal Repeat (Duplicate) Plots for Cobalt.....	79
Figure- 83	Test Pit Internal Repeat (Duplicate) Plots for Iron.....	80
Figure- 84	Test Pit Internal Repeat (Duplicate) Plots for Al ₂ O ₃	81
Figure- 85	Test Pit Internal Repeat (Duplicate) Plots for Cr ₂ O ₃	82
Figure- 86	Test Pit internal Repeat (Duplicate) Plots for MgO.....	83
Figure- 87	Test Pit internal Repeat (Duplicate) Plots for SiO ₂	84
Figure- 88	External Repeat (Check) Plots for Nickel.....	86
Figure- 89	External Repeat (Check) Plots for Cobalt.....	87
Figure- 90	External Repeat (Check) Plots for Iron.....	88
Figure- 91	External Repeat (Check) Plots for Al ₂ O ₃	89
Figure- 92	External Repeat (Check) Plots for Cr ₂ O ₃	90
Figure- 93	External Repeat (Check) Plots for MgO.....	91
Figure- 94	External Repeat (Check) Plots for SiO ₂	92
Figure- 95	Location Map of the Jinchuan Validation Sampling Program.....	96
Figure- 96	Drill Hole/Test Pit Validation (INC vs Jinchuan Nickel Samples).....	97
Figure- 97	Drill Hole/Test Pit Validation (INC vs Jinchuan Cobalt Samples).....	98
Figure- 98	Drill Hole/Test Pit Validation (INC vs Jinchuan Iron Samples).....	99
Figure- 99	Drill Hole/Test Pit Validation Internal Repeat (Duplicate) Plots for Nickel.....	100
Figure-100	Drill Hole/Test Pit Validation Internal Repeat (Duplicate) Plots for Cobalt.....	101
Figure-101	Drill Hole/Test Pit Validation Internal Repeat (Duplicate) Plots for Iron.....	102
Figure-102	Drill Hole/Test Pit Validation External repeat (Re-Check) Plots for Nickel.....	103
Figure-103	Drill Hole/Test Pit Validation External Repeat (Re-Check) Plots for Cobalt...	104
Figure-104	Drill Hole/Test Pit Validation External Repeat (Re-Check) Plots for Iron.....	105
Figure-105	Map Showing Drill Hole and Test Pit Locations.....	107
Figure-106	Histogram Plots (Limonite).....	114

Figure-107	Histogram Plots (Saprolite).....	115
Figure-108	Probability Plots (Limonite).....	116
Figure-109	Probability Plots (Saprolite).....	117
Figure-110	Variogram Analysis (Limonite).....	120
Figure-111	Variogram Analysis (Saprolite).....	122
Figure-112	Block Model of Lithological Domains.....	125
Figure-113	Digital Terrain Model of Topography.....	131
Figure-114	Correlation of Blocks vs Samples (Limonite).....	134
Figure-115	Correlation of Blocks vs Samples (Saprolite).....	134
Figure-116	Block Model Showing PMRC Classification.....	137
Figure-117	Limonite Grade-Tonnage Distribution (Measured and Indicated Mineral Resource).....	140
Figure-118	Saprolite Grade-Tonnage Distribution (Measured and Indicated Mineral Resource).....	140
Figure-119	Limonite and Saprolite Grade-Tonnage Distribution (Measured + Indicated Mineral Resource).....	141
Figure-120	Limonite Grade-Tonnage Distribution (Inferred Mineral Resource).....	143
Figure-121	Saprolite Grade-Tonnage Distribution (Inferred Mineral Resource).....	143
Figure-122	Limonite and Saprolite Grade-Tonnage Distribution (Inferred Mineral Resource).....	144
Figure-123	Distribution of Operating costs	151
Figure-124	Nickel Ore Prices at China Ports (cfr).....	155
Figure-125	Effects of Indonesian Export Ban on Supply of Ore to China	155
Figure-126	Removal of Vegetation thru Clearing and Grubbing	157
Figure-127	Bench Forming and Mining of Ore	157
Figure-128	Ore Stockpiling	158
Figure-129	Loading of Ore to Barges/LCTs During Shipment	158
Figure-130	Loading of Ore to Vessel During Shipment	159
Figure-131	General Mine Layout	162
Figure-132	Mine Production Sequence	163
Figure-133	General Perspective of the Power House	166
Figure-134	General Perspective of the Mechanical Shop	166
Figure-135	General Perspective of the Assay Laboratory	167
Figure-136	General Perspective of the Sample Preparation	167
Figure-137	General Perspective of the Water Refilling Station for Water Lorry	168
Figure-138	Environmental control measures for small creeks and waterways	177
Figure-139	Bio Engineering Techniques for Erosion Control	177
Figure-140	Typical Settling Ponds	178
Figure-141	Typical Installed Coco Coir Mats.....	178
Figure-142	Example Solid Waste Management Program	179
Figure-143	Typical Nursery Operations Center	179
Figure-144	Environmental Management and Monitoring Program	180
Figure-145	Sediment Control Plan within the Mining Area	181
Figure-146	Progressive Rehabilitation Plan	182
Figure-147	Progressive Rehabilitation Plan under the Decommissioning Phase ..	186
Figure-148	Sensitivity Analysis of the Project	206
Figure-149	Simplified Table of Organization	212
Figure-150	Block Model of Ipilan Deposit	216
Figure-151	Digital Terrain Model of the Surface Topography	217
Figure-152	Nickel Ore Prices at China Ports (cfr).....	221
Figure-153	Positive Net Value Model of Ipilan Deposit	225
Figure-154	Optimized Pits of Ipilan Deposit	225

IMPORTANT INFORMATION ABOUT THIS TECHNICAL REPORT

1. The Client

This Technical Report has been prepared and produced by Mining Engineer-CP, **Vicente M. Jayme Jr.**, (“the Author”) solely for Ipilan Nickel Corporation, (“the Client”).

2. Client Use of Report

The Client’s use of this Technical Report is subject to the terms and conditions under which (“the Author”) prepared the Technical Report. As discussed, agreed and understood with the Client, this Technical Report is intended to provide an updated ore reserves estimate of the Project. It is also intended to be used as a supporting document in INC’s filing of Declaration of Feasibility Study with the DENR-MGB, its planned stock listing with the Philippine Stock Exchange (“PSE” or “Exchange”) and subsequent Initial Public Offering (“IPO”) in the Exchange.

3. Notice to Third Parties

This Technical Report was prepared for the Client only and any third party should take note:

- This Technical Report was generated to the specific requirements of the Client, and upon the Client’s instructions and objectives. The Technical Report has no regard to any third party’s needs or interests.
- This Technical Report was made to conform to the Philippine Mineral Reporting Code (PMRC) which is patterned after the JORC Code to satisfy the required standards of the PSE and the DENR- MGB.
- The Author expressly disclaims from making any representation or warranty to third party whether express or implied regarding this Technical Report on the interpretations, opinions or conclusions presented herein. Likewise, the Author expressly disclaims any liability to any third party.
- The Author does not authorize any third party to rely and use this Technical Report. However, if you choose to use or rely on all or part of this Technical Report, then any loss or damage you may incur is at your exclusive risk.

4. Inputs and Non- Duty to Update Due to Subsequent Changes

- This Technical Report was prepared using all available data and information supplied by or on behalf of the Client’s consultants and contractors. Unless clearly stated and implied otherwise, the Author has not independently verified all data and information although necessary and appropriate checks have been made as required.
- The Author accepts no liability for the accuracy or completeness of that data and information, even if that has been included and referenced into or relied upon in preparing this Technical Report.
- The interpretations, opinions and conclusions expressed in this Technical Report apply as at the date of the report. Events (changes to any of the data and information used in preparing the Technical Report) may have occurred since then which may impact on those interpretations, opinions and conclusions making them less reliable. The Author is

under no obligation to update the Technical Report upon the occurrence of any such event, though it reserves the right to do so and under a separate agreement with the Client.

This Technical Report has been prepared for the Client and must be read in its entirety and subject to the third party disclaimer clauses contained in the body of the Technical Report.

5. CP Technical Report Reliance of Data

This is a CP Technical Report on the INC Ipilan Nickel Project Economic Assessment and Ore Reserves Estimation having considered all the available geological, topographic and mining data gathered. The CP-EM has solely relied on the following documents and data provided by INC in the preparation of this CP Technical Report.

- PMRC-Competent Person's Technical Report on Mineral Resource evaluation of Ipilan Nickel Corporation – Ipilan Nickel Project (MPSA 017-93-IV) dated 12 October 2014 by CP-Geologist Edgardo G. Garcia of which Sections 2 to 10 are entirely based;
- Project Pre-feasibility study of the INC Ipilan Nickel Project dated May 2015 by Engr. May Elaine Cabilao Amora, Engr. Marilou C. Celzo and Engr. Carlo A. Matilac;
- INC mine engineering data of the surveyed topography covering the Ipilan deposit;
- Geologist-CP Block Model of the Ipilan deposit;
- Sample marketing spot contracts of PGMC covering the period 2012 to 2015;
- Nickel ore spot prices taken from the 2012-2015 monitoring of www.nieba.cn website;
- CRU Reports taken from their website www.cru.com;
- Nickel price monitoring website such as www.lme.com and www.kitco.com,

CERTIFICATION AND CONSENT OF THE COMPETENT PERSON


As the Principal Author of the “**PMRC- COMPETENT PERSON’S TECHNICAL REPORT ON THE ECONOMIC ASSESSMENT AND ORE RESERVES ESTIMATION OF IPILAN NICKEL CORPORATION- IPILAN NICKEL PROJECT (MPSA No. 017-93-IV)**” dated 10 July 2015 for the INC Nickel Project located in Barangays Maasin, Ipilan, Mambalot and Calasaguen, Municipality of Brooke’s Point, Palawan, Philippines, I, **Vicente M. Jayme Jr.**, do hereby certify that:

- I currently work as an Independent Consulting Mining Engineer- Competent Person and was engaged by Ipilan Nickel Corporation (INC) to prepare an updated CP Technical Report on the Economic Assessment and Ore Reserves Estimation of the INC Nickel Project in a manner compliant with the Philippine Mineral Reporting Code (PMRC) Standards/Requirements and the Philippine Stock Exchange, Inc’s (PSE or Exchange) Implementing Rules and Regulations (IRR) for Public Reports of Exploration Results, Mineral Resources and Ore Reserves.
- I graduated with a Bachelor of Science Degree in Mining Engineering from the Mapua Institute of Technology (B.Sc. EM) in 1961.
- I am a Certified Professional Mining Engineer (Reg. No. 001085) and Certified Professional Geologist (Reg. No.00248) under the Philippine Professional Regulations Commission.
- I am a member in good standing of the Geological Society of the Philippines and Philippine Society of Mining Engineers. My PMRC CP (Copper and Nickel Mining) accreditation (No.1085-013-10) is valid at the time of filing of this certificate.
- I have practiced the profession as a geologist and mining engineer in the mining industry for over 50 years and have extensive experience working on minerals particularly nickel laterite deposits and copper properties in the Philippines.
- I have sufficient relevant experience to the style of mineralization, type of nickel laterite deposit and mining method under consideration and to the activity which I am undertaking as a Competent Person (CP) as defined both in the 2007 PMRC Code for Reporting of Ore Reserves.
- I have read the definition of “Competent Person” set out in the PMRC Code of 2007 and certify that by reason of my education, affiliation with professional associations (as defined in the code) and past relevant work experience, I fulfill the requirements to be a “Competent Person” for the purposes of the Technical Report.
- I am the primary “Author” responsible for the preparation and compilation of the Technical Report, and supervision of the technical team who assisted in the ore reserve estimation section of the Technical Report.
- I am not aware of any fact or change with respect to the subject matter of the Technical Report that is not reflected in the Technical Report, the omission to disclose which makes the Technical Report misleading.
- I have had no previous involvement with the Ipilan Nickel Corporation’s Ipilan Nickel Project prior to my preparation of the initial CP Technical Report for Reporting of Ore Reserves. I have no interest, nor do I expect to receive any

INC Economic Assessment and Ore Reserves Estimation (PMRC-CPEM Technical Report) interest, either directly or indirectly, neither in the Nickel Project, nor in the securities of INC during its future listing that could be reasonably regarded as being capable of affecting my independence.

- My professional fee for completing this Technical Report is based on normal industry rates plus reimbursement of incidental expenses. The payment of that professional fee is not contingent upon the outcome of the Technical Report.
- I am independent of the client who requested for this Technical Report which will serve as supporting document in INC's planned stock listing at the Philippine Stock Exchange (PSE) and subsequent Initial Public Offering in the Exchange.
- I consent to the full inclusion in the INC prospectus and public filing of this Technical Report, extracts or summary here from, in the written disclosure being filed in the context in which it was prepared and reported.
- This certificate and consent applies to the CP Technical Report:

**PMRC- COMPETENT PERSON'S TECHNICAL REPORT
ECONOMIC ASSESSMENT AND ORE RESERVES ESTIMATION
IPILAN NICKEL CORPORATION
IPILAN NICKEL PROJECT (MPSA No. 017-93-IV)
BRGYS. MAASIN, IPILAN, MAMBALOT AND CALASAGUEN
MUNICIPALITY OF BROOKE'S POINT, PALAWAN
PHILIPPINES**



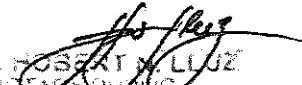
Mr. Vicente M. Jayme Jr.
Registered Mining Engineer (PRC License No. 1085)
PTR No. 2162674 (Issued at Talisay City, Cebu/Valid till 31 Dec. 2015)
Registered Geologist (PRC License No. 248)
PTR No. 2162675 (Issued at Talisay City, Cebu/Valid till 31 Dec. 2015)
PMRC CP EM No. 1085-13-10 – Competent Person

REPUBLIC OF THE PHILIPPINES)

Makati City) SS.

SUBSCRIBED AND SWORN to before me this JUL 15 2015 day of _____
2015 affiant exhibited to me his/her Community Tax Certificate No.
15334180 issued on 01 January, 2015 at Talisay City, Cebu, Philippines.

Doc No. 487
Page No. 99
Book No. 28
Series of 2015



ATTY. ROBERT M. LLUZA
NOTARY PUBLIC
Until December 31, 2015
Appt. No. M-44 Makati City
IBP #978779, Dec. 17, 2014-RSM
PTR #4748501, Jan. 05, 2015-Makati
S.C. Roll No. 58487
MCE Compliance No. IV-0011330
Unit 301 3F, Fin. Campos Rueda Bldg.
101 Urban Avenue, Brgy. Pio del Pilar
Makati City

Abbreviation List

APO	Association of Professional Organizations
AusIMM	Australasian Institute of Mining and Metallurgy
Al ₂ O ₃	Alumina
BD	Bulk Density
BM	Bureau of Mines
block_vol	volume of a cell in a block mode
°C	Degrees Celsius
CNMEC	Celestial Nickel Mining and Exploration Corporation
Co	Cobalt
CP	Competent Person
CPR	Competent Person's Report
Cr	Chromium
Cr ₂ O ₃	Chromium (III) oxide
D	Dunite
DENR	Department of Environment and Natural Resources
DMT	Dry Metric Tonnes
E	East
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EIA	Environmental Impact Assessment
EIS	Environmental Impact Statement
Fe	iron
g	gram
>	greater than
GSP	Geological Society of the Philippines
ha	Hectare
Hz	Harzburgite Bedrock
IRR	Internal Rate of Return
INC	Ipilan Nickel Corporation
Ind	Indicated
Inf	Inferred
ITS	Intertek Testing Services, Inc.
JORC	Joint Ore Reserves Committee
Kg	Kilogram
Km	Kilometer
km ²	square kilometer
LA	Yellow limonite
LB	Yellow limonite
<	less than
LF	Red-brown limonite

INC Economic Assessment and Ore Reserves Estimation (PMRC-CPEM Technical Report)

m	Meter
M	Million
m ³	cubic meter
Mes	Measured
MGB	Mines and Geosciences Bureau
MgO	Magnesium Oxide
MPSA	Mineral Production Sharing Agreement
Mt	Million tonnes
Mtpa	Million tonnes per annum
Mwt	Million wet tonnes
N	North
Ni	Nickel
NPAT	Net Profit After Tax
num_a ₂ O ₃	number of alumina samples
num_co	number of cobalt samples
num_cr	number of chromium samples
num_fe	number of iron samples
num_MgO	number of magnesium oxide samples
num_ni	number of nickel samples
num_siO ₂	number of silicate samples
%	percent
PGMC	Platinum Group Metals Corporation
PMRC	Philippine Mineral Reporting Code
PSEM	Philippine Society of Mining Engineers
QA/QC	Quality Assurance/Quality Control
R_SAP	Rocky saprolite
S	South
S_ROCK	Saprolitic rock
SAP	Saprolite
SD	Serpentinized Dunite
SG	Specific gravity or dry bulk density
SHz	Serpentinized Harzburgite
SiO ₂	Silica
SS	Serpentinite
t	Tonnes
TM	Transition Material
TMM	Toledo Mine Management, Inc./TMM Management, Inc.
tpa	tonnes per annum
W	West
WMT	Wet Metric Tonnes
XRD	X-ray diffraction
XRF	X-ray fluorescence

EXECUTIVE SUMMARY

The Ipilan Nickel Corporation (“INC”) engaged the “Author”, Vicente M. Jayme Jr., a Mining Engineer- CP to prepare a PMRC CP Technical Report on the Economic Assessment and Ore Reserves Estimation of the Ipilan Nickel Project (“Ipilan Project”) located in Barangays Maasin, Ipilan, Mambalot and Calasaguen, Brooke’s Point Municipality, Palawan, Philippines for INC’s filing of Declaration of Feasibility Study with the DENR-MGB, its planned stock listing with the Philippine Stock Exchange (“PSE” or “Exchange”) and subsequent Initial Public Offering (“IPO”) in the Exchange.

The Project is located within a mineral-rich area in the Palawan Region in the western part of the Philippines identified as a nickel-iron laterite rich region derived from the weathering of Eocene- Oligocene ultramafic rocks of the Palawan Ophiolite Complex.

The Project is covered by MPSA No. 017-93-IV granted to Celestial Nickel Mining and Exploration Corporation (“CNMEC”) on 19 September 1993 covering an area of 2,385.06 hectares which is valid for 25 years (until 2018) and renewable for an additional 25 years. CNMEC then entered into a life of mine Operating Agreement with Ipilan Nickel Corporation (“INC”) on 25 August 2005.

INC conducted extensive exploration on the tenement from August 2006 to December 2009 consisting of reconnaissance to detailed mapping, test pitting, layout of traverse lines, test drilling to resource definition drilling and geotechnical drilling. Details are given below.

Details of Exploration		Depth (m)
Drill Holes	3,154	54,095.79
Test Pits	5,093	27,279.24
TOTAL	8,247	81,375.03
Sample Assays	84,413	

This resulted into the preparation of a CP Technical Report on the Mineral Resource Evaluation for the INC Nickel Project prepared by TMM Management, Inc. on 30 June 2010.

On 14 October 2014, a recent update of the mineral resource estimate was undertaken by a Geologist-CP Edgardo G. Garcia which took in to account re-validation and re-interpretation, since the initial resource estimation made by TMM. During the updated resource estimation, the review of INC’s drilling and sampling procedures indicated that appropriate practices were used during the drilling program and that all exploration activities were accomplished to the PMRC Code standard. The QA/QC process indicated the following: that there is no significant assay bias; that with the significant amount of samples used in the estimation and the normal distribution and small range of sample grades within each estimation domain, the observed scatter of repeat data have no material and adverse impact on the resource estimate especially for nickel and iron. Using the results of QA/QC, considerations were made when assigning PMRC classifications to the resource estimates.

INC Economic Assessment and Ore Reserves Estimation (PMRC-CPEM Technical Report)

The Geologist-CP mineral resource estimate complied with the recommendations of PMRC (2007) as highlighted by adoption of the guidelines listed on the PMRC "Table-1- Checklist of Assessment and Reporting Criteria". The INC PMRC Statement of Mineral Resources as reported as at 03 October 2014 has a measured and indicated mineral resource of **50.0 Million Dry Metric Tonnes at 1.23%Ni and 24.0%Fe.**

On 20 April 2015, the Author, in his capacity as an independent consulting Mining Engineer-CP was engaged by INC to do an economic assessment and ore reserve evaluation for its Ipilan Nickel Project and subsequently prepare a PMRC CP-Technical report for economic assessment and ore reserve evaluation for purposes of submission to the Philippine Stock Exchange.

Based on the 2015 pre-feasibility study as prepared by the INC mine engineering team and other data provided, the project has been determined to be profitable as reflected in the detailed financial model prepared by the Author. Based on the Financial Analysis, the project with an initial investment of **PhP2.13 Billion or US\$48.4 Million**, has **Net Present Value (NPV) of) PhP7.37 Billion or US\$ 167.5 Million**, **Internal Rate of Return (IRR) of 99%** and a **Payback (discounted) period of 1.80 years.**

The proven and probable ore reserves estimate for the INC Ipilan Nickel Project as at 10 July 2015 is **28.6 Million WMT at 1.43%Ni and 24.01%Fe.** The ore reserves estimate was proven to be viable based on the results of the economic assessment done by the Author.

The author recommends to PGMC the following:

As the current MPSA is due to expire on 18 September 2018, INC should start documenting and consolidating all mandatory requirements and apply for the renewal to the DENR Mine and Geosciences Bureau as soon as possible.

INC should expedite the amendment of its approved ECC to allow it to increase its annual mine production capacity from 1.0 Million dry tonnes to 3.0 Million wet tonnes within two (2) years as reflected in its 2015 Pre-Feasibility Study.

Further exploration work to the northern part of the deposit as well as areas where the mineral resource was classified as inferred should be done to delineate additional mineral resource with the potential to be converted to ore reserves and extend the life of the mine to beyond its projected twelve (12) years mine life. The area to the north of the deposit has underlying ultramafic rocks mapped as basement lithology and may hold potential for the development of nickel laterite mineralization.

The company should intensify its community relations and development programs to promote transparency and educate the community as well as the concerned local government units in relation to the INC project. Particular attention should be focused on safety and health risks of the community and how these will be mitigated through proper training and information dissemination.

Strategic mine planning should focus on the long term outlook of the Indonesian export ban on unprocessed ore and the falling prices and demand for carbon steel and its effect on the ore reserves of INC. It should determine the optimum

INC Economic Assessment and Ore Reserves Estimation (PMRC-CPEM Technical Report)

production of the mine putting into consideration the future demand of nickel particularly the medium and high grade and the risk of slowing down on the low grade nickel-high iron ore exports as the prices of iron ore have gone down significantly. The strategic mine plan should address the question on the effect of the low grade nickel-high iron if it were to become a non-marketable product with the demise in demand of China.

1.0 INTRODUCTION

1.1 Purpose

The purpose of this Technical Report is to provide an independent technical update on the PMRC Economic Assessment and Ore Reserves Estimate of the Ipilan Nickel Project (“the Project”) of Ipilan Nickel Corporation (“the Company”) covering all the identified and explored deposits for INC’s filing of Declaration of Feasibility Study with the Department of Environment and Natural Resources Mine and Geo-Sciences Bureau (“DENR-MGB”), its planned stock listing with the Philippine Stock Exchange (“PSE” or “Exchange”) and subsequent Initial Public Offering (“IPO”) in the Exchange.

This Technical Report was made to conform to the Philippine Mineral Reporting Code (PMRC) which was patterned after the Joint Ore Reserves Committee (JORC) Standards to satisfy the reporting standards of the DENR-MGB and PSE.

1.2 Scope of Work

The Competent Person (CP), Vicente M. Jayme Jr., as an independent Mining Consultant- CP supervised and carried out the preparation of the economic assessment and ore reserves estimation presented in this Technical Report. This Technical Report includes assessment and comments with regards to compliance to the PMRC Standard for Economic Assessment and Ore Reserve Reporting Check List.

During the ore reserves evaluation several meetings/discussions were made with:

Joseph C. Sy, President, INC
Atty. Dante R. Bravo, EVP/Corporate Secretary, INC
Seng Gay Chan, SVP/CFO, INC
Carlo A. Matilac, Project Head, INC
Edgardo G. Garcia, Geologist-CP

The work program included the following items:

- Collation of relevant technical information on the Project including resources data, topographic and production data;
- Site visits were conducted at the Project area to monitor progress and discuss technical aspects with staff of INC;
- Review, validation of all the acquired data (block model, topographic data, etc.), detailed analysis of available data in preparation for ore reserve estimation;
- Discussions on the Declaration of Project Feasibility that was submitted to the Philippine Government (DENR) and the latest Pre-Feasibility Study prepared in May 2015 by the INC mine engineering staff;
- Discussions on the Project short to long term development and production plans;
- Discussions on proposed additional exploration on potential areas; and
- Discussions on the Competent Person’s Technical Report on INC’s Mineral Resource which was prepared by the Geologist-CP Edgardo G. Garcia
- Generation and completion of the Competent Person’s Technical Report on INC’s Economic Viability and Ore Reserves which is basically in line with the reporting requirements of PMRC and PSE.

It was noted by the “Author” that the Geologist-CP has for a long period been acquainted with the geologic setting, nickel laterite exposures, company’s exploration and mining activities which proved substantive in the preparation of the PMRC- Compliant Technical Report on mineral resource estimates.

1.3 Compliance

This Competent Person’s Technical Report presents the updated and latest ore reserves estimate as of 10 July 2015 of the Ipilan Nickel Project for the Ipilan deposit. The nickel laterite ore reserves have been determined following the standards and guidelines set forth by the PMRC Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. The PMRC Code is a locally recognized standard for the public reporting of mineral resources and ore reserves, adopted by the Philippine mining industry and the associated local Accredited Professional Organizations (APOs) and is included in the listing rules of the Philippine Stock Exchange. The PMRC closely referenced the internationally accepted set of standards and definitions of Australia, Canada, South Africa, European Union and the International Reporting Template by the Committee for Mineral Reserves International Reporting Standard (CRIRSCO) for the reporting of mineral resources and ore reserves. *The reporting standards and definitions of the PMRC Code are compatible to the reporting standards and classification systems of the 2004 and 2012 JORC Code of Australia.*

1.4 Declaration and Qualification

The Competent Person, Vicente M. Jayme Jr., is an independent consulting mining engineer and does not hold any securities in INC, its subsidiaries or affiliates, nor will it hold any securities in the future listing of the company. The CP has no vested interest in any properties or concessions held by INC and his sole commercial interest with INC is to provide professional consulting services in connection with the ore reserve evaluation and CP Technical Report preparation as presented herein. The payment of professional fees is established under a proposal/contract agreement and is not influenced by an additional company financing or on the outcome of the future listing of INC.

The CP, Vicente M. Jayme Jr., has practiced the profession as a geologist and mining engineer in the mining industry for over 50 years. He has extensive experience working on nickel properties in the Philippines (Surigao, Dinagat, Davao, Isabela, Palawan, Cebu, and Negros Oriental). He has completed investigations on nickel properties on behalf of private companies. His education includes a B.Sc. Degree (1961) in Mining Engineering from Mapua Institute of Technology. He is a Certified Professional Geologist (Registration Number 248) and a member in good standing of the Geological Society of the Philippines. He is a Certified Professional Mining Engineer (Registration Number 1085) and a member in good standing of the Philippine Society of Mining Engineers. He is qualified to be a “Competent Person” under the requirements of the PMRC (CP-EM No. 1085-13-10).

1.5 Reliance on Other Experts or CPs

This is a CP Technical Report on the INC Ipilan Nickel Project Economic Assessment and Ore Reserves Estimation having considered all the available geological, topographic and mining data gathered. The Mining-CP has solely relied on the following documents prepared by Expert CP(s) in the preparation of this CP Technical Report.

- PMRC-Competent Person's Technical Report on Mineral Resource Evaluation of Ipilan Nickel Corporation – Ipilan Nickel Project (MPSA 017-93-IV) dated 12 October 2014 by CP-Geologist Edgardo G. Garcia of which Sections 2 to 10 are entirely based;

1.6 Disclaimer

In the preparation of this updated CP Technical Report, the "Author" has relied upon the work completed by other professionals. Every effort has been made to check the accuracy and reliability of the previous drilling, sampling and geological work, but it was not possible to independently verify all of the information provided. For the most part, this information was collected, generated and/or compiled directly by, or under the supervision of, INC professionals well versed in the geological and technical requirements for nickel projects.

The sources of data for much of this report are in the form of Technical Reports prepared by geologists and engineers of INC, TMM and other Consultants. Most of the geological data, drill logs, analytical reports, and field maps collected by INC are available in the INC offices in Manila and Palawan. The "Author" was able to verify the accuracy of the data presented in the reference reports by comparison with the source data and as such has no reason to doubt the integrity of the information presented. During the validation process several transcriptional errors were corrected. Overall, the data supplied was found to be in good condition and to be reasonably accurate. The "Author" considers this information to be reliable and of good quality.

The opinions expressed in this Technical Report have been based on the information supplied to the "Author" by INC. The "Author" has exercised all due care in reviewing the supplied information and the accuracy of the results and conclusions generated in the Technical Report are entirely reliant on the accuracy and completeness of the supplied data.

The "Author" does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them.

A list of the reports and scientific papers used in this report is given in the reference section.

2.0 TENEMENT AND MINERAL RIGHTS

2.1 Description of Mineral Rights

The Ipilan Nickel Project is covered by MPSA No. 017-93-IV granted to Celestial Nickel Mining and Exploration Corporation ("CNMEC") on 19 September 1993

covering an area of 2,385.06 hectares which is valid for 25 years (until 2018) and renewable for an additional 25 years. CNMEC then entered into a life of mine Operating Agreement with Ipilan Nickel Corporation ("INC") on 25 August 2005.

The tenement boundaries of the project area under consideration are defined under the terms of the MPSA in accordance with the provisions of the Department of Environment and Natural Resources Administrative Order No. 57 of 1989, and the Philippine Mining Act of 1995.

The details of the CNMEC MPSA are given in **Table-1**.

Project Type	Ni-Laterite Mining Project
Name of Certificate	Mineral Production Sharing Agreement
Certificate No.	MPSA-017-93-IV
Mining Title Holder	Celestial Nickel Mining and Exploration Corporation
Name of Mine	Ipilan Nickel Project
Mining Method	Open Cut Mining
Area/Size	2,835.06 hectares
Issue Date	September 19, 1993
Validity	September 18, 2018

Table-1. Details of the CNMEC MPSA

The geographic coordinates of the MPSA as defined by the mining license for the Ipilan Nickel Project are presented in **Table-2** and the MPSA Tenure Map is shown in **Figure-1**.

Corner	Longitude	Latitude
1	117°54'30.544"	8°54'34.236"
2	117°54'03.880"	8°54'34.236"
3	117°54'03.880"	8°54'07.570"
4	117°52'17.210"	8°54'07.570"
5	117°52'17.210"	8°54'24.240"
6	117°52'31.260"	8°54'24.240"
7	117°52'31.260"	8°54'34.240"
8	117°52'21.260"	8°54'34.240"
9	117°52'21.260"	8°54'44.240"
10	117°52'11.260"	8°54'44.240"
11	117°52'11.260"	8°54'54.240"
12	117°52'17.210"	8°54'54.240"
13	117°52'17.210"	8°55'14.240"
14	117°52'20.540"	8°55'14.240"
15	117°52'20.540"	8°55'24.240"
16	117°52'40.540"	8°55'24.240"
17	117°52'40.540"	8°55'34.240"
18	117°52'50.540"	8°55'34.240"
19	117°52'50.540"	8°55'44.240"
20	117°53'00.540"	8°55'44.240"
21	117°53'00.540"	8°55'54.240"
22	117°53'10.540"	8°55'54.240"
23	117°53'10.540"	8°56'47.570"

24	117°53'10.540"	8°57'14.240"
25	117°53'10.540"	8°58'34.240"
26	117°54'03.870"	8°58'34.240"
27	117°54'03.870"	8°59'27.570"
28	117°55'23.870"	8°59'27.570"
29	117°55'23.870"	8°58'34.240"
30	117°54'57.240"	8°58'34.240"
31	117°54'57.240"	8°58'07.570"
32	117°54'30.530"	8°58'07.570"
33	117°54'30.530"	8°57'14.240"
34	117°54'03.960"	8°57'14.240"
35	117°54'03.960"	8°56'47.570"
36	117°54'30.544"	8°56'47.570"
37	117°54'30.544"	8°56'20.910"
38	117°54'57.200"	8°56'20.910"
39	117°54'57.200"	8°55'0.910"
40	117°54'30.544"	8°55'0.910"

Table-2. Geographic Coordinates of the CNMEC MPSA



Figure-1. CNMEC Tenure Map (Source: TMM)

2.2 History of the Mineral Rights

The history of the mineral rights can be gleaned from an excerpt of the Snowden Report below:

Lecar & Sons Company applied a claim to the Project Area and conducted limited nickel laterite exploration from 1968. After 2 years, Nippon Mining Corporation of Japan started their extensive exploration program and accomplished 1,051 percussion drill holes, 232 rotary drill holes and 173 test pits. A mining claim dispute between Lecar & Sons and Infanta Minerals Inc., an adjacent claim holder, resulted in Nippon Mining Corporation's withdrawal from the Area in 1971.

Infanta Minerals Inc. then commenced exploitation and exportation of direct-shipping saprolite ore (DSSO) from the contested claims. About 50,000 tons of lateritic ore had already been shipped out before a court order to halt the operation in 1977.

In June 1981, Lecar & Sons assigned the claims to Celestial Nickel Mining and Exploration Corporation (CNMEC) and by January of 1992 the dispute between CNMEC and Infanta Minerals Inc. was settled. CNMEC filed an application for a MPSA on September of the same year as it started its exploration program. By the first half of 1993, CNMEC had excavated 121 new test pits while conducting reconnaissance pedogeochemical sampling in unexplored areas.

On August 5, 1993, MPSA 017-93-IV was awarded to CNMEC to explore, develop, operate and rehabilitate the 2,835.06 hectares of the mining property. CNMEC entered into an Option Agreement on December 1996 with Sarabat Philippines, Inc.

Sarabat Philippines Inc. conducted its first exploration program in March 1997 and sunk 408 test pits within the approximately 900 hectares of the contract area. AGRA Simons Engineering Company of Canada conducted a Pre-Feasibility Study and verified the presence of nickel reserves in the area in 1998. When a 2-year Exploration Extension Period was granted in 1999, geophysical surveys were conducted in the Everlasting area using ground-penetrating radar (GPR) to map and determine the thickness of the laterite deposits. Nickel mining exploration was halted in 2001 due to insufficiency of funds and expiration of the exploration period extension.

CNMEC entered an agreement with Toledo Mining Corporation and Brooke's Nickel Ventures, Inc. to form INC in 2005 through NLRI. CNMEC was granted another 2-year exploration period extension and has then conducted extensive exploratory fieldwork in the area.

CNMEC has assigned its mineral rights to INC through an Operating Agreement as officially received by the DENR- MGB Region IV on 25 August 2005 and recently approved by the DENR Secretary dated 20 April 2015.

3.0 GEOGRAPHIC FEATURES

3.1 Location and Accessibility

The INC Ipilan Nickel Project is located in Barangays Maasin, Ipilan, Mambalot and Calasaguen, Brooke's Point Municipality, Palawan, Philippines. The Province of Palawan is a long and narrow archipelagic island and is part of Region IV-B MIMAROPA (Mindoro, Marinduque, Romblon and Palawan), which is the largest island in Region-IV and fifth largest island in the Philippines.

The Project site coordinates are latitude 8°55'19" and longitude 117°54'45". **Figure-2** shows the general project location.

Daily scheduled flights are serviced by Philippine Airlines, Cebu Pacific, Air Philippines, and Zest Air from Manila and Cebu City to Puerto Princesa City. Available commercial cargo vessels and ferry boats from various Philippine provinces are also an alternative means to the city.

The Project Area is around 175 km by national road on the southeastern margin of the island, from Puerto Princesa City going to Brooke's Point, and can be reached by public transport via a well-paved, all-weather national highway with a travel time of approximately 3 to 4 hours.

Access to and within the property is by 4WD vehicles upon purpose-built tracks.

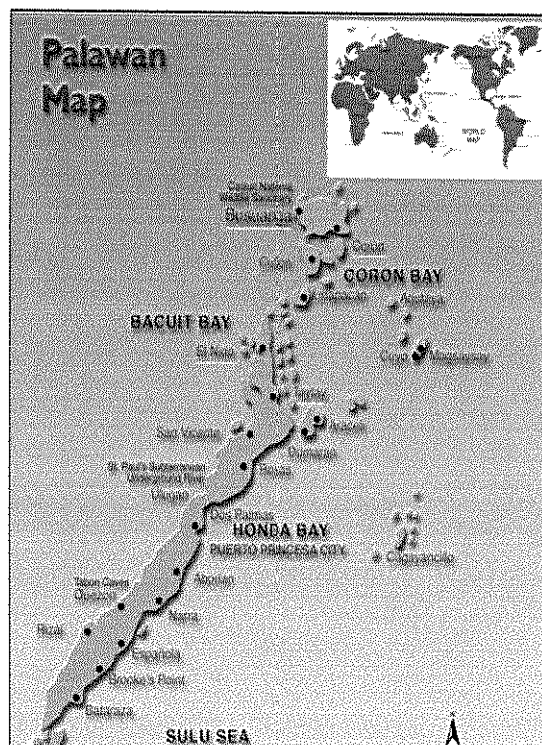


Figure-2. Project Location Map (Source: TMM)

3.2 Physiography, Climate and Vegetation

3.2.1 Topography and Drainage

The Project Area lies on a moderate to rugged topography on the foothills of Mount Mantalingahan-Pulot Range. The southern part has a feature of gently-sloping ridges and plateau, where most of the laterite deposits are located between 75 m to 500 m elevation above sea level. A network of largely NW- to SE-flowing dendritic-parallel drainage channels are developed from the NE-directed mountain range.

3.2.2 Climate

Palawan province is generally free from major typhoons. The climate in the area is classified as Type III (**Figure-3**). It experiences two types of climate: a dry season (during November to April) and a wet season (May to October). The average annual extreme temperature of the province ranges from 22.6°C to 31.9°C. The annual average

rainfall of the province according to Philippine Atmospheric Geophysical Astronomical Services Administration (PAGASA) ranges from 2.327 mm to 2.577 mm.

Due to the high rainfall, rivers are perennially active, and from these rivers irrigation waters are utilized for the surrounding rice paddies adjoining the Mambalot and Filantropia River (also called Maasin River) and their tributaries.

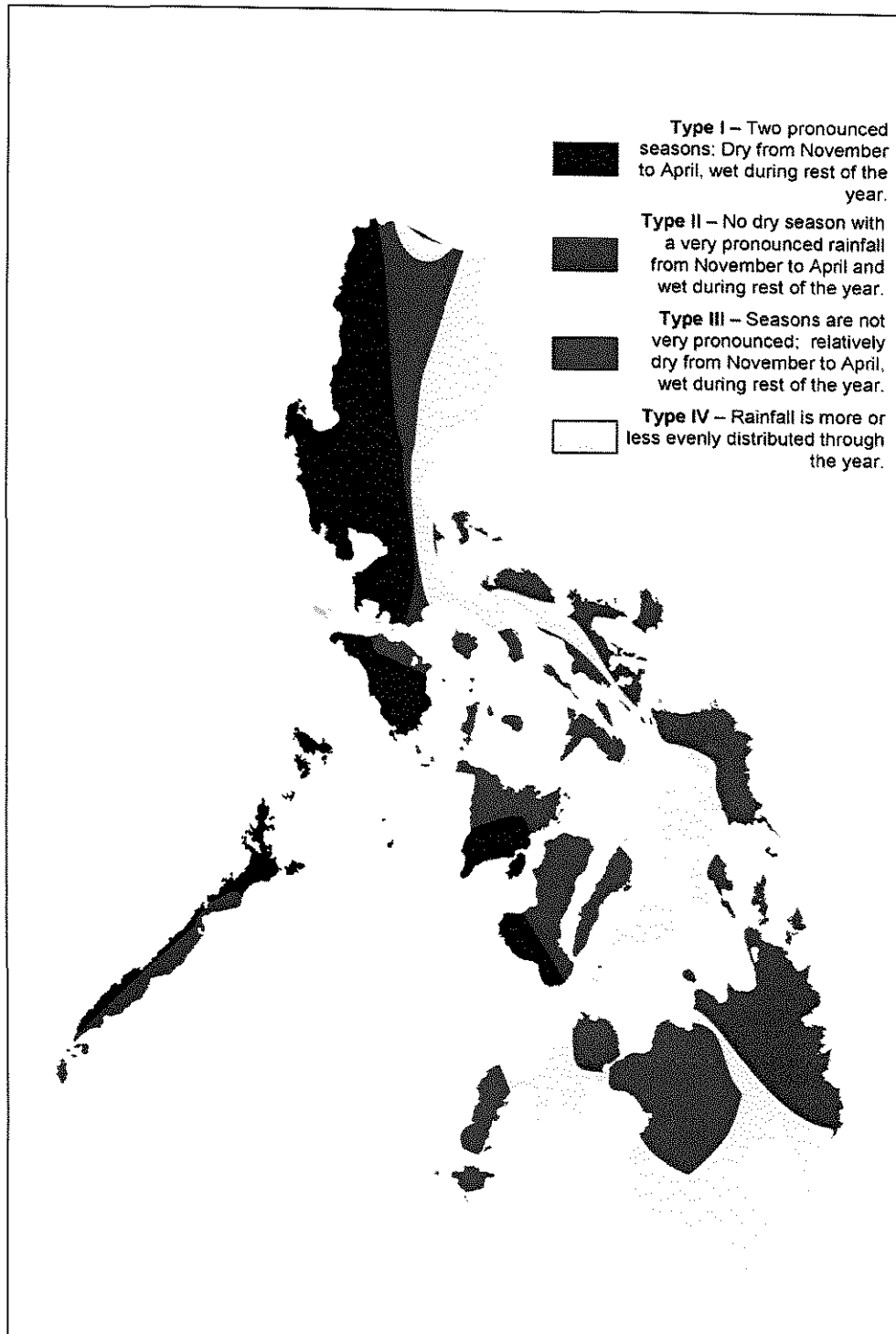


Figure-3. Philippine Climate Map (Source: PAGASA)

3.2.3 Vegetation

The Mantalingahan-Pulot Range is generally covered with mature trees, however the dense forest covering the lateritic soil consists of secondary growths with tree trunk diameters usually not exceeding 30 cm. If not abandoned to secondary growths, the lower elevations and areas of low relief are mostly planted to coconut, fruit trees, rice, vegetables and near the coast mangroves are also present.

3.3 Land Use and Infrastructure

Wetlands in the coastal portions are used for duck raising. In the low-relief areas, larger plots of coconut and banana plantations are seen along with rice paddies and cornfields. Portions are devoted to gardens and orchards. In moderate to higher relief, traditional slash-and-burn practices can be observed, for growing vegetables, upland rice, and other crops. In forested, high relief areas, indigenous people in particular, utilize forest products such as rattan and resins (almaciga). Areas in higher elevations are generally unpopulated where indigenous people traditionally hunt for game and wildlife.

Brooke's Point is one of the municipalities of Palawan Province. It has a port, a private airfield in Lada, Barangal Pangobilan owned by the New Tribe Mission, and an airstrip for military use in Samarinana.

3.4 Socio Economic Environment

The Project Area encompasses the Barangays of Ipilan, Mambalot Maasin, and Calasaguen all of which are rural. Ipilan has the largest population at 5,177 as of 2007, while Maasin and Mambalot have 3,159 and 2,474 respectively. The total population indicated 13,013 with Calasaguen having a population of 2203. A 2008 survey indicated 91 indigenous people in the area, consisting of Cagayanin, Cuyonin and Palawanon. The people consist of largely Christian migrant settlers that live harmoniously with a mix of pagan indigenous peoples that dominate the interior portions, including interspersed Muslim clans.

The estimated coverage of the MPSA in each barangay is shown below in **Table- 3**.

BARANGAY	AREA OF BARANGAY (hectares)	AREA OF MPSA WITHIN BARANGAY (hectares)	% of MPSA WITHIN EACH BARANGAY
Maasin	7072	1718	24%
Mambalot	3525	424	12%
Calasaguen	9692	724	7%
Ipilan	6443	51	1%

Table-3. MPSA Coverage in Each Barangay (Source: TMM)

Brooke's Point has an average household size of 4.85 people, while specifically; the barangays encompassed by the mining tenement have household sizes of 4.84, 4.74 and 5.04 for Ipilan, Maasin and Mambalot respectively. Calasaguen has a household size of close to 5. Within the municipality, 54.95% of the population is employed in gainful occupations such as agricultural, animal husbandry, forestry, sales and service work, and the like. The remaining 45.13% are engaged in less gainful activities, as housekeepers, caregivers, and students.

Household surveys done in Barangays Mambalot and Maasin show that the median monthly income for the respective barangays is Php 3,700 for Mambalot and Php 6,333 for Maasin. The median monthly expenses, on the other hand, are Php 4,536 for Mambalot and Php 4,920 for Maasin. The National Statistics Coordination Board (NSCB) has pegged the Annual Per Capita Poverty Threshold Level (APCPTL) or the amount required to satisfy a person's basic food and non-food need for rural areas such as

Palawan at Php 12,712. At an average household size of 4, the monthly take home pay required to attain the APCPTL is Php 4,237. A total of 2766 households from 2008 have been documented for the four barangays, with 54% (1495 households) as below the poverty line.

People on the coastal areas on fishing; as a rural community, most families tend to livestock, vegetable gardens, fruit trees, and agriculture (rice and corn) including coconut and banana plantations.

Upper respiratory tract infection and malaria are the leading causes of morbidity from 2001 to 2005 whilst cardiovascular arrest/ hypertension and pulmonary tuberculosis are the leading causes of mortality. There are 25 beds available in government facilities, with 172 medical staff, while private facilities have six beds and ten medical staff.

Water supply is from Brooke's Point Rural Waterworks and Sewerage Association Inc. for the urbanized barangays. Rural barangays source their water from springs, wells, rivers or streams.

The Palawan Electric Cooperative supplies the electrical power needs of the Municipality. All barangays have access to power. However, 48 percent of households are not connected due to remoteness. However, some households utilize generator sets, and kerosene for lighting and cooking.

The town has cellphone coverage and access to cable TV, radio station, post office and delivery services.

3.5 Environmental Features/Concerns

The area straddles the Mt. Mantalingahan-Pulot Range, which has been proclaimed as a protected area well after the grant of the MPSA area in 1993 hence; CNMEC has prior rights with its MPSA contract with the government. This issue however will be given utmost attention to protect INC's interest.

From the available maps it is indicated that the basin present in the MPSA area has greater coverage than the actual extents it intersects in the MPSA area. In keeping up with the company's environmental responsibility, base line information has been collected during exploration, and control structures will be in place during mining to ensure that surface runoff will conform to existing standards and regulations.

A large expanse of alluvial plains is allocated to agriculture downstream of the mining tenement. INC in its mine plan and design will institute control measures to minimize siltation through proper mining and water management practices. This way the quality water discharges after passing the MPSA area, enabling its utilization for irrigation and domestic use.

3.5.1 Heritage and Cultural Values

No archeological artifacts were discovered during any of INC's exploration works. Moreover, the upland areas which host the haul roads, mining areas, stockyards and dumpsites are also non-archaeological sites. There are no caves and relevant life support systems such as fertile soil, agricultural plantations that could promote human habitation.

During the Community Consultations conducted during the base line study, the residents of adjoining barangays confirmed that there are no historical sites in the vicinity of the project site.

3.5.2 Geological Hazards

The Project is located on the Western Seaboard of the Philippines. Typhoons, flashfloods, storm surge, landslides and earthquakes are uncommon natural calamities in the region making it an ideal location for mining operations. The Philippine Seismicity Map and Seismic Hazard Map are shown in **Figures-4 and 5**, respectively. Future INC mine design will take into consideration all possible geological hazards associated with the Project.

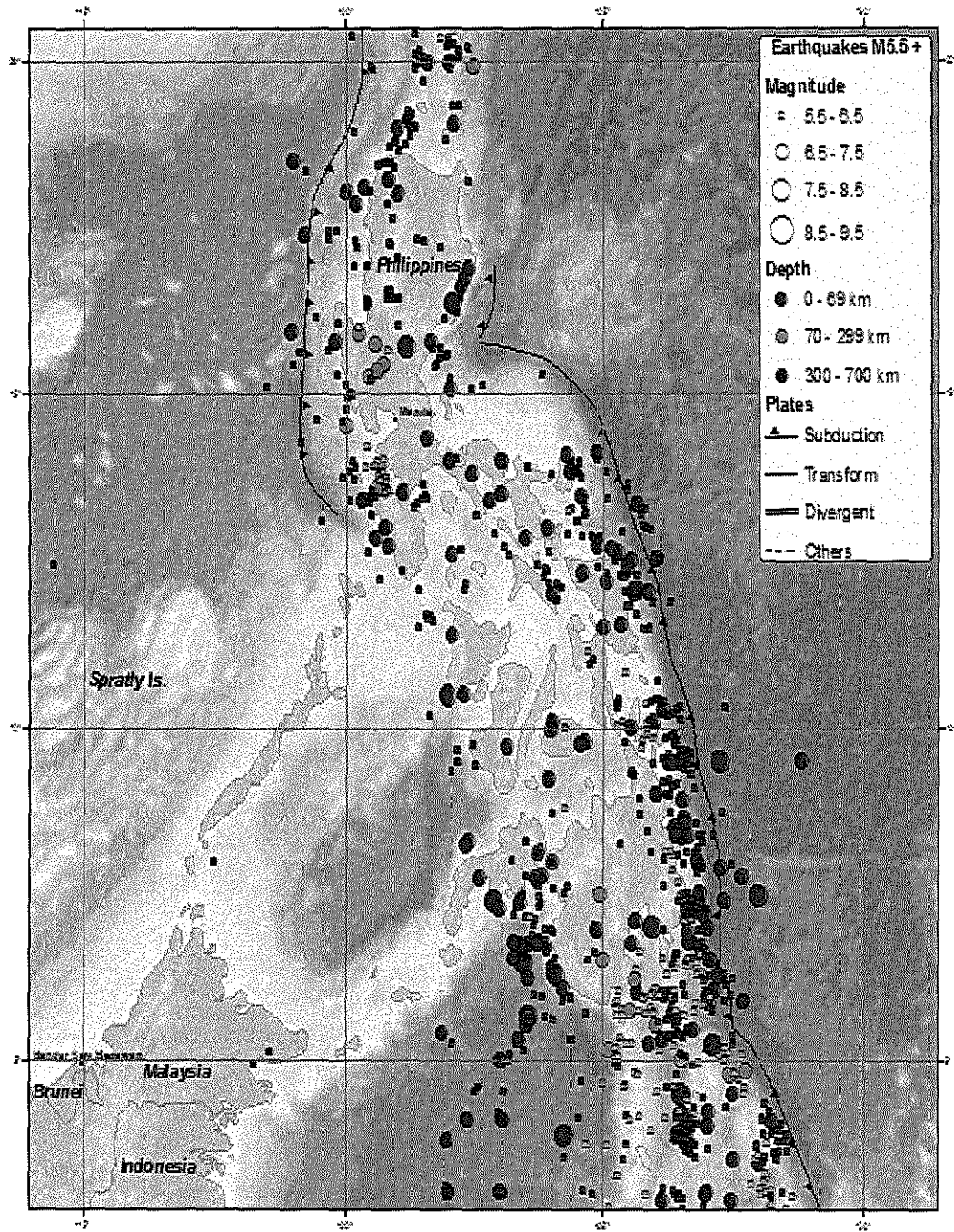


Figure-4. Philippine Seismicity Map (Source: Phivolcs)

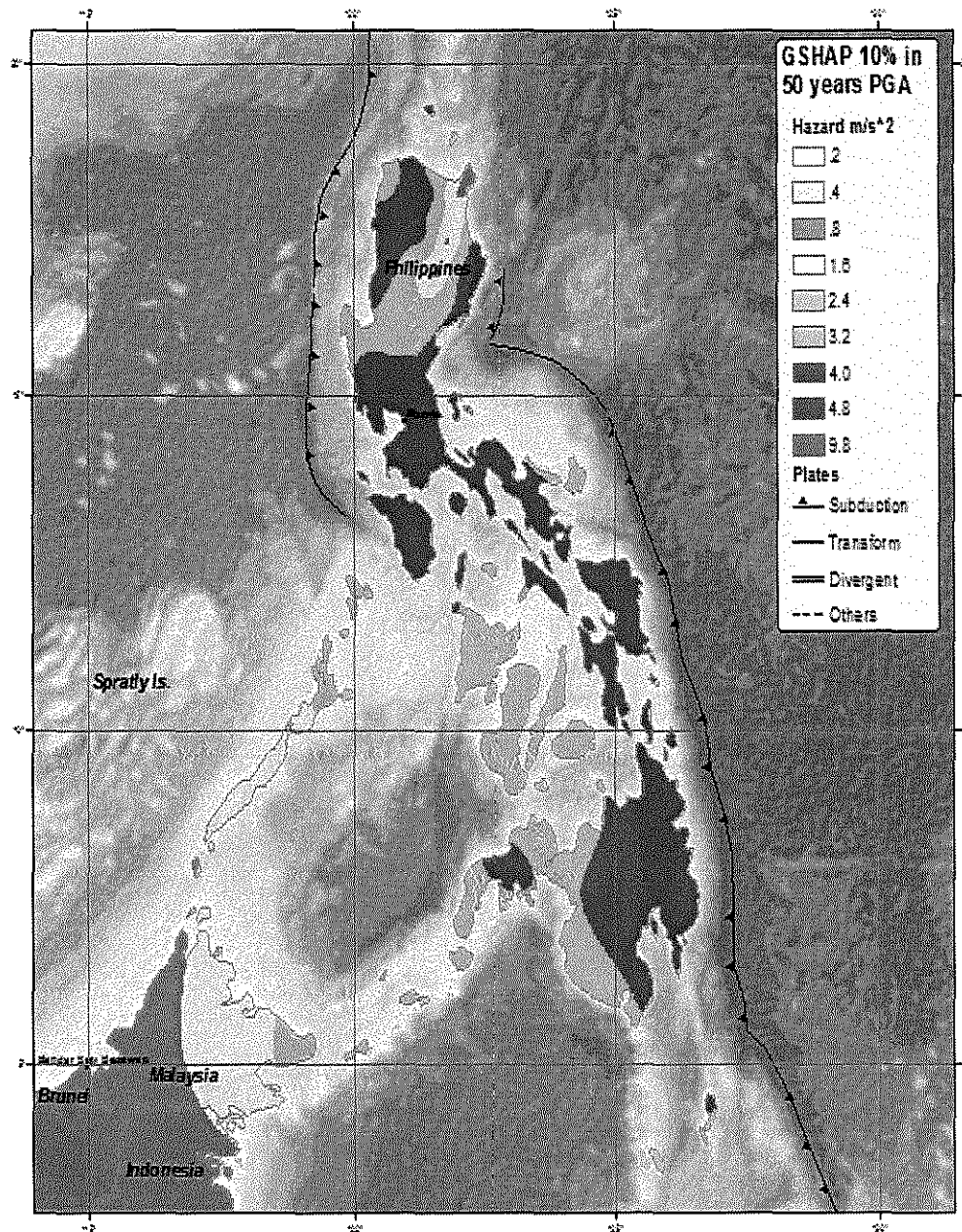


Figure-5. Philippine Seismic Hazard Map (Source: Phivolcs)

4.0 PREVIOUS WORKS

Earliest published work over the entire Palawan Island was mostly by the Bureau of Mines (BM) and Mines and Geosciences Bureau (MGB), initially with the Geological Map of the Philippines in 1963 and the Geology and Mineral Deposits of the Philippines in 1981; at the northern portion of the island by the United Nations Development Program (UNDP 1983) and through the MGB cooperative program with the Japanese government (MMAJ-JICA, 1992-1993).

The initial BM mapping indicated that Palawan Island is made up of an ultramafic basement with metamorphic rocks overlain by sedimentary rocks, including significant carbonates in the northern part. BMG subsequently recognized that the northern part is similar to, and later on, part of a micro-continental block distinct from the southern part of the island which is largely comprised of ultramafic and basic rocks. BMG- UNDP

INC Economic Assessment and Ore Reserves Estimation (PMRC-CPEM Technical Report)

further established that thrust fault boundaries are significant. MMAJ further indicated that the southern part of the island contained significant ultramafic rocks, particularly peridotites, with minor metamorphic rocks juxtaposed with sedimentary units.

BM and BMG established that the southern part of Palawan has a distinct rock type and geological history than its northern counterpart. BMG-UNDP established that the thrusting exposed oceanic crust, primary ophiolites, with significant ultramafic rocks and that this thrusting and collision likely produced associated metamorphic rocks. BMG-UNDP noted also elevated Ni with associated Mn, Fe, and Co in these ultramafic areas. BMG-MMAJ further established that the south central part of the island, surrounding the MPSA area, contained large extents of ultramafic rocks which enhanced its nickel prospectivity.

A summary of exploration activities undertaken within the CNMEC Project Area is in **Table-4** below:

DATE	COMPANY/ACTIVITY
1968	Lecar & Sons conducted surface exploration
1970-71	1,015 percussion drill holes, 232 rotary drill holes, 173 test pits within the 300 hectares
1973-74	Extracted and shipped 50,000 tons saprolite
1993	DENR approved on 19 September, 1993 MPSA No. 017-93-IV to CNMEC covering 2,835.06 hectares. The contract area was subjected to a long process of exploration to evaluate the nickel deposit. The area is for an exploration contract only.
1996	CNMEC entered into an agreement with Canadian company Mighty Beaufort Minerals, Inc. (MBMI) to provide funds for the exploration of the nickel project contract area.
1997	The MPSA Contract of CNMEC was amended to conform with the Mining Act of 1995 and its Revised IRR.
1997	The First Exploration Program (Phase I) was completed by MBMI covering the 408 test pits (1 x 1 meters to depth range of 6 - 20 meters) covering approx. 900 hectares of the MPSA contract area. A geological resource of 77 Million MT of laterite averaging 1.29% Ni and 0.09% Co was estimated by MBMI.
1997	Metallurgical test work was undertaken by Sheritt International Consultants Inc. (SICI, now Dynatec) which demonstrated the amenability of the nickel laterite ore for Pressure Acid Leach beneficiation.
1998	CNMEC Townsite Pre-Feasibility Report by Aplin and Martin Consultants of Vancouver Canada was completed by MBMI.
1998	The Pre-Feasibility Study was completed by AGRA Simons Engineering Company of Canada indicating positive results of the nickel deposit but requiring additional information to support the test pitting program.
1999	The Second Exploration Program was completed with the conduct of a Ground Penetrating Radar Geophysical Survey, an advanced technology and exploration tool used in nickel projects worldwide.
June 02, 2004	CNMEC "unilaterally" terminated its Agreement with MBMI. MBMI has not filed any formal protest at the MGB regarding this termination.
Jan. 19, 2005	CNMEC entered into an Agreement with Toledo Mining Corporation Plc, a British company listed on the London Stock Exchange, which allow the latter to further explore and develop the area. Toledo has appointed TMM Management Inc., a Philippine company, to manage the exploration program.
August 2005	TMM has commenced securing the permits required by MGB, NCIP and PCSD in order to lay the required statutory foundation for resumption of exploration.
Dec. 2007	All data to date was provided to Snowden including interpreted geological sections
May 06– Apr 08	Implementation of the 3rd Exploration Period extension by Ipilan Nickel Corporation, thru an operating agreement with CNMEC.
Dec. 2008	Snowden provides final report utilizing neural network classification of the matrix types and after revision of the sections to conform to INC geological interpretation
Jan.- Dec. 2009	Finalized drilling and test pitting program.
Jan.- June 2010	TMM conducted geological modeling, QA/QC, and resource estimation; Public Consultation and Endorsements; EIA Studies

Table-4. Summary of Exploration Activities at CNMEC Area (Source: TMM)

4.1 Previous Resource Estimates

Snowden conducted resource estimation for the INC Nickel Project on 30 December 2007 based on available data indicated below, **Table-5**. Resource Estimates are given in **Table-6**.

Number of Records		Depth (m)
Drill Holes	2,181	40,852.00
Test Pits	2,347	11,461.00
TOTAL	4,528	52,313.00

Table-5. Data Records Used by Snowden

Category	Volume (Mm ³)	Tonnage (DMT)	Grade (% Ni)	Grade (% Co)
Measured (M)	31.8	39,400,000	1.22	0.074
Indicated (I)	3.1	3,801,000	1.02	0.059
Total (M + I)	34.9	43,201,000	1.20	0.072
Inferred (f)	0.1	169,000	0.95	0.051
Total (M+I+F)	35.0	43,370,000	1.20	0.072

Table-6. Snowden Resource Estimates as at 30 December 2007

At the completion of the resource definition drilling on December 2009, TMM for its part reported a resource estimate based on the available data indicated below, **Table-7**. Resource Estimates are given in **Table-8**.

Number of Records		Depth (m)
Drill Holes	3,154	54,095.79
Test Pits	5,093	27,279.24
TOTAL	8,247	81,375.03
Assay Samples	84,413	

Table-7. Data Records Used by TMM

Tonnage and Grade of Various Resource Classes at 0% Ni Cutoff	
Measured	41,995,000 DMT @ 1.17%Ni
Indicated	6,361,000 DMT @ 0.86%Ni
Inferred	4,663,000 DMT @ 0.87%Ni
Total Resources	53,019,000 DMT @ 1.11 %Ni
Tonnage and Grade of Various Resource Classes at 1.0%Ni Cutoff	
Measured	28,618,000 DMT @ 1.36%Ni
Indicated	2,039,000 DMT @ 1.20%Ni
Inferred	1,525,000 DMT @ 1.21%Ni
Total Resources	32,182,000 DMT @ 1.34%Ni
Tonnage and Grade of Various Resource Classes at 1.5% Ni Cutoff	
Measured	7,162,000 DMT @ 1.76%Ni
Indicated	125,000 DMT @ 1.71 %Ni
Inferred	125,000 DMT @ 1.66%Ni
Total Resources	7,412,000 @ 1.75%Ni
Tonnage and Grade of Various Matrix Types at 0% Ni Cutoff	
Limonite	14,975,000 DMT @ 1.10%Ni
Earthy Saprolite	27,311,000 DMT @ 1.16%Ni
Rocky Saprolite	10,734,000 DMT @ 1.00%Ni
Tonnage and Grade of Various Matrix Types at 1.0% Ni Cutoff	
Limonite	10,321,000 DMT @ 1.22%Ni
Earthy Saprolite	16,901,000 DMT @ 1.41 %Ni
Rocky Saprolite	4,960,000 DMT @ 1.35%Ni
Tonnage and Grade of Various Matrix Types at 1.5% Ni Cutoff	
Limonite	644,000 DMT @ 1.62%Ni
Earthy Saprolite	5,531,000 DMT @ 1.77%Ni
Rocky Saprolite	1,237,000 DMT @ 1.74%Ni

Table-8. TMM Resource Estimates as at 30 June 2010

5.0 HISTORY OF PRODUCTION

For the CNMEC Area, Snowden “documented” a production of about 50,000 tons from 1973-74 by Lecar & Sons, Inc.

5.1 INC Mining History

There are no available records of mined areas within the tenement, **Figure-6**. However, cut benches can be observed in the western part of the area with a relatively thinner lateritic profile indicating previous mining operations.

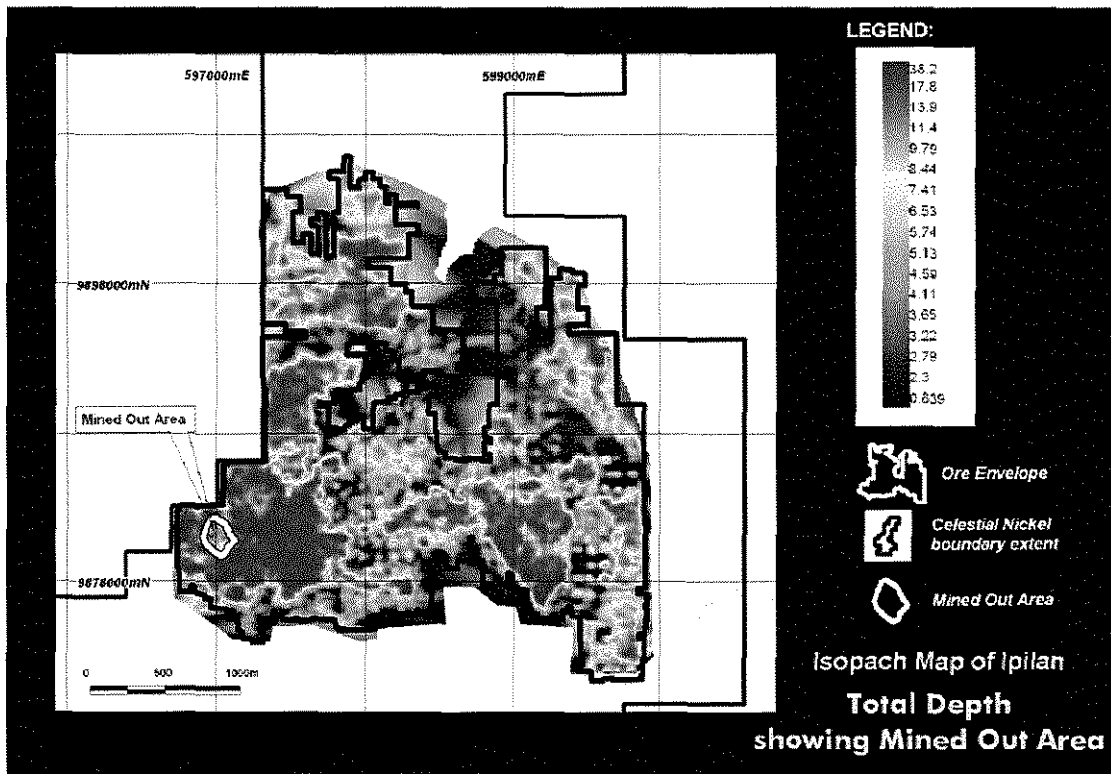


Figure-6. Mined-Out Area within the Tenement (Source: TMM)

5.2 Mining System Description

Typical nickel laterite mining operations will involve relatively simple phases that include the following:

- Land clearing and grubbing
- Overburden removal and storage for rehabilitation use
- Ore mining
- Stockpiling, sun drying and screening
- Transport
- Barging, ship loading and blending
- Waste dumping
- Rehabilitation of mined areas

Mining will be carried out in pre-determined areas/blocks and ore will be hauled to a designated stockyard. At the stockyard, the ore is dried and screened for large

boulders before being transferred to the barge loading facilities at the port then eventually loaded onto the Supramax vessels for transport to the buyers.

Mining can be carried out by the Company or by an external contracting company under the supervision and management of the Company. Mine rehabilitation will be progressively carried out during the mining operation cycle.

Market and smelter requirements dictate the product specifications (Low Grade, Medium Grade and High Grade) with their ranges varying at times.

6.0 REGIONAL GEOLOGY

6.1 Regional Geologic Setting

Palawan is one of the Philippines' major islands, on the western part of the country and tectonically stable with no active faulting and volcanism.

Favorable nickel laterite host rocks referred to as "Ophiolites which are a complete suite of rocks are present in Palawan. However, common in the Area are incomplete sequences referred to as "Ophiolitic Suites". From the bottom ultramafic layer, this grades to middle portions of gabbros and diabase dikes, and upper pillow basalts and pelagic sediments younger in the sequence. Occurrences in the locality are attributed as belonging to the Palawan Ophiolite Complex.

The lower part of the ophiolites have high Fe and Mg, and nickel-bearing ultramafic ultrabasic rocks consisting of dunite (olivine rock), peridotites (olivine-pyroxene-amphibole-rock consisting of harzburgite, wehrlite, websterite), pyroxenites, and hornblendites. The ultramafic section of the ophiolite is classified as belonging to the Mt. Beaufort Ultramafics unit.

The ultramafics grade into feldspar-bearing, layered and isotropic gabbros and troctolites and some pegmatite intrusions (represented by the Stavely Range Gabbro, San Vicente Gabbro, and Sultan Peak Gabbro), medium-grained diabases, pillow basalts (belonging to the Espina Basalt unit) and associated pelagic (deep water) sedimentary rocks. The sedimentary rocks consist of radiolarian chert, mudstone, and siltstone belonging to the Sulu Sea Mine Formation.

The ophiolites are also hosts to chromite and possible platinum group elements mineralization. The Palawan Ophiolite Complex as the rocks are collectively called, are considered remnants of upper mantle (Cambrian) crystals and oceanic crust up to Eocene-Oligocene age.

The Palawan Ophiolite Complex has been thrust over Cretaceous- Eocene deep-marine turbiditic, sandstone and mudstone-dominated sequences during the Oligocene. These turbidites are represented by the Guinlo Formation, Boayan Clastics, Panas Formation, Aborlan Turbidites.

Plate collision during Oligocene formed metamorphic soles consisting of schists, and are marked by complex folding and faulting. These metamorphic units are represented by the Inaguan Metamorphics, Concepcion Pebbly Phyllite, and the Caramay Schist.

Miocene sedimentary formations unconformably overlie the previous rock units. These include the Isugod and Ransang Formations, and by younger Pliocene to Recent formations represented by Sayab, Alfonso XIII, Clarendon and Iwahig Formations (**Figure-7**).

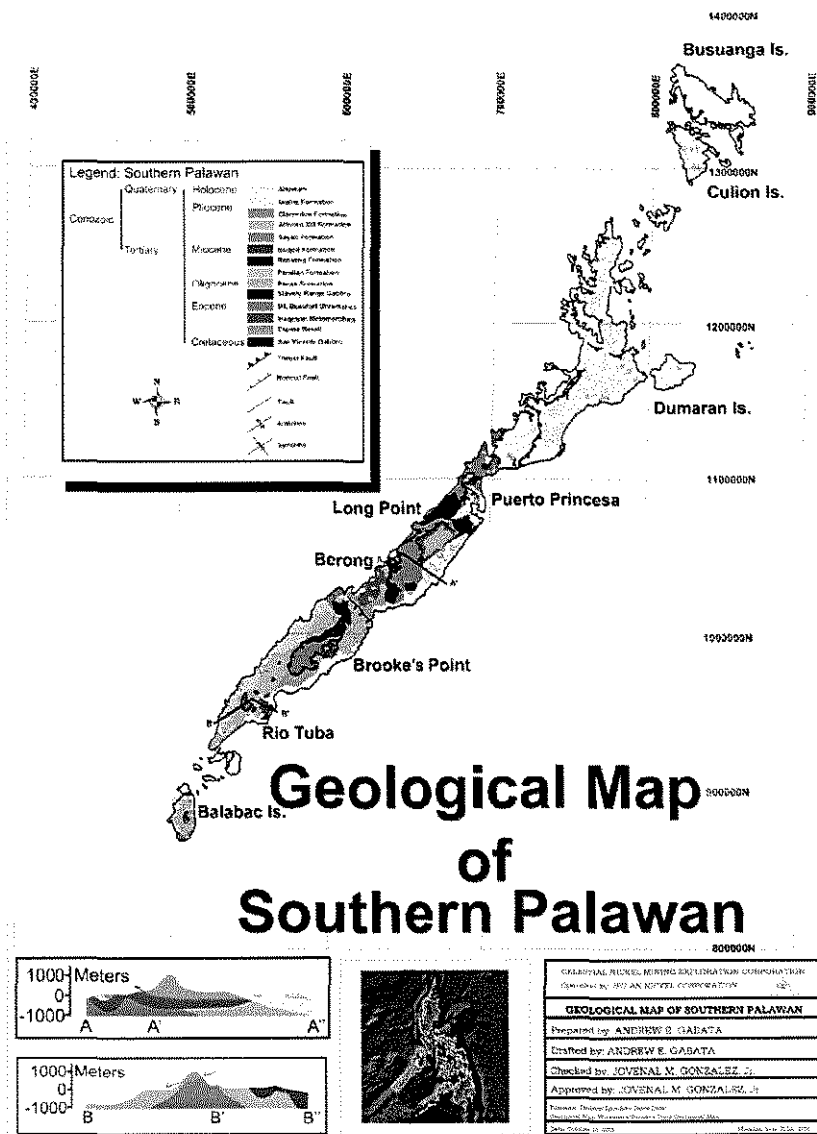


Figure-7. Geological Map of Southern Palawan (Source: TMM)

6.1.1 Stratigraphy

The following is the general stratigraphy of Palawan from oldest to youngest rock units:

Cretaceous to Eocene

Deep-water fine-grained sedimentary rocks represented by the Guinlo Formation, Boayan Clastics, Panas Formation, Aborlan Turbidites.

Eocene to Oligocene

Palawan Ophiolite Complex made up of ultramafics (dunite, peridotites, pyroxenite, hornblendite), including gabbro (Stavely Range Gabbro, San Vicente Gabbro; Sultan Peak

Gabbro), basalt (Espina Basalt) and pelagic sediments of the Sulu Sea Mine Formation

Oligocene

Metamorphic sole resulted from collision and thrusting of the Ophiolite Complex and is typified by the Inaguan Metamorphics, Concepcion Pebbly Phyllite, and the Caramay Schist.

Post-Oligocene

Post-collision unconformable units belonging to the Isugod and Ransang Formations and by younger Pliocene to Recent formations represented by Sayab, Alfonso XIII, Clarendon and Iwahig Formations.

6.2 Structural Geology

Palawan, especially its central and southern portions, are marked by thrust faults, and other attendant faults arising from the lower Tertiary collision. A major regional unconformity is present after this collision.

6.3 Ni Laterite Deposits- Weathering/Mineralization (Source: W. Ahmad- VITSL)

6.3.1 General

Laterites are essentially residual soils that are rich in ferro-magnesian minerals, formed under the influence of chemical weathering with special ground-water conditions. Residual soils that are rich in hydrated aluminium oxides are termed "bauxite". Mafic rocks, that have more Fe than Al, lead to the formation of Ni laterites while granitic, syenitic and argillaceous rocks that have more Al than Fe, lead to the formation of bauxites.

The original rock composition does play an important role in providing the necessary sesquioxide (*oxide containing three atoms of oxygen and two of another element*), but the prevailing climatic conditions and geologic history of the soil development ultimately control the final composition of the residuum.

Weathering/mineralization of the Ipilan Nickel Project has been governed by conditions presented herein at varying levels resulting in the nickel deposit.

6.3.2 Requirements for the Development of Ni Laterites

The development of laterites requires:

- Availability of rocks that contain iron
- Relatively high temperature (to aid in chemical attack)
- Slightly acidic waters (to aid in chemical attack)
- High rainfall (to aid chemical weathering & remove mobile elements)
- Strongly oxidising environment (to convert Fe, Al to sesquioxides)
- Supergene enrichments (to yield nickel concentrations)
- Gentle topography (to preserve the laterite soil after development)
- Sufficient time duration (to allow reasonable thickness to accumulate)

Brief description of the relevant factors for development of Ni- laterites are discussed below.

Availability of Appropriate Rocks

For the development of Ni laterites, rocks must contain appreciable amounts of ferromagnesian minerals. Thus, mafic and ultramafic rocks are most suitable for this purpose. Ultramafic rocks have a significantly higher proportion of ferromagnesian minerals and are ideally suited for the development of nickel-iron laterites.

Within the ultramafic clan, rocks that are relatively high in nickel content (such as dunites and high-olivine peridotites) are more likely to yield higher concentrations of nickel than say pyroxenites and hornblendites.

Relatively High Temperatures

Temperature plays a very important role in accelerating the process of chemical weathering. Thus, tropical climates where temperatures are generally higher than 20°C are ideally suited for the development of laterites.

Slightly Acidic Waters

Solubility of minerals increases in waters that have pH levels less than normal. Thus, waters that are slightly acidic hasten the process of chemical attack very significantly. Such acidic waters are provided in wet tropical climate through natural acid rain and the availability of humic acid produced by decaying vegetation on the forest floor.

High Rainfall

Lateritic soils are product of wet-hot climate and do not develop without significant levels of rainfall. Rainfall is required to initiate the process of chemical attack and weathering and also to rapidly remove dissolved solids in the ground water. The actual level of rainfall may vary and will result in somewhat different types of lateritic soils. Poor flushing of soils in wet-dry climate will result in the retention of much of magnesia and silica in the form of smectite/nontronite clays while the constant flushing of magnesia and silica in humid climate will prevent the formation of clays.

Strongly Oxidising Environment

Exposure of decomposing ultramafics to oxygen (above the water table) allows the oxidation of divalent iron and divalent manganese to trivalent iron and trivalent and tetravalent manganese that are highly insoluble and prone to residual concentrations.

Supergene Enrichments

Nickel and to some extent cobalt, yield supergene enrichments due to their specific geochemical characteristics. Nickel generally tends to enrich in the middle of the saprolitic layer while cobalt tends to enrich at the lower part of the limonite layer (or at the top of the saprolite layer). The levels of such supergene enrichment may vary considerably from place to place.

Gentle Topography

Topography and topographic relief exert a powerful influence on the rate of weathering and accumulation of residuum. For the preservation of recently formed laterite it is important that the topography must not be very steep. Very steep land surfaces will lead to constant erosion of lateritic soil. Extremely flat topography, particularly with poor drainage, does not favour the development of laterite soil due to poor flushing of the system.

At the same time, the process of laterization leads to the development of some unusual landscapes. **Figure-8** and **Figure-9** show the characteristics of laterite topographies and resulting different laterite landforms.

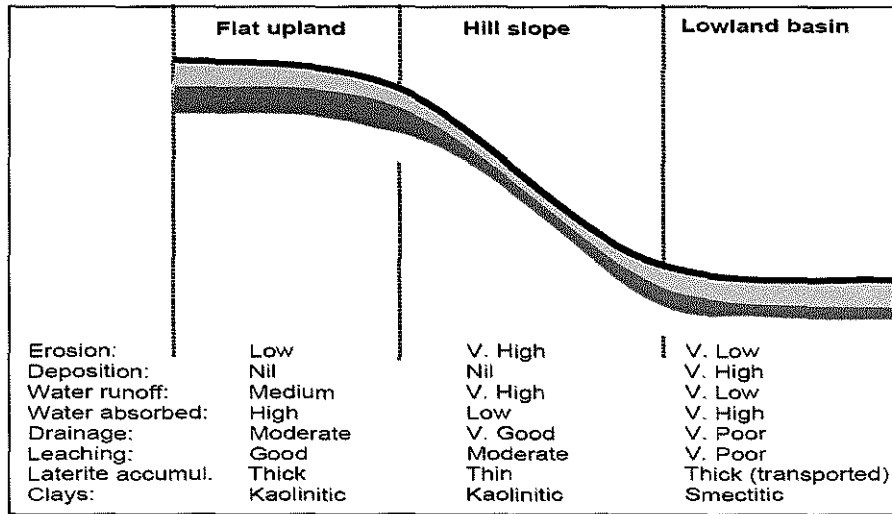


Figure-8. Composite Diagram and Characteristics of Laterite Topographies

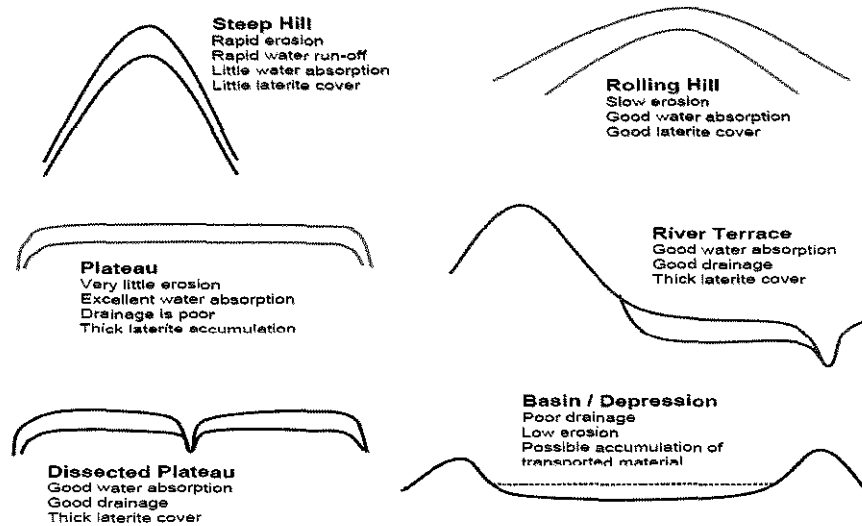


Figure-9. Simplified Schematics of Different Laterite Landforms

Adequate Time Available

The laterization process requires adequate duration time to operate in order to produce a mature laterite development of significant thicknesses and grade. It is estimated that duration of only a few million years could result in exploitable thicknesses of nickel-iron laterites.

6.3.3 Nickel Laterite Profile

Chemical weathering of ultramafic rocks is accompanied by fractionation of the elements into water-soluble and water-insoluble types. Water-soluble elements are eventually leached out of the weathering system while water-insoluble elements are left behind as residual enrichment. The processes of chemical weathering eventually result in the formation of a stratified laterite profile with youngest laterite at the bottom and oldest laterite at the top. Much of the stratification in a laterite weathering profile is imparted by the presence of water, both due to its downward movement as well as through the fluctuation of its level in the ground (water table).

In the case of residual soils, chemical weathering takes place at the bottom of the regolith. The regolith-protolith boundary marks the weathering front which may be very irregular in shape depending upon the local topography and the shape of the water table. All material above this weathering front is the residual soil (may be affected by some deposition of transported material) and all material below this front represents unweathered bedrock. As chemical weathering continues, the weathering front moves further downward toward the bedrock.

The **Figure-10** below illustrates the relationships among topography, weathering front and water table:

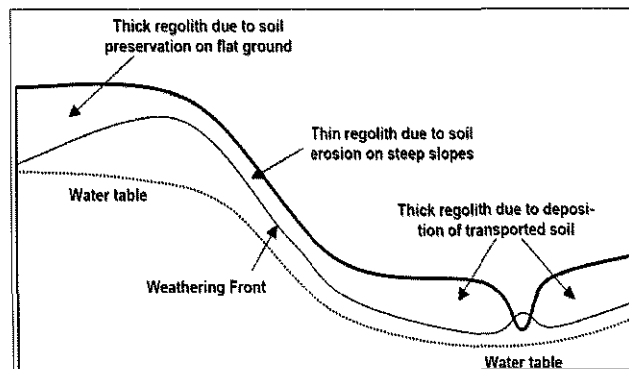


Figure-10. Relationships of Topography, Weathering Front and Water Table

The process of weathering consists of progressive dissolution of magnesia and silica while iron remains in-situ. The final step of evolution is iron hydroxide. In some places, as a result of special (thermodynamic) environment, silica and magnesia can precipitate.

The weathering (**Figure-11**) normally progresses on the joints and fractures which cut the peridotites/harzburgites up into more or less large and regular boulders of fresh rock.

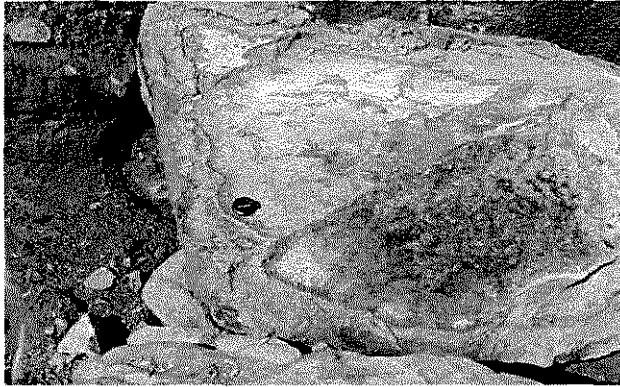


Figure-11. Weathering Development on a Hz Boulder

During alteration, boulders are blunted and surrounded by the weathered product, which replaces the rock progressively until complete weathering. We then obtain the soft saprolites/earthy materials and later, after full elimination of silica/magnesia, the limonite formation and complete laterite profile (**Figure-12**).

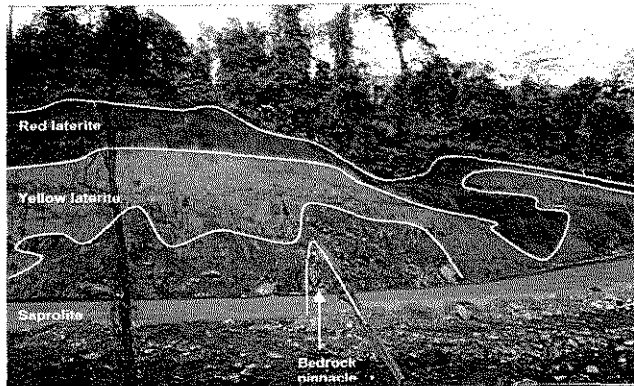


Figure-12. Typical Complete Laterite Profile

The profile of alteration includes several horizons which are divided into two (2) main “mineralized” horizons:

- Limonite Horizon which is essentially composed of iron hydroxide. The structure of parent rock is compressed and completely weathered and destroyed.
- Saprolite Horizon in which silica and magnesia are the main constituents. The relict structure of parent rock is still recognizable and bedrock pinnacles maybe generally present.

The simplified laterization process is shown in **Figure-13**.

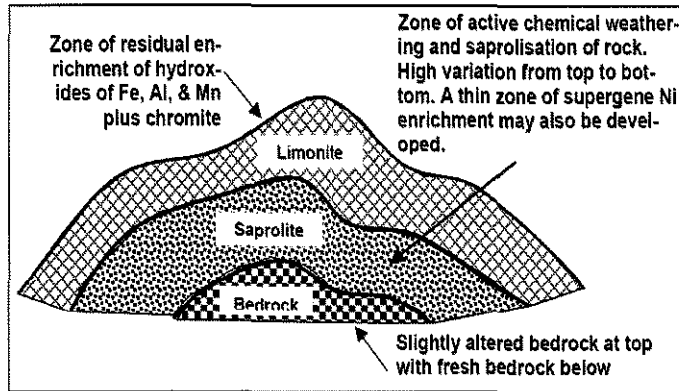


Figure-13. Simplified Laterization Process

Both groups are divided into different horizons. From surface to bottom, limonitic formations include:

- Iron crust
- Red limonite
- Yellow limonite

Saprolites are divided into:

- Earthly saprolites
- Rocky saprolites, a horizon which is a mixture in all proportions of intermediate materials, boulders of more or less slightly weathered peridotites.

A complete laterite weathering profile is shown in **Figure-14**.

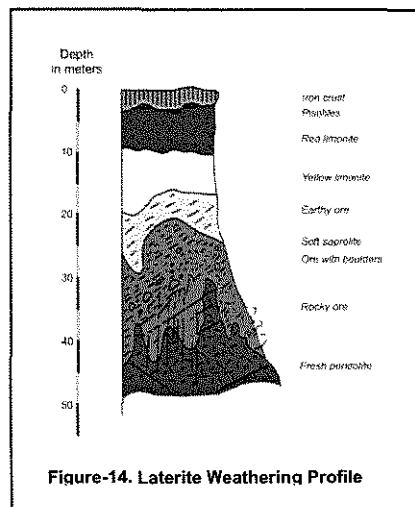


Figure-14. Laterite Weathering Profile

The profile given above is theoretical. Locally, some horizons are overdeveloped and some others are missing.

The drainage through joints and fractures is the main alteration process. The evolution of saprolite and limonite fronts depends on the drainage. If the drainage density is intense, these two fronts can be telescoped and give a leading place to limonitic formations in the profile. The saprolite thickness can be a few meters, and zero in some cases. If the drainage density is not so intense, the saprolite formation can be largely developed and their thickness can reach up to 50 m.

6.3.4 Bulk Densities in Laterites

An unserpentinised dunite made up essentially of high-forsterite olivine has a specific gravity of about 3.1 – 3.2 while a serpentinized peridotite will approach the specific gravity of pure serpentine or 2.4–2.6. Relationship of bulk densities with depth of laterite is shown in **Figure-15**.

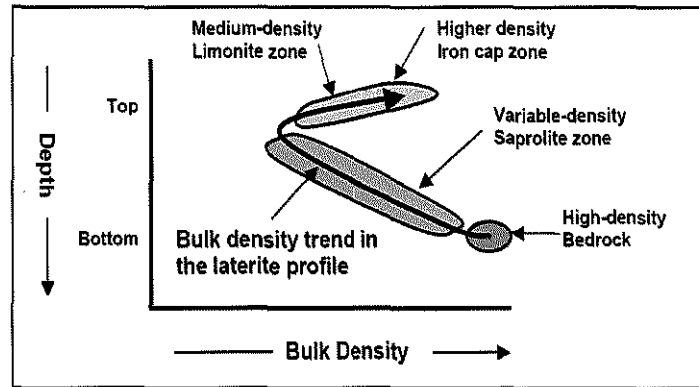


Figure-15. Relationship of Bulk Densities with Depth of Laterite

During laterization, soluble elements such as magnesia, silica and alkalis begin to leach from the bedrock making it porous and lowering its dry bulk density. Its wet bulk density may be affected less since the pore spaces created are usually filled with water. Laterites in wet climates are practically supersaturated, except for the very top where capillary action dry up the surface during dry weather. A well leached piece of saprolite has dry bulk density well below 1.0.

As laterization progresses the dry bulk density of the saprolite continues to fall until such time that the material is too porous to withstand the hydrostatic weight of the overlying limonite. At this point, the saprolitic rock begins to collapse *thereby increasing its dry bulk density*. With further leaching and thickening of the layer, the material reaches its final completely collapsed state and any existing rock textures are finally obliterated. Bulk densities reach their highest levels (2.0 – 2.4) in the ferruginous zone if an indurated iron cap is developed due to repeated solution and precipitation of ferric iron. ***This phenomenon explains the wide range of bulk density values of saprolite from below 1.0 to 2.4 wherein it is either lower or higher than limonite bulk density values. During the different levels of the laterization process, the saprolite bulk density values vary according to its collapse state.***

The limonite zone of the laterite profile seldom exceeds 1.9 wet bulk density or 1.3 dry bulk density.

6.4 Nickel Laterite Deposits- Palawan Region

Significant thicknesses of nickel-cobalt bearing laterite have formed over large parts of Palawan and other adjacent islands which are underlain by ultramafic rocks.

The laterite profile can be sub-divided into an upper iron-rich limonite (oxide type) and a lower iron-poor saprolite (silicate type), while a transition zone of intermediate composition is developed over a thickness of <1 – 5m at the contact. The limonite is relatively uniform, but is best developed on ridge crests and gentle slopes, whereas

the underlying saprolite is variably developed, depending on the degree of fracturing in the bedrock.

7.0 IPILAN PROPERTY- GEOLOGY and MINERALIZATION

7.1 Rock Types

Three main rock types were observed within the tenement area: peridotites which are mainly harzburgites and the most extensive and are host to the nickel laterite mineralization; schists and basalts. The peridotites were thrust over the schists which mark the schists as the metamorphic sole and over relatively younger basalts (**Figures-16 to 18**).



Figure-16. Peridotites Intruded by Gabbro Dikes (Source: TMM)

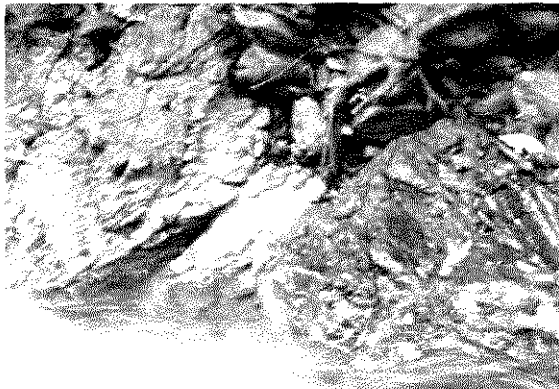


Figure-17. Gabbro Peridotite Contact (Source: TMM)

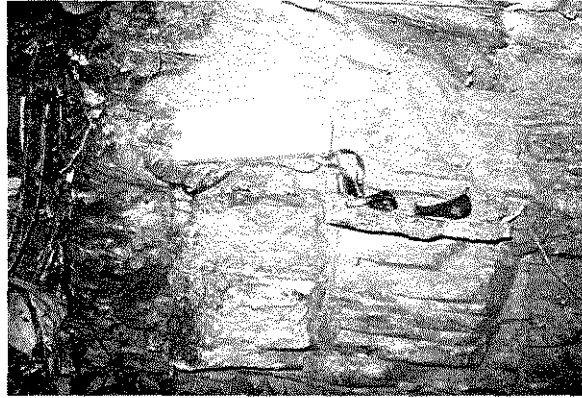


Figure-18. Basalt Greenschists Contact (Source: TMM)

7.2 Geological Structures and Trends

The major structures over the area are arcuate, low to moderately-dipping thrust fault boundaries marking the collision of the ophiolitic rocks with the earlier rock types. Associated with these structures are highly linear, subvertical faults, fracture zones and lineaments mostly directed to the present-day NW-SE and their conjugates, as well as second- and third-order structures, as can be found in the subsequent geological map below, **Figure-19**.

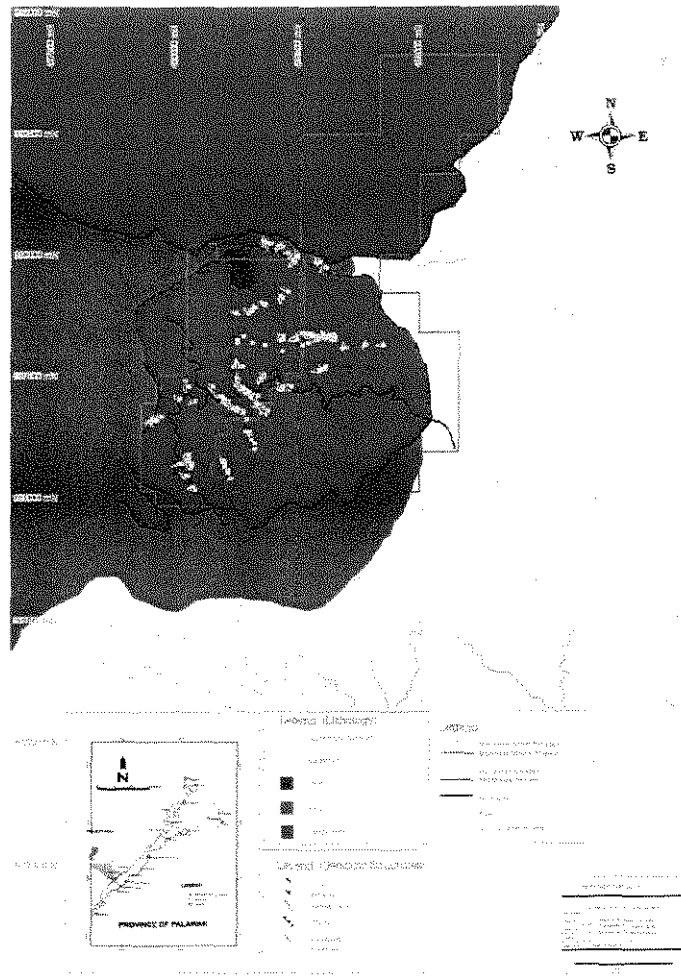


Figure-19. Geology/Structures of CNMEC (Source: TMM)

7.3 Mineralization in the Mineral Property

Nickel laterite mineralization shows significant changes in geochemical and mineral composition compared to the protolith as a result of natural weathering. The ultramafic bedrock, which is commonly peridotite or dunite, composed mainly of olivine minerals, will convert to serpentine in varying amounts due to hydration. The deposit becomes enriched in weathering byproducts such as limonite and saprolite. The limonite layers are enriched in largely insoluble iron, aluminum, cobalt and chromium and titanium-bearing minerals. The leaching process results in a largely horizontally-defined deposit with the main layer being unaltered bedrock, saprolite, limonite, and overburden. The degree of layer development and the transition zones are dependent on the local conditions and geochemical characteristics of the protolith.

The limonite layer present in the property is a zone dominated by amorphous form of hydrous iron-bearing minerals with minor chromite and manganese oxides. This zone has high moisture content due to the hygroscopic nature of the clayey minerals associated with limonite.

The physical characteristics of the saprolite zones (earthy saprolite and rocky saprolite) are dependent on the amount of serpentine present in the parent rock as well as amount of rock fragments. A relatively low serpentine level result in a saprolite zone with substantial remnant bedrock, usually above 40% by volume, and is designated as rocky saprolite. Magnesite veinlets and accretions also occur in this zone. In some locations with arid environment and poor drainage, silica enrichment also occurs. These silica minerals are sometimes associated with brilliant green nickel-rich silicate mineral called garnierite.

Nickel is usually concentrated in the upper section of the rocky saprolite. The nickel content decreases towards the overburden at the surface. Cobalt grades are generally low as with the Fe₂O₃ content which is similarly relatively low in the saprolite layer. Silica and magnesia show inverse behavior compared to Fe₂O₃, increasing in concentration closer to the bedrock.

The garnierite-bearing samples (**Figure-20**) have a Ni grade usually above 1.5%. Bedrock also reveals an average nickel grade of 0.65%, as some limited fracture fills of garnierite are observed; however, there are some bedrock samples with garnierite veinlets, with grades up to 5.16%.

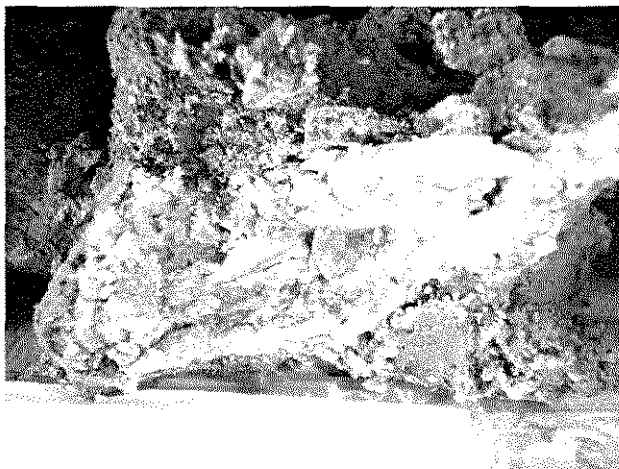


Figure-20. Specimen of Bright Green Garnierite (Source: TMM)

Laboratory analyses indicate that high Ni samples in limonite tend to have lower MgO compared with earthy and rocky saprolite; earthy saprolite have less MgO compared with rocky saprolite. It also indicates that earthy saprolite have higher Ni values compared with rocky saprolite. The association of Ni-bearing serpentine is also indicated in earthy saprolite.

The presence of silica in the "Quartz" Matrix occurs as layers within the transition zone, within the earthy and rocky saprolite, and adjacent to the rocky saprolite-bedrock contact. It also occurs as thin lenses in the limonite with no distinct trend which may indicate fracture filling. The quartz contains significant iron oxide as indicated by its reddish color and also exhibits vuggy and honeycomb structures which suggest a supergene origin.

Quartz lenses were found to enhance the SiO₂ content of the matrix where deposited while it "dilutes" the Fe₂O₃, Al₂O₃, Co, TiO₂, MnO, P₂O₅, Cr₂O₃ and LOI. It enhances TiO₂, MgO, GaO, K₂O content of limonite and earthy saprolite, and conversely that of rocky saprolite. The quartz matrix also decreases the average Ni grade of limonite and earthy saprolite and becomes evident upon compositing of the samples in the geological modeling.

7.4 Stratigraphic Units/Laterite Profile

Overall observation at the Cagdianao Nickel Project during the site visit indicated five main lithological units, arranged from top to bottom based on occurrence, were defined as Limonite Overburden, Limonite, Transition Zone, Saprolite and Basement.

Limonite Overburden

This zone is developed intermittently across the deposit area and is usually less than one meter thick. The occurrence of shallow tree roots and stumps is common in this zone, which is red to dark brown in color and loosely packed.

Limonite

The limonite zone is fairly homogenous and red-brown to yellow-brown in color containing localized black manganese-oxide veins and staining.

Mineralization is consistent with Ni and Co grades increasing downward towards the transition zone or saprolite contact. Co is significantly higher when associated with manganese veining or staining. Fe generally decreases slightly with depth.

Transition Zone

Where present, this zone is usually defined as representing a gradational change from limonite to saprolite, where the prominent chemical characteristics are higher Ni-Co grades and Fe values between 20 % and 40 %.

This zone is narrow and was intersected in only a few drill holes drilled during the different phases of core drilling.

Saprolite

There is usually a distinct chemical change at the limonite-saprolite contact with an increase in Ni, SiO₂ and MgO and a sharp decrease in Fe and Co grades.

The saprolite zone is a mixture of pale greenish, yellow or grey material, which varies from soft, powdery to harder and blockier with depth.

Ni and Fe grades are highest near the limonite contact. SiO₂ and MgO are expected to be high, with MgO increasing at the bedrock contact.

Boulders and pinnacles of bedrock are common throughout the deposit, especially near the saprolite-bedrock contact typical of other laterite deposits in the Palawan Region.

Basement

The saprolite is underlain mainly by a complex assemblage of serpentinized ultramafic rocks, namely harzburgite, dunite and other pyroxene-rich peridotite.

7.5 Indicative Mineralogy of INC Nickel Laterite Deposits

Nickel mineralization is in the form of residual, oxidized, near-surface laterite with Ni enhancement.

Mineralization in nickel laterite denotes large areal extent, relatively “thin” thickness, subhorizontal or blanket-type layered deposits following the surface topography and with usual inverse relationship between thickness of the laterite profile versus slope.

There is a distinct mineralogy for each layer within the laterite profile from the bottom and least weathered rocky saprolite through the middle earthy saprolite and the most weathered uppermost limonite.

As nickel laterite is a product of weathering in near-surface conditions, the general paragenesis of Ni is as follows:

- Ni-bearing olivine
- Ni-bearing serpentines
- Nickel silicates (garnierite) especially in fractures
- Limonite, Hematite, other Fe, Mn oxides (asbolanes) in which Ni is adsorbed

Lateritic ore generally contains the following minerals:

- Goethite, FeOOH major (up to 80%)
- Haematite, Fe₂O₃ minor – medium (up to 20%)
- Lizardite, Mg₃Si₂O₅(OH)₄ medium (less than 20%)
- Quartz, SiO₂ trace – minor
- Chromite (Mg, Fe) (Cr, Al)₂O₄ (Fe, Cr)₂O₃ trace
- Talc, Mg₃Si₄O₁₀(OH)₂, trace

Typical laterite samples are similar to those above and in some cases trace amounts of gibbsite, smectite/nontronite, and chlorite may also be identified. Saprolite ore may have trace amounts of amphibole, nepouite, palygorskite, quartz, serpentine, spinel, todorokite, tridymite, olivine, orthopyroxene and willemseite. Some asbestos-form minerals (chrysotile) may also be encountered.

For the INC Nickel Project no attempt has been made to provide a basic background in the petrography and mineralogy of different ore types, which is believed to control recoveries during ore processing and refining. However, megascopic study of samples and core logging identified the following minerals: goethite (commonly stains), quartz, chalcedony, serpentine, garnierite, talc, kaolin, and asbestos among others. Significant elements in the INC Nickel Project laterite profile are shown in **Figure-21**.

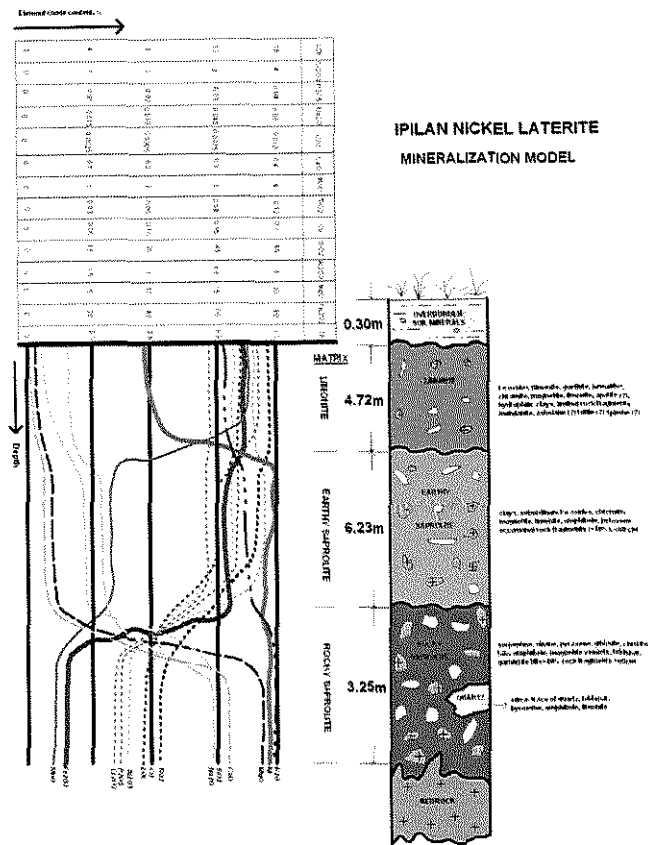


Figure-21. Generalized Profile of Significant Elements (Source: TMM)

8.0 EXPLORATION

8.1 Geological Work by INC in the Property

Exploration work commenced with reconnaissance mapping, test pitting/sampling, layout of traverse lines in August of 2006. Follow-up geological work consists of exploratory drilling with simultaneous test pitting until December of 2009. Drilling grid intervals were initially spaced at 100 m and prospective areas were drilled at 25m grid intervals during the last phase of exploration. Samples at 1 m intervals were taken either as channels in test pits or as 1m intervals in drill core and per lithology/matrix. Fractional intervals are sampled separately. The samples were prepared in the field and at the laboratory in Manila and later in the Berong Nickel Corporation (BNC) Laboratory. These were analyzed using Wavelength Dispersive X Ray Fluorescence technique (the BNC laboratory used EDXRF).

Details of the various activities are discussed in the succeeding sections.

8.2 Geological Mapping and Sampling

Fieldwork and exploratory drilling generated a comprehensive geological map as shown previously in **Figure-19**. Aerial photographs image analyses reveal the presence of marked fracture zones, lineations and foliations which are dominantly NNW and NW-directed, with complementary sets ENE and NE. The linearity indicates its steep subvertical dip. NS lineaments and fracture zones are also observed. **Figure-22** shows the

geological map based on traverse mapping and observation of drill hole bottoms while the geological cross section is shown in **Figure-23**.

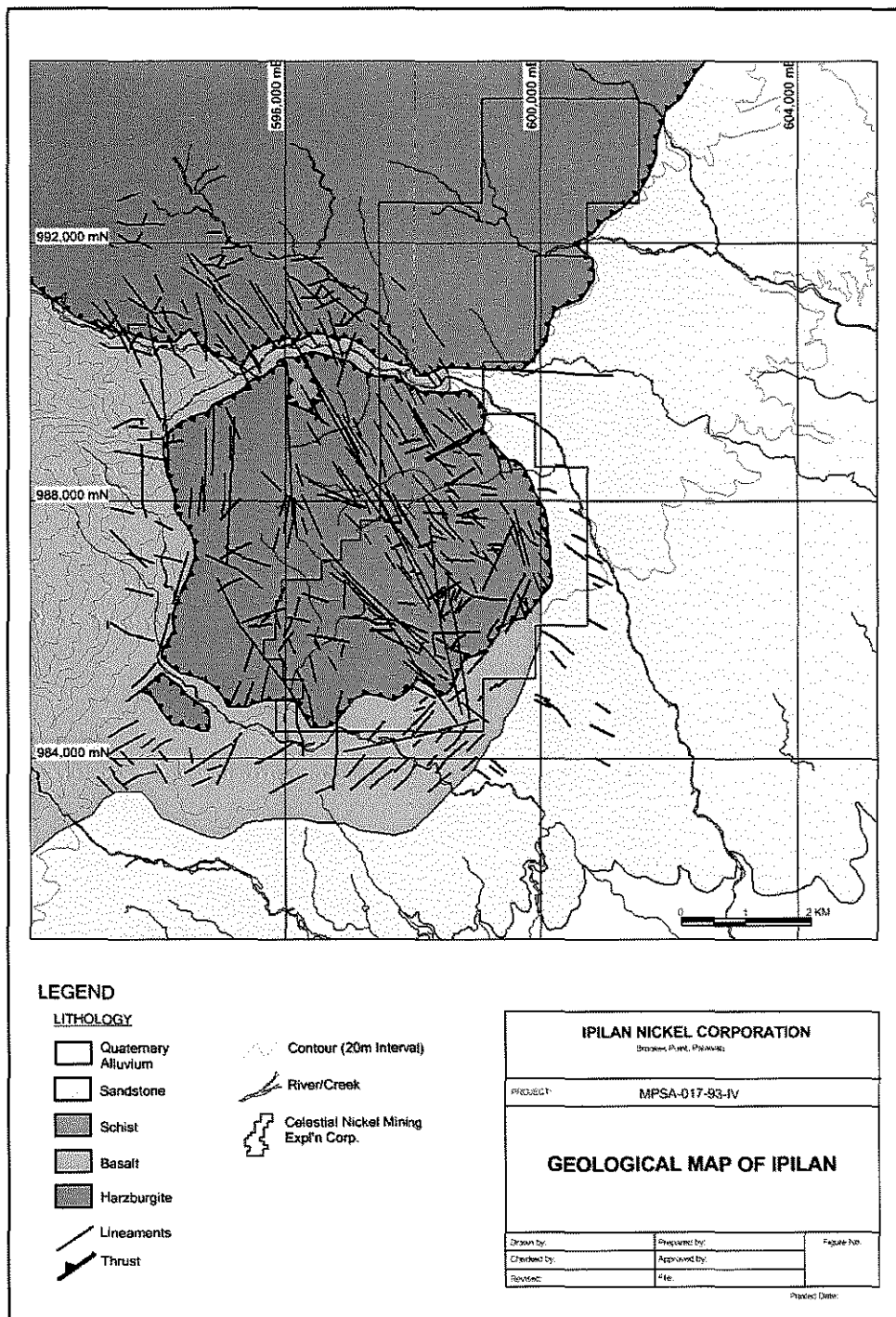


Figure-22. Geological Map of Iplan Nickel Project (Source: TMM)

The cross-section below shows NW-SE directed thrusting of a sliver of basement schists and allochthonous klippen-nappes made up of ultramafic rocks mainly harzburgite over the underlying basalt. Sandstone over the basalt is deposited unconformably after the thrusting as seen in the southeastern part of the section.

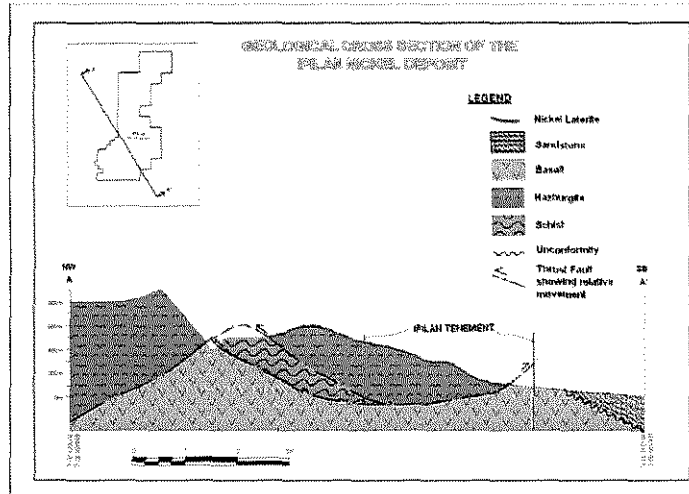


Figure-23. Cross Section Along the Iplian Nickel Laterite Deposit (Source: TMM)

8.3 Test Pitting and Sampling

Previous exploration works done in the area consisted of test pits dug on a 100 by 100 m grid. These pits were re-sampled whenever accessible and some were re-deepened whenever possible (Figure-24).

Follow-up works done consisted of in-fill test pitting at 50x50m grids and eventually at 25x25m grids either as test pits or drill holes. Majority of the test pits failed to reach the bedrock due to the rocky saprolite or silica/quartz bottom.

The test pit collar measured 1.2mx0.8m and round logs were placed on the ground as frame that prevented material from rolling into the pit.

Excavation commenced down the pit using hand shovel and pinch bar. A rope ladder was used to access the bottom of the pit and excavated material taken out of the pit with the use of bucket and pulley. Excavation stopped when workers could not penetrate the bottom due to rocky, silica-rich material or unsafe conditions.

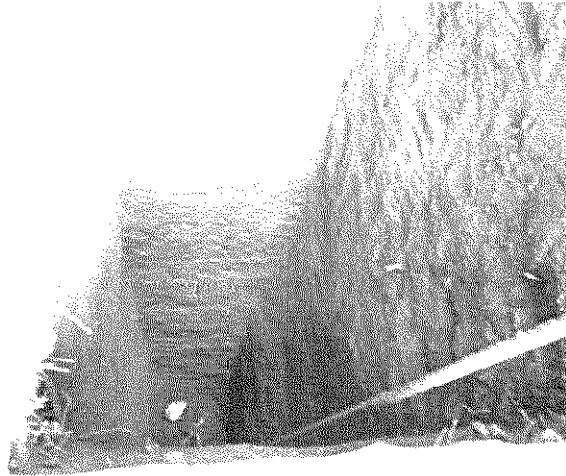


Figure-24. Test Pitting Excavation (Source: TMM)

Channel samples on the north and south faces of the test pit measuring 10 cm wide and 10 cm deep approximately 4.0 kg in weight each were taken at 1.0 m intervals in old and new test pits. Duplicates are taken on east-west faces (**Figure-25**).

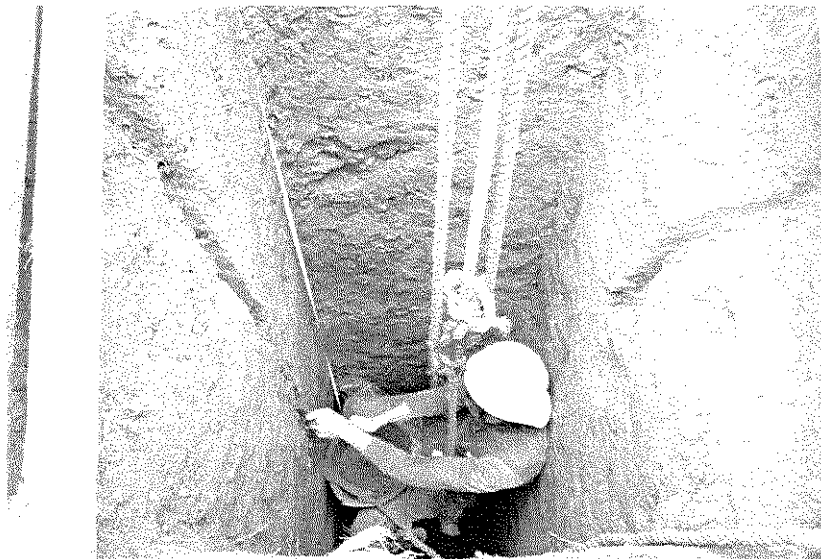


Figure-25. Test Pit Sampling (Source: TMM)

Samples were placed into plastic bags, nylon sacks including the unique sample number inside a smaller and sealed plastic bag.

Photography of the sampled interval showing a photo scale is used, along with sample number, interval, and test pit details.

8.4 Topographic Survey

Establishing the 25 to 50 m test pit and drill hole grids for the whole area required the use of Global Positioning System and Total Station survey equipment. INC assigned independent contractors to conduct topographic survey controls and engineering design controls. Geodetic-grade GPS survey equipment were used to establish primary survey controls. A topographic survey was also done to gather ground

elevations and other surface features pertinent to engineering design. During the course of the topographic survey, surface features such as depressions, creeks, peaks, breaks in slope and promontories were located to provide accurate ground configuration. Test pits and drill holes were also located to provide the exact location relative to X, Y, Z coordinates.

The Philippine Transverse Mercator Zone 1A was used for all survey data and maps.

A digital terrain model of all the surface topographic data were generated for use as upper constraints in the block modelling.

The scope of the survey works (**Figure-26**) was to establish control stations for every hectare, locate existing test pits and drill holes and topographic survey.

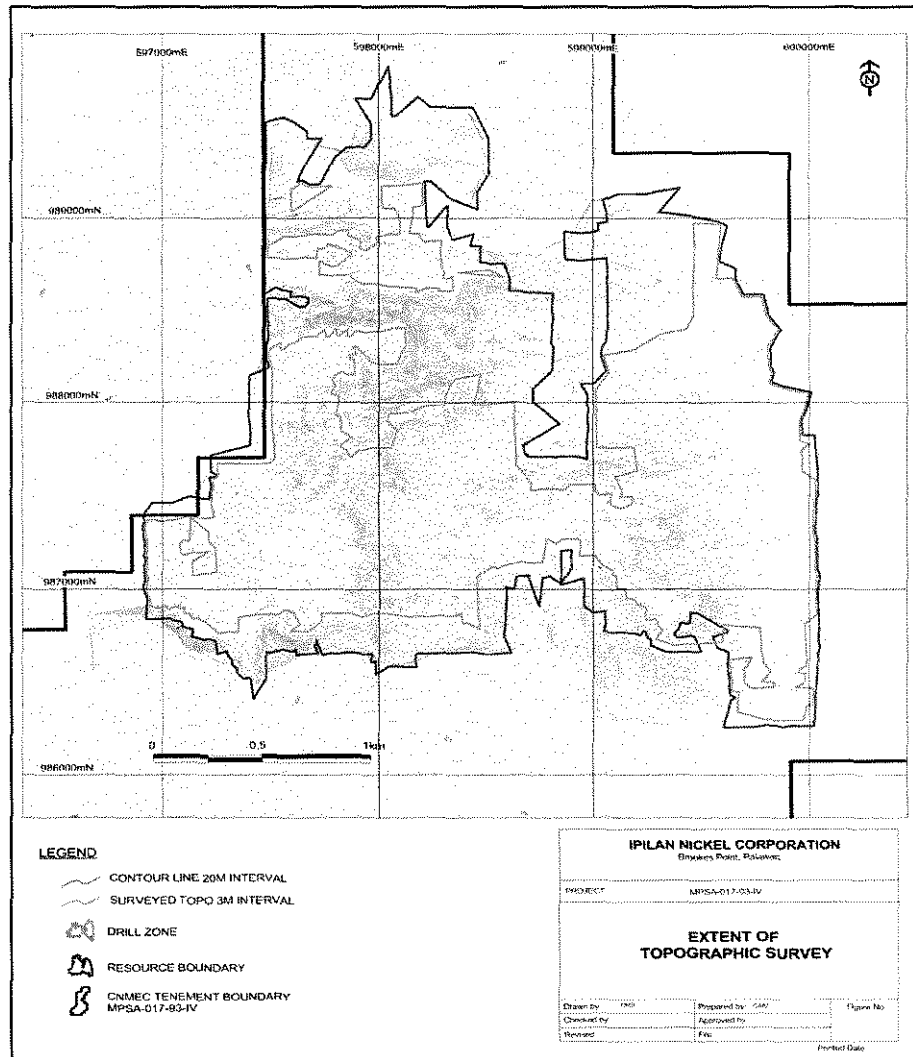


Figure-26. Topographic Survey Coverage

8.4.1 Drill Hole Collar Location

Proposed drill hole sites/collars were originally sited by a hand-held GPS unit with compass and measuring tape using old DHs and test pits as tie-points.

During the topographic survey the collar locations of completed DHs were accurately surveyed using a Total Station instrument and Differential GPS with the coordinates recorded in the Philippines Transverse Mercator (Zone 1A) coordinate system. Regular calibrations of the instruments at least twice a year from the National Mapping Resource Information Administration (NAMRIA) are done. The DH collar site was marked by a wooden pole inserted into the hole with the hole ID and location coordinates marked on it.

8.4.1.1 Checks of Drill Hole Collar Locations

The Geologist- CP checked the collar locations of 20 drill holes from the INC Deposit last July 2014 using a hand-held Garmin Map 76C GPS unit and results indicated variances in Easting coordinates of an average of 4.41m and in Northing of an average of 1.41m. This shows that drill hole collar locations on the ground are comparable to the database records and are within the allowable error limits of the hand-held GPS unit. The details of the drill hole collar checking is in **Table-9**.

Jinchuan Group Company, Ltd. also previously checked the collar locations of 60 drill holes from the INC Deposit from November- December 2011 using a Total Station instrument and Differential GPS. The differences in Easting coordinates had an average of 0.82m while the differences in Northing had an average of 0.64m. Jinchuan validated that the drill hole collar locations on the ground match those in the database and are within the allowable error limits. The Jinchuan details on checking of drill hole collars are in **Table-10**.

INC Economic Assessment and Ore Reserves Estimation (PMRC-CPEM Technical Report)

JINCHUAN/JGS SURVEYED DATA					INC/FPT CHECKING			VARIANCES		
No.	Borehole ID	Elev. (m)	Northing	Easting	Elev. (m)	Northing	Easting	N	E	Elev. (m)
1	HC/ZK1-05	495.392	987,257.94	432,425.87	518.00	987,262.00	432,435.00	4.06	9.13	-22.61
2	HC/ZK1-07	459.932	987,262.98	432,828.05	477.00	987,270.00	432,827.00	7.02	-1.05	-17.07
3	HC/ZK1-12	295.583	987,263.30	433,630.59	334.00	987,271.00	433,638.00	7.70	7.41	-38.42
4	HC/ZK1-18	276.595	987,267.27	434,227.60	262.00	987,268.00	434,232.00	0.73	4.40	14.60
5	HC/ZK2-01	492.332	986,748.85	432,309.61	524.00	986,744.00	432,323.00	-4.85	13.39	-31.67
6	HC/ZK2-05	479.663	987,128.83	432,332.49	507.00	987,134.00	432,338.00	5.17	5.51	-27.34
7	HC/ZK2-07	524.881	987,330.21	432,308.71	531.00	987,332.00	432,309.00	1.79	0.29	-6.12
8	HC/ZK2-09	471.442	987,603.36	432,314.82	497.00	987,610.00	432,334.00	6.64	19.18	-25.56
9	HC/ZK3-01	465.432	986,722.02	432,695.62	497.00	986,713.00	432,695.00	-9.02	-0.62	-31.57
10	HC/ZK3-04	462.365	987,011.03	432,679.78	505.00	987,001.00	432,690.00	-10.03	10.22	-42.64
11	HC/ZK3-07	473.693	987,309.91	432,693.63	500.00	987,313.00	432,703.00	3.09	9.37	-26.31
12	HC/ZK3-09	443.912	987,651.96	432,690.53	455.00	987,647.00	432,687.00	-4.96	-3.53	-11.09
13	HC/ZK3-12	481.775	988,104.27	432,687.39	500.00	988,108.00	432,689.00	3.73	1.61	-18.23
14	HC/ZK4-01	404.882	988,603.63	433,143.04	391.00	988,618.00	433,150.00	14.37	6.96	13.88
15	HC/ZK4-04	376.745	989,096.91	433,145.67	393.00	989,097.00	433,150.00	0.09	4.33	-16.26
16	HC/ZK5-02	249.271	986,764.64	434,341.74	277.00	986,770.00	434,346.00	5.36	4.27	-27.73
17	HC/ZK5-06	227.432	987,176.38	434,347.96	246.00	987,174.00	434,361.00	-2.38	13.04	-18.57
18	HC/ZK5-08	222.665	987,359.79	434,336.21	252.00	987,362.00	434,332.00	2.21	-4.21	-29.34
19	HC/ZK5-09	200.675	987,651.96	432,690.53	194.00	987,641.00	432,695.00	-10.96	4.47	6.68
20	HC/ZK5-12	160.553	988,097.61	434,350.95	180.00	988,106.00	434,335.00	8.39	-15.95	-19.45

Table-9. Selected Drill Hole Details as Checked by INC/FPT vs. Jinchuan/JGS (July 2014)

INC Economic Assessment and Ore Reserves Estimation (PMRC-CPEM Technical Report)

JINCHUAN/JGS DATA						INC DATA				Variances		
No.	Borehole ID	Depth	Elev. (m)	Northing	Easting	Depth	Elev. (m)	Northing	Easting	N	E	Elev. (m)
1	HC/ZK1-03	16.95	532.012	987279.109	432122.733	16.80	532.179	987270.558	432124.892	-8.551	2.159	0.167
2	HC/ZK1-04	10.11	510.391	987260.424	432255.844	10.00	510.488	987255.833	432255.523	-4.591	-0.321	0.097
3	HC/ZK1-05	31.59	495.392	987257.941	432425.868	31.50	495.448	987258.237	432426.373	0.296	0.505	0.056
4	HC/ZK1-06	29.27	486.511	987260.909	432525.837	38.30	486.549	987262.523	432526.401	1.614	0.564	0.038
5	HC/ZK1-07	25.25	459.932	987262.984	432828.049	25.10	459.962	987262.58	432827.162	-0.404	-0.887	0.030
6	HC/ZK1-08	23.32	437.844	987255.631	432925.065	23.20	437.842	987256.564	432926.808	0.933	1.743	-0.002
7	HC/ZK1-09	11.51	351.293	987281.815	433088.839	11.40	351.338	987283.676	433089.416	1.861	0.577	0.045
8	HC/ZK1-10	19.70	326.83	987238.182	433334.991	19.60	326.808	987238.936	433335.067	0.754	0.076	-0.022
9	HC/ZK1-11	16.42	312.102	987257.125	433436.658	16.20	312.066	987257.34	433433.911	0.215	-2.747	-0.036
10	HC/ZK1-12	16.47	295.583	987263.295	433630.59	16.30	295.028	987264.379	433633.457	1.084	2.867	-0.555
11	HC/ZK1-13	15.14	288.354	987265.491	433702.222	15.00	288.288	987265.668	433704.058	0.177	1.836	-0.066
12	HC/ZK1-14	16.77	274.554	987267.639	433825.705	16.60	274.518	987267.021	433827.78	-0.618	2.075	-0.036
13	HC/ZK1-15	21.10	272.444	987260.142	433908.087	21.00	272.478	987259.757	433908.5	-0.385	0.413	0.034
14	HC/ZK1-16	20.10	291.333	987266.794	434032.696	20.00	291.298	987265.074	434032.923	-1.72	0.227	-0.035
15	HC/ZK1-17	21.35	282.854	987268.391	434124.748	21.20	282.650	987268.653	434127.964	0.262	3.216	-0.204
16	HC/ZK1-18	23.10	276.595	987267.272	434227.601	23.00	276.568	987267.757	434228.863	0.485	1.262	-0.027
17	HC/ZK1-19	22.39	182.335	987269.03	434532.149	22.00	182.158	987267.021	434533.152	-2.009	1.003	-0.177
18	HC/ZK1-20	14.39	141.224	987263.512	434713.247	14.30	141.287	987263.512	434713.247	0	0	0.063
19	HC/ZK1-21	16.25	109.745	987253.657	434987.659	16.00	109.682	987253.655	434989.663	-0.002	2.004	-0.063
20	HC/ZK2-01	21.31	492.332	986748.853	432309.61	21.20	491.908	986746.284	432316.285	-2.569	6.675	-0.424
21	HC/ZK2-02	25.22	492.312	986855.419	432325.115	25.00	492.968	986852.998	432330.259	-2.421	5.144	0.656
22	HC/ZK2-03	25.71	491.441	986948.063	432329.47	25.50	491.598	986945.997	432333.421	-2.066	3.951	0.157
23	HC/ZK2-04	33.77	487.453	987037.241	432331.823	32.70	478.318	987034.543	432333.41	-2.698	1.587	-9.135
24	HC/ZK2-05	23.13	479.663	987128.827	432332.489	23.00	479.428	987124.888	432334.322	-3.939	1.833	-0.235
25	HC/ZK2-06	22.60	505.837	987223.88	432327.533	22.00	505.958	987221.414	432328.494	-2.466	0.961	0.121
26	HC/ZK2-07	18.59	524.881	987330.209	432308.706	18.50	524.808	987326.626	432307.648	-3.583	-1.058	-0.073

INC Economic Assessment and Ore Reserves Estimation (PMRC-CPEM Technical Report)

27	HC/ZK2-08	28.08	509.523	987446.316	432329.311	28.00	509.328	987444.514	432322.093	-1.802	-7.218	-0.195
28	HC/ZK2-09	12.15	471.442	987603.358	432314.821	11.80	471.208	987600.06	432309.728	-3.298	-5.093	-0.234
29	HC/ZK2-10	24.12	492.977	986873.64	432327.69	25.47	496.248	986870.639	432332.746	-3.001	5.056	3.271
30	HC/ZK3-01	20.32	465.432	986722.024	432695.617	20.20	465.468	986722.597	432695.604	0.573	-0.013	0.036
31	HC/ZK3-02	32.69	461.332	986822.198	432696.956	32.40	461.278	986822.858	432696.979	0.66	0.023	-0.054
32	HC/ZK3-03	36.21	462.654	986916.313	432675.523	36.10	462.636	986916	432674.69	-0.313	-0.833	-0.018
33	HC/ZK3-04	25.20	462.365	987011.032	432679.777	25.10	462.356	987011.235	432680.047	0.203	0.27	-0.009
34	HC/ZK3-05	25.90	462.257	987110.144	432678.85	18.40	462.288	987110.087	432678.665	-0.057	-0.185	0.031
35	HC/ZK3-06	22.70	469.866	987205.289	432676.646	20.00	469.900	987205.528	432677.488	0.239	0.842	0.034
36	HC/ZK3-07	31.30	473.693	987309.91	432693.632	26.80	473.738	987310.076	432693.902	0.166	0.27	0.045
37	HC/ZK3-08	17.42	444.573	987479.801	432690.524	16.60	444.517	987480.487	432691.803	0.686	1.279	-0.056
38	HC/ZK3-09	18.11	443.912	987651.962	432690.532	18.00	443.856	987653.286	432689.673	1.324	-0.859	-0.056
39	HC/ZK3-10	11.29	424.445	987734.707	432690.643	11.25	424.208	987743.092	432693.152	8.385	2.509	-0.237
40	HC/ZK3-11	17.23	481.543	987916.204	432657.096	16.70	481.538	987915.029	432657.851	-1.175	0.755	-0.005
41	HC/ZK3-12	24.20	481.775	988104.27	432687.388	24.00	481.725	988103.601	432689.264	-0.669	1.876	-0.050
42	HC/ZK3-13	12.01	465.152	988279.331	432686.177	11.80	465.125	988278.889	432685.342	-0.442	-0.835	-0.027
43	HC/ZK3-14	11.36	475.222	988734.595	432670.006	11.30	475.198	988734.735	432670.277	0.14	0.271	-0.024
44	HC/ZK3-15	12.12	461.114	988828.568	432672.264	12.00	461.032	988828.73	432673.171	0.162	0.907	-0.082
45	HC/ZK4-01	17.32	404.882	988603.634	433143.036	15.00	404.829	988595.66	433140.783	-7.974	-2.253	-0.053
46	HC/ZK4-02	22.25	390.9553	988714.827	433129.897	21.50	390.915	988716.103	433130.086	1.276	0.189	-0.040
47	HC/ZK4-03	20.10	342.919	988927.953	433144.387	20.00	342.972	988928.065	433145.301	0.112	0.914	0.053
48	HC/ZK4-04	18.17	376.745	989096.909	433145.672	18.00	376.865	989097.204	433146.774	0.295	1.102	0.120
49	HC/ZK5-01	10.80	244.668	986668.786	434341.54	10.70	244.718	986670.24	434341.06	1.454	-0.48	0.050
50	HC/ZK5-02	19.63	249.271	986764.636	434341.735	19.50	249.358	986764.825	434341.432	0.189	-0.303	0.087
51	HC/ZK5-03	28.22	260.701	986877.336	434338.293	26.70	260.738	986878.142	434340.451	0.806	2.158	0.037
52	HC/ZK5-04	25.54	250.119	986957.395	434352.491	25.40	250.098	986957.092	434355.208	-0.303	2.717	-0.021
53	HC/ZK5-05	12.81	200.181	987072.092	434337.651	12.70	200.138	987071.385	434339.105	-0.707	1.454	-0.043
54	HC/ZK5-06	16.80	227.432	987176.382	434347.959	16.70	227.638	987174.585	434348.695	-1.797	0.736	0.206
55	HC/ZK5-07	19.50	245.87	987273.558	434333.213	19.30	225.656	987272.195	434334.59	-1.363	1.377	-20.214

INC Economic Assessment and Ore Reserves Estimation (PMRC-CPEM Technical Report)

56	HC/ZK5-08	16.10	222.665	987359.788	434336.211	16.00	222.608	987358.945	434337.792	-0.843	1.581	-0.057
57	HC/ZK5-09	20.15	200.675	987489.817	434349.864	20.00	200.638	987487.068	434350.948	-2.749	1.084	-0.037
58	HC/ZK5-10	10.44	171.488	987583.939	434349.457	10.30	171.468	987583.122	434350.146	-0.817	0.689	-0.020
59	HC/ZK5-11	10.10	173.081	987996.117	434339.599	10.00	173.028	987997.234	434342.45	1.117	2.851	-0.053
60	HC/ZK5-12	6.43	160.553	988097.61	434350.947	6.30	160.618	988098.737	434351.367	1.127	0.42	0.065

Table-10. Selected Drill Hole Details as Checked by Jinchuan/JGS vs. INC (December 2011 Data)



Figure-27. Drill Hole- HC/ZK1-05

Coordinates: 987,262.00N/432,435.00E (FPT)
987,257.94N/432,425.87E (Jinchuan)

Area: Toro-Toro

DH Bottom: 31.59 m.



Figure-28. Drill Hole- HC/ZK1-07

Coordinates: 987,270.00N/432,827.00E (FPT)
987,262.98N/432,828.05E (Jinchuan)

Area: Everlasting

DH Bottom: 25.25 m.



Figure-29. Drill Hole- HC/ZK1-12

Coordinates: 987,271.00N/433,638.00E (FPT)
987,263.30N/433,630.59E (Jinchuan)

Area: Angelie

DH Bottom: 16.47 m.



Figure-30. Drill Hole- HC/ZK1-18

Coordinates: 987,268.00N/434,232.00E (FPT)

987,267.27N/434,227.60E (Jinchuan)

Area: Angelie

DH Bottom: 23.00 m.



Figure-31. Drill Hole- HC/ZK2-01

Coordinates: 986,744.00N/432,323.00E (FPT)

986,748.85N/432,309.61E (Jinchuan)

Area: Everlasting

DH Bottom: 21.20 m.



Figure-32. Drill Hole- HC/ZK2-05

Coordinates: 987,134.00N/432,338.00E (FPT)

987,128.83N/432,332.49E (Jinchuan)

Area: Everlasting

DH Bottom: 23.00 m.



Figure-33. Drill Hole: HC/ZK2-07

Coordinates: 987,332.00N/432,309.00E (FPT)
987,330.21N/432,308.71E (Jinchuan)

Area: Everlasting
DH Bottom: 18.50 m.



Figure-34. Drill Hole- HC/ZK2-09

Coordinates: 987,610.00N/432,334.00E (FPT)
987,603.36N/432,314.82E (Jinchuan)

Area: Everlasting
DH Bottom: 11.80 m.



Figure-35. Drill Hole- HC/ZK3-01

Coordinates: 986,713.00N/432,695.00E (FPT)
986,722.02N/432,695.62E (Jinchuan)

Area: Everlasting
DH Bottom: 20.20 m.

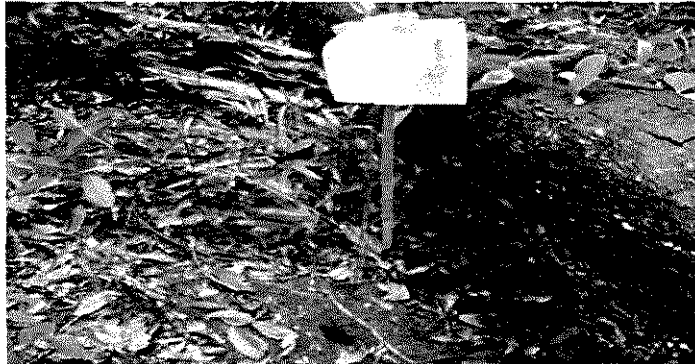


Figure-36. Drill Hole- HC/ZK3-04

Coordinates: 987,001.00N/432,690.00E (FPT)

987,011.03N/432,679.78E (Jinchuan)

Area: Everlasting

DH Bottom: 25.10 m.



Figure- 37. Drill Hole: HC/ZK3-07

Coordinates: 987,313.00N/432,703.00E (FPT)

987,309.91N/432,693.63E (Jinchuan)

Area: Everlasting

DH Bottom: 26.80 m.



Figure- 38. Drill Hole: HC/ZK3-09

Coordinates: 987,647.00N/432,687.00E (FPT)

987,651.96N/432,690.53E (Jinchuan)

Area: Everlasting

DH Bottom: 18.00 m.



Figure-39. Drill Hole- HC/ZK3-12

Coordinates: 988,108.00N/432,689.00E (FPT)
988,104.27N/432,687.39E (Jinchuan)

Area: Everlasting
DH Bottom: 24.00 m.



Figure- 40. Drill Hole- ZK4-01

Coordinates: 988,618.00N/433,150.00E (FPT)
988,603.63N/433,143.04E (Jinchuan)

Area: Block-C
DH Bottom: 15.00 m.



Figure- 41. Drill Hole- HC/ZK4-04

Coordinates: 989,097.00N/433,150.00E (FPT)
989,096.91N/433,145.67E (Jinchuan)

Area: Block-C
DH Bottom: 18.00 m.



Figure-42. Drill Hole- HC/ZK5-02

Coordinates: 986,770.00N/434,346.00E (FPT)

986,764.64N/434,341.74E (Jinchuan)

Area: Block-C

DH Bottom: 19.50 m.



Figure-43. Drill Hole- HC/ZK5-06

Coordinates: 987,174.00N/434,361.00E (FPT)

987,176.38N/434,347.96E (Jinchuan)

Area: Angelie

DH Bottom: 16.70 m.



Figure-44. Drill Hole: HC/ZK5-08

Coordinates: 987,362.00N/434,332.00E (FPT)

987,359.79N/434,336.21E (Jinchuan)

Area: Angelie

DH Bottom: 16.00 m.



Figure- 45. Drill Hole- HC/ZK5-09

Coordinates: 987,641.00N/432,695.00E (FPT)

987,651.96N/432,690.53E (Jinchuan)

Area: Block-C

DH Bottom: 18.11 m.



Figure-46. Drill Hole- HC/ZK5-12

Coordinates: 988,106.00N/434,335.00E (FPT)

988,097.61N/434,350.95E (Jinchuan)

Area: Block-C

DH Bottom: 16.47 m.

8.4.2 Downhole Surveys

All drill holes were shallow and drilled vertically. No downhole surveys were carried out as any minor hole deviation would be immaterial to the resource estimate.

8.5 Geophysical Survey- Ground Penetrating Radar (GPR) Method

In 1999, Jan Francke now with Ground Probe Ltd. conducted a Ground Penetrating Radar (GPR) Survey in the Celestial tenement. This pioneering work enabled the relative determination of thickness of laterite profiles including identification of large boulders and bedrock in the profile. The INC survey had 83.3 line kilometers of GPR coverage.

The equipment including the power source, transponder, antenna, receiver were dragged on predetermined and cleared survey lines to obtain GPR information. The nature of the

utilized frequency of the radar signal, electronics of the transmitter and receiver precludes identification of particles smaller than a few tens of centimeters across. The reception of the radar signal necessarily produces shadows in between the pulse point locations. The propagation of the radar beam with depth decreases spatial resolution down the laterite profile. The spatial continuity between profiles is then interpolated.

The GPR Survey was able to produce images of the laterite profile from each traverse line. The boundaries of limonite, earthy and rocky saprolite were then interpreted from the color-coded radar return both in section and plan. The thickness of the profile was then also interpreted.

The GPR results were found effective for planning drilling programs for under-explored nickel laterite deposits.

8.6 Drilling

Extensive drilling was undertaken over the Project by an independent contractor and later by Toledo Mine Management, Inc. in behalf of INC.

The core drilling program was done on a 25 x 25m grid within the delineated areas of thick laterization as in-fill to the previously test-pitted area.

YBM Drilling Machines with tungsten carbide bits were used initially by the contractor, JCP Geo-Ex, and later by TMM using three similar rigs (2 mechanical-YHP-1 with 9 HP engine; 1 hydraulic YBM 05-D2 with 10HP engine), **Figure-47**. The drill rods had a core diameter of 65mm. More than half the recoveries (per sample) for the drilling are over 100%, averaging 96.4%. The last two meters of the drill holes are drilled into bedrock.



Figure- 47. Mechanical Portable Drill Rig in Operation (Source: TMM)

The core drilling used a NQ-sized core barrel drilled vertically to recover the laterite samples. A BQ size core barrel was used in deeper ground at around 35 m to 40 m where the NW size barrel could not penetrate. The core is retrieved from by a barrel and placed on plastic core trays. A core wooden block with depth written on it is placed at the end of every core run. The plastic trays contain approximately 5.0 m of core. When filled, these are brought down to the camp where picture is taken, core recovery determined, core logged and sampled. The sampling interval is every one meter from the collar or dependent on the geologic contact. The sample is put in pre-numbered sample bags and weighed before inserting in a sack. It is a policy that the hole penetrates into the hard rock at least two meters before deciding to terminate a hole.

The entire core is sampled, either in whole or as core duplicate sample derived by splitting the core along the long core axis. Core recovery of each sample generally varies from 75% to 100%, with an average of 96.4%.

Drill hole samples from each drill run are measured and carefully laid out onto PVC core trays with the corresponding core block inserted indicating actual length of drill run and core length (**Figure-48**). Samples are carefully logged for significant details per the standard logging form. Each sample from a meter interval is then bagged and inserted with the unique sample stub also inside a sealed plastic bag to survive moisture and handling (**Figure-49**).

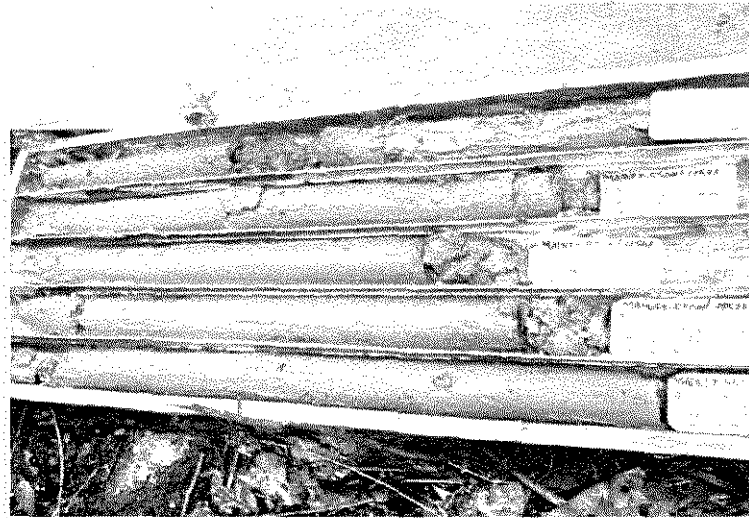


Figure-48. Drill Sample Layout in the Core Tray (Source: TMM)

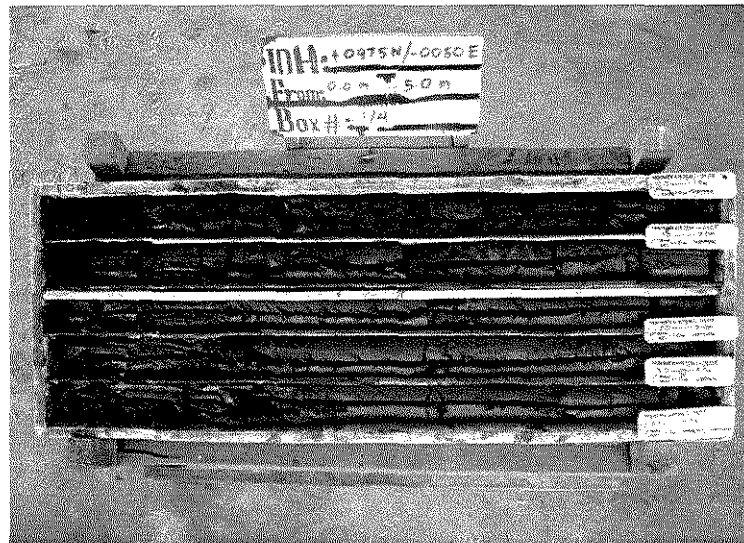


Figure-49. Core Samples (Source: TMM)

For duplicate samples, these are rotated until a plane of symmetry along the core axis is determined. From this plane of symmetry, a duplicate sample of the interval is obtained (**Figure-50**).

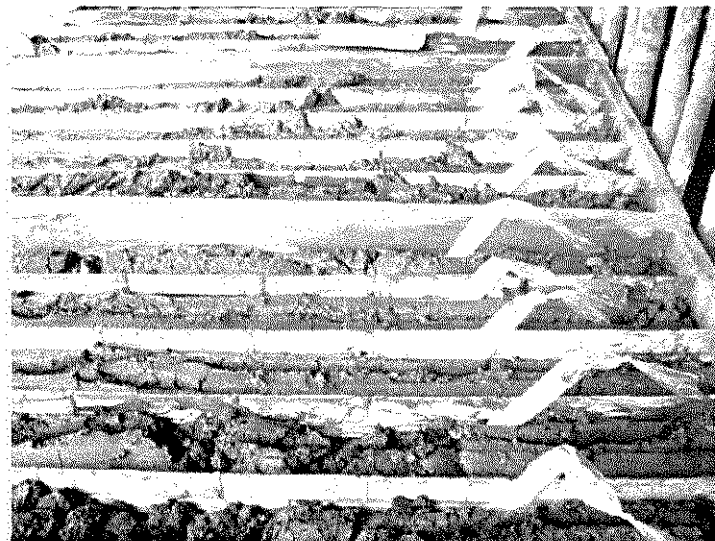


Figure-50. Drill Sample Identification and Splitting (Source: TMM)

“Dry” rotary drilling was conducted by man-portable YBM drills with largely tungsten carbide bits, by contractor JCP Geo-Ex and TMM/BNC. The drilling method enables largely intact drill core of the profile to be extracted with no contamination as in percussion drilling.

8.6.1 Core Logging

Core logging is performed by the field geologists, for physical characteristics including color, grain size, texture, and minerals present, amount of weathering, and rock type, **Figure-51**.



Figure-51. Core Logging by Geologist (Source: TMM)

8.6.2 Core Recovery

Core recovery is calculated by the driller and company representative for each drill run to determine rate of pay and acceptability.

Core recovery was measured and recorded for each drill run by a designated core checker at the drill site. The information was then used by the geologist during actual core logging with attention given to proper placement of any lost core to its correct location in the run to avoid any bias.

The core recoveries were exceptionally very good for all the drill holes with average total DH core recovery of 96.4% as indicated in **Table-11** and **Figure-52** below.

Item/Field	Record
Number of Holes	3,154
Total Meterage	54,096
Number of Core Recovery Samples	80,944
Minimum value	57.14
Maximum value	100
Mean	96.4
Variance	12.4
Standard deviation	3.52
Std error of mean	0.06

Table-11. Average DH Core Recoveries

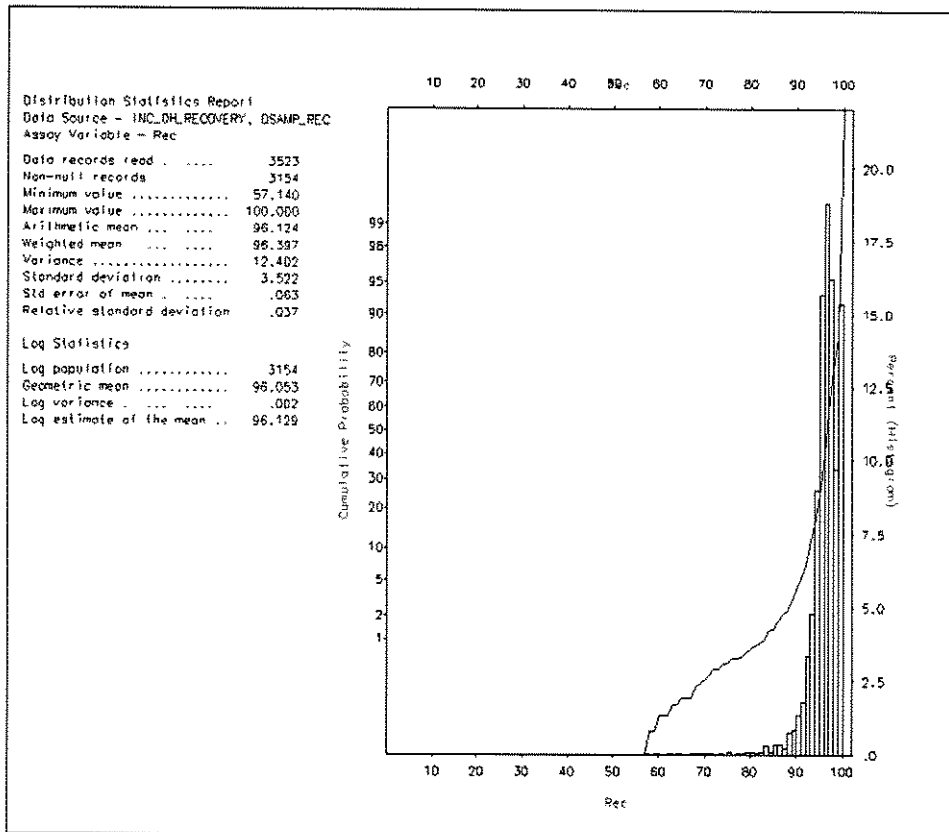


Figure-52. Basic Statistics of Drill Hole Recoveries

Review of core recoveries concluded that:

- There is no significant bias on grades against recoveries;
- Recoveries in the first three meters of drill runs were characterized by compression of core and occurrence of cavities;
- Saprolite has lower recoveries than limonite as expected due to variability in composition (alternating hard/soft material) and particle sizes (coarse/fine).

8.6.3 Core Photography

Core photography was done for digital archiving of the drill cores. The photos can serve as reference to validate/correlate with results of laboratory analyses when needed in the future.

8.6.4 Core Sampling

Sampling of the drill core was carried out according to the INC Exploration and Sample Preparation Protocols.

Whole drill core (NQ-BQ size) was used for analysis to avoid sample bias caused by core splitting and sampling was done at one (1) meter intervals down the hole, except at lithological boundaries. Sample lengths across the boundaries were taken in a range of 1.0 ± 0.25 m to avoid excessively short or long samples. In addition, the entire drill hole was sampled, leaving no core to view as a record. In some of the holes (core duplicate sample), the core was split and the half core was retained in the core box and stored.

Each sample was then placed in a plastic bag labeled with the sample number. All sample details such as hole ID and sample number ranges were recorded during the sampling process. When completed, the sample batch was sent to the laboratory for sample preparation and analysis.

Core extraction after a drill run is shown in **Figure-53**.



Figure-53. Core Extraction Prior to Core Logging/Sampling (Source: TMM)

8.7 Geotechnical Drilling

A geotechnical drilling program was implemented to test the proposed sites of infrastructure. Two man-portable rigs from JCP Geo-Services were used. The proposed holes were sited on the ground using a GPS and were logged on a geotechnical log sheet. The holes were located on the proposed location of workshop, road alignment, administrative building, and processing plant. Four (4) holes were drilled with a combined meterage of 127.0 m. The deepest hole at 48.9 m was drilled at proposed Administration Building (**Figure 54**).



Figure-54. Geotechnical Investigation Site

8.8 Bulk Density and Moisture Content Data

Bulk methods of density determination by the sand cone technique which provide a better means to determine density or specific gravity for laterites was used during the exploration program. Four types of matrices (limonite, saprolite, rocky saprolite and quartz) with varying density were determined. During test pit excavation, a hole was dug at the bottom. The weight of excavated material is measured at site using digital weighing scale. To determine the volume of excavation, a sand cone apparatus is used to fill the excavation with sand. The sand has a predetermined density and weight. The excess sand on the cone is weighed to determine the weight of sand that filled the excavation. Using formula for density, the volume of the excavation filled with sand is computed. With known weight of material excavated and the computed volume of the excavation, the in situ density of the material is calculated.

In determining the dry density of the material, after weighing the excavated material it is dried in an improvised oven until reaching 105-110 degree Celsius. The dry material is then weighed and dry density and moisture content is calculated.

Bulk density measurements to May 2008 from 388 test pits were done using sand cone apparatus and with 557 measurements coming from limonite (268), saprolite (208), rocky saprolite (12) and quartz (69).

Summary of derived dry density values used for block modelling in this report are shown in **Table-12**. The mean dry density values of each laterite material were used in the estimates.

WET DENSITY	AVE. (t/m³)
Limonite	1.523
Saprolite*	1.726
Rocky Saprolite*	1.682
Quartz	1.501
DRY DENSITY	AVE. (t/m³)
Limonite	1.099
Saprolite*	1.300
Rocky Saprolite*	1.306
Quartz	1.108

Table-12. Density Values

* Measurements made to 2008

8.9 Metallurgical Test Work (*Source: Snowden Report*)

Variable materials of limonite, saprolite, rocky saprolite and silica were selected from the available assay database by INC for hydrometallurgical testing. Approximately 1,400 kg of combined samples representing the different matrix materials distributed throughout the mineralized blocks was sent to Euronickel's pilot test plant in Turkey. These materials were tested if amenable to heap leaching. Another batch of samples from limonite, saprolite and rocky saprolite with combined weight of 1,200 kg was sent to another company in South Africa for nickel beneficiation testing by alternative processing. Taken from the same batch of samples, the ore materials were investigated for mineralogical composition. SGS Lakefield Orestest, Perth, Australia was engaged to do the Mineralogical Analysis by QEMSCAN, XRD and SEM/EDX microscopy.

A single block was prepared from each received sample and studied both by

QEMSCAN and manual SEM-EDX methods. For the measurements, the whole block was firstly mapped in detail by QEMSCAN and then manually examined by the mineralogist to collect quantitative data on phase compositions. The manually collected data was used to redefine the SIP and establish the content of nickel in the individual phases and their mixtures. XRD data was also used for the confirmation of phases identified.

There are significant differences in the mineralogy of individual samples analyzed, mainly in the proportions of nickel-bearing phases and the amount and type of gangue phases present. Together with the mineralogical results, this information could be used to predict the process performance of individual feed samples if the variable responses to processing are confirmed by hydrometallurgical test works.

The mineral assemblage of the samples from the limonite zone is composed of Fe-oxides/hydroxides (namely hematite, goethite, and limonite) and Cr-mineral (chromite and spinels) with minor amount of asbolanes and serpentine. A large proportion of the samples is formed by a very fine intergrowth of silicates and Fe-oxides with grain size less than 1.5 μm that cannot be positively classified as a single mineral phase. These complex fine grained mixtures together with the goethite/limonite are responsible for the majority of the nickel-department. Asbolanes are a minor phases in the feed but are still the second most important nickel bearing phases as the Nickel content of this phases is rather high (3 – 15 wt%). Asbolanes are also the main Co-bearing phase. In all the samples, clay minerals were also confirmed to contain nickel.

The Celestial/Ipilan limonite sample contains more of the mixed phases (Fe-Mg-Si mix) and this is believed to be due to the presence of talc indentified by XRD. Of the minor phase, there is also more silica, clays, Mg-Fe pyroxenes and olivine present. The Ipilan earthy saprolite samples composed of Fe-oxides and hydroxides, serpentine minerals, clays, olivine, Mg-Fe pyroxenes and quartz. It is rich in asbolane which affect the Nickel distribution. Majority of nickel is hosted in serpentine, clay, asbolanes and Fe-Mg Mix. Generally less than 10% of nickel is hosted in goethite/limonite. Dominance of serpentine is the composition of rocky saprolite. Other minerals present are goethite/limonite, Cr-minerals, clays, quartz. The very fine intergrowth of silicate and Fe oxides is also present. The majority of nickel is hosted in serpentine.

The quartz sample is predominantly comprised of silica, goethite/limonite and clays. Present in minor amounts are olivine, Cr-minerals, serpentine, Mg-Fe pyroxenes and asbolanes. The cobalt and manganese in all the samples are exclusively hosted by the asbolanes. From this observation, the amount on cobalt in the fraction can be related to the amount of asbolanes present. This confirms the observation of asbolane enrichment in coarse fractions in limonite and slight enrichment of asbolanes in fine fractions for the earthy and rocky saprolites. Bias in this assumption will depend on the proportion of Co-rich to Co-poor asbolanes making up the total asbolane content and potential presence of cobalt and/or manganese in trace amounts within the major mineral phases. Even with the low modal abundance of between 0.8 and 3.7 wt%, asbolanes are important nickel and cobalt-bearing phases because of their nickel and/or cobalt content.

Nickel-serpentine, present at levels of just a few weight percent within each of the samples, also contributes significantly to the nickel department. It reaches 19% of the nickel department in saprolite while contributing only 5% to the modal mineralogy of that sample. The highest magnesium values are related to highest serpentine and/or talc values in the samples but this could be easily biased by the presence of other

magnesium phases in the samples. As the talc wasn't positively identified by QEMSCAN as a discrete phase its nickel content was not unambiguously defined. The talc presence from the XRD data is highest in the saprolite and limonite samples.

No process recovery information to disclose in this report. Testwork to date suggests that it is possible to recover nickel and cobalt by hydrometallurgical processes. The geology and mineralogical information also indicates that the mineralization would be amenable to mining, direct ore shipping (DOS) and pyrometallurgical treatment.

8.10 Sample Preparation, Analyses and Security

8.10.1 Dispatch Method

Samples from drill core are laid out and marked into PVC trays. Each full core box is covered to prevent spillage due to handling and transport, **Figure-55**.

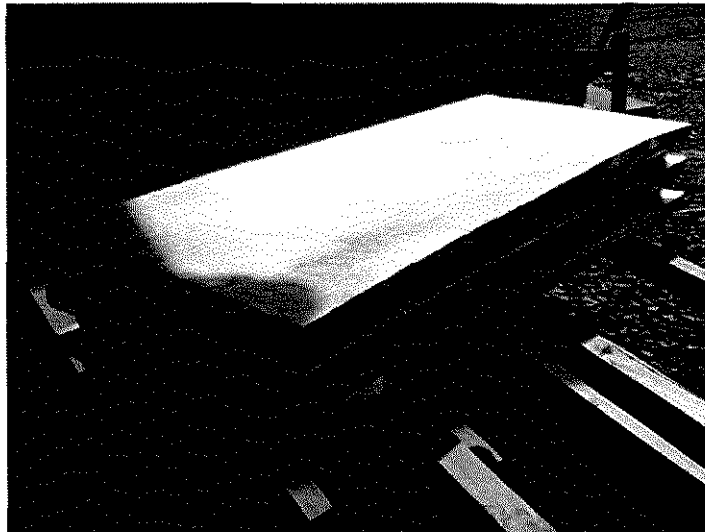


Figure-55. Covered Core Box with Samples (Source: TMM)

The Geologist assisted by the Sampling Supervisor logs the sample and takes high resolution photographs of the core. Samples are then documented, **Figure-56**.

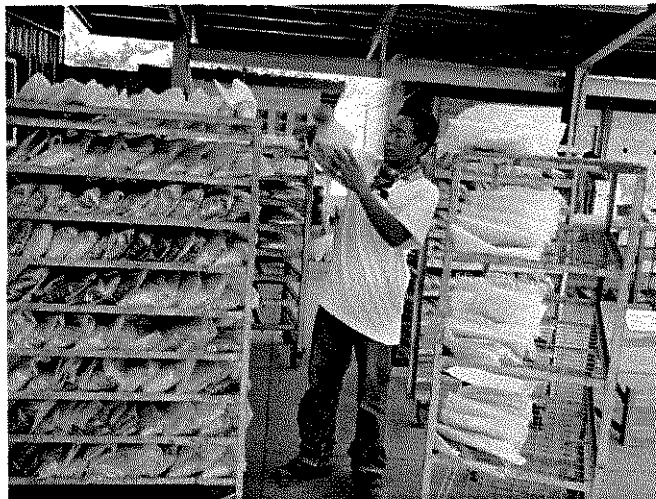


Figure-56. Sample Reconciliation from the Field (Source: TMM)

Test pit samples are packed in 10x14x0.05 inch plastic bags which in turn are packed into nylon sacks and sealed. Each sack containing 20 bags is labeled according to the identifying numbers of the samples it contains. Around 15-20 sacks are in turn put in a 1x1x0.5m crate which is loaded and sent via ferry (2Go freight services) to the Intertek laboratory in Manila (and later, to the BNC laboratory in Quezon, Palawan, operated by Intertek).

The geologist in charge ensures that the samples are properly sealed and labeled, and finding errors, if any, corrects this prior to sample dispatch. The samples upon arriving in the camp are crated and packed carefully by the Sample Preparation Supervisor. There are no reports of compromised samples by Intertek.

Crates containing the samples are ensured of its structural integrity during transport from the field and upon unloading from the marine vessel. There are no reports of samples/crates which have been compromised.

Intertek individually checks that all samples are accounted for, and there are no punctured/ opened bags/ spills. There are no reports of such.

8.10.2 Preparation and Assay Facility Type

Field samples were shipped in bulk without any field preparation.

Drying, crushing, splitting, pulverizing and assays are performed by Intertek Testing Services (Intertek) in Manila (later, at the BNC laboratory operated by Intertek at Quezon, Palawan). Intertek is an International, ISO 17025-accredited commercial lab, which has pioneered in XRF technology in the region since the late 1980s.

8.10.3 Sample Preparation

The field samples gathered from both test pits and drill holes are determined for the wet weight using digital scales and dried at a thermostat-controlled LPG-fired drying oven at the ITS Laboratory in Metro Manila, **Figure-57**. Drying takes anywhere from 6 to 16 hours and averaging 12 hours at 105 degrees Celsius.

The samples as received from the field are placed in clean aluminum tray laid out in racks and put inside a thermostatically-controlled oven. The samples from the field are dried for 12 up to 16 hours at 105 degrees Celsius at an LPG oven with thermostat/ timer control (**Figures-58 and 59**).

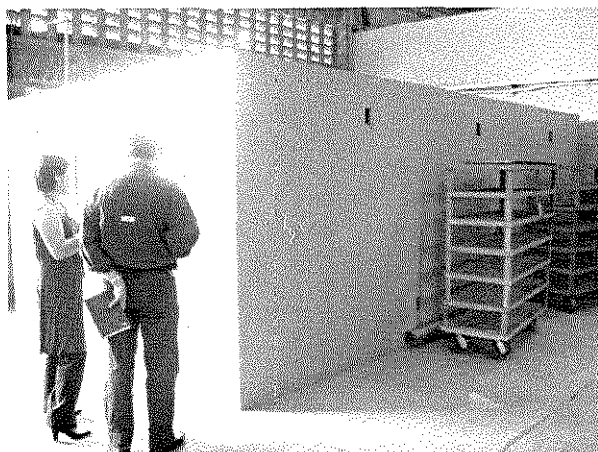


Figure-57. Thermostat-Controlled Laboratory Oven at ITS Manila (Source: TMM)

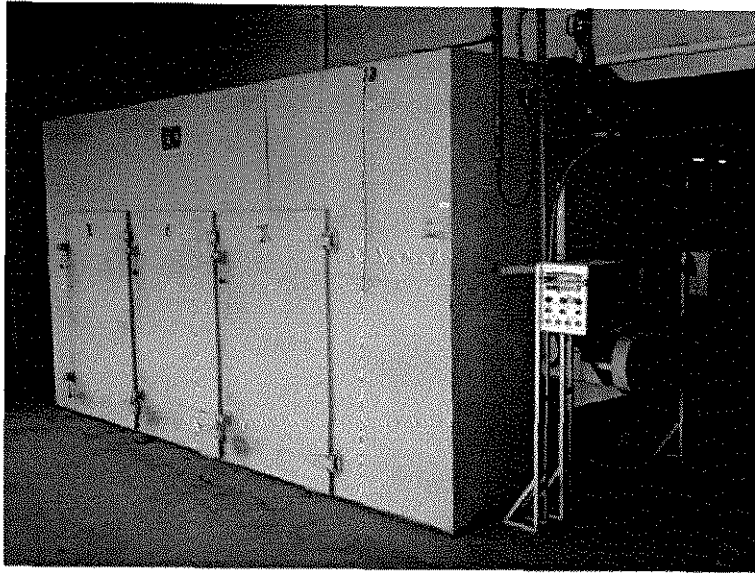


Figure-58. Thermostat-Controlled Manufactured Laboratory Oven at BNC Lab (Source: TMM)

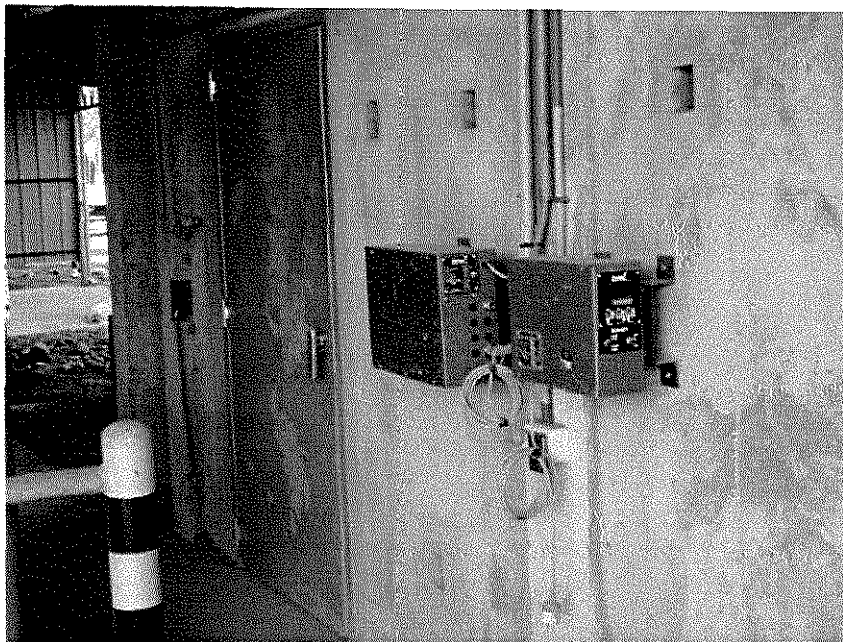


Figure-59. Thermostat-Controlled Fabricated Laboratory Oven at BNC Lab (Source: TMM)

After drying, the dry weight is determined, and compared with the wet weight so the moisture content is measured for each sample.

The dried samples are then put in a Boyd's crusher with 1/4 inch spacing, **Figures-60 and 61**. These are repeatedly reduced using a stainless Jones Splitter for large samples, which is easy to clean to avoid contamination, until about 2 kg of crushed material is obtained. Crushed rejects are stored for future use, such as for metallurgical testing and production of matrix- and grade-matched standards.



Figure-60. Rocklabs Boyd's Crusher with Automatic Splitter at ITS Manila (Source: TMM)

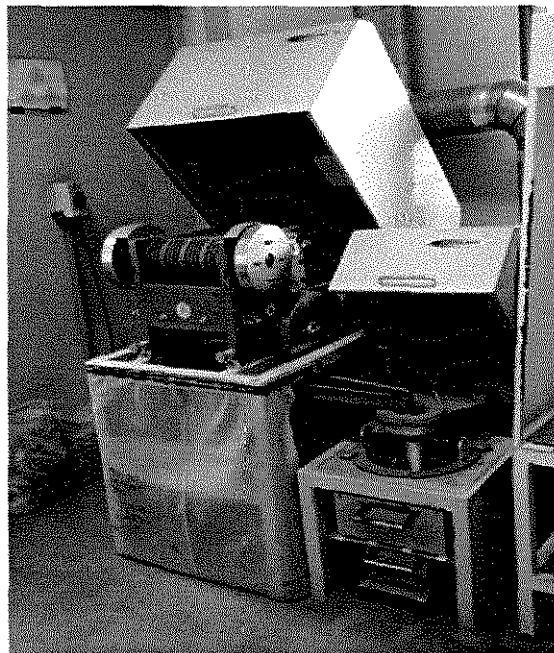


Figure-61. Rocklabs Boyd's Crusher w/ Automatic Splitter at BNC (Source: TMM)

The crushed and split samples are then put through ESSA Labtec 2kg pulverizers with recirculating puck (for greater homogenization) for three minutes (**Figure-62 and 63**). Every 10 samples, a sieve test is done to ensure that at least 90% passes -200 mesh; else the previous 10 samples are reground.



Figure-62. Essa Labtec 2kg Pulverizer at ITS Manila (Source: TMM)



Figure-63. Essa Labtec 2kg Pulverizer at BNC Lab, Quezon, Palawan (Source: TMM)

The pulverized samples are then riffle split to obtain a 150g packet. In the intervening period prior to XRF analysis, the samples in the packet reacquire moisture hence are dried again using a Memmert electric oven with digital timer and thermostat (**Figure-64**).

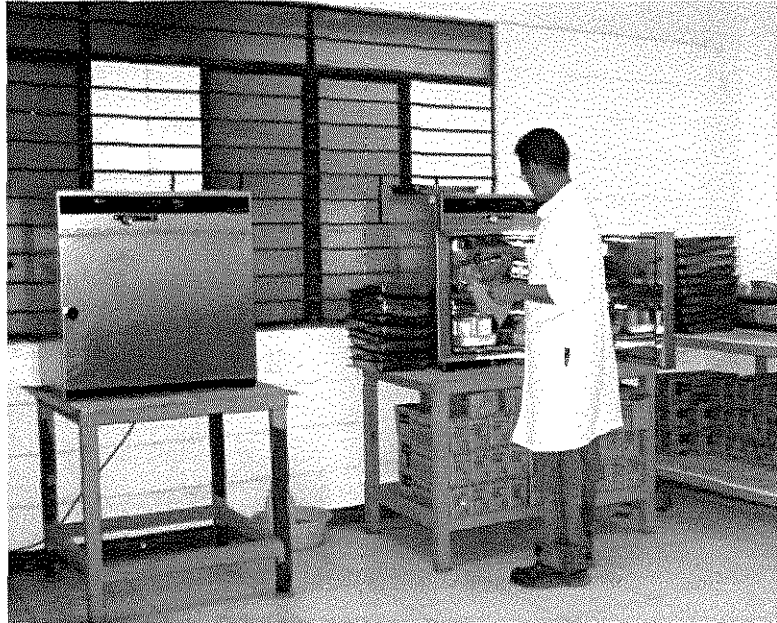


Figure-64. Pulverized Sample Drying with Memmert Electric Oven at ITS Manila (Source: TMM)

The pulverized materials are then placed in sealed packets, placed in silica gel sealed dessication jars to minimize reabsorption of moisture from the atmosphere, and subjected to fused bead Wavelength Dispersive X Ray Florescence (XRF) determination, earlier in Intertek Jakarta, later in Intertek Manila and at the latest at the BNC Laboratory.

In the latter samples from the BNC lab, pulverized samples were put into dessicators filled with silica gel to minimize reacquisition of moisture from the atmosphere, **Figure-65.**



Figure-65. Pulverized Sample Drying with Dessicator at BNC (Source: TMM)

Given the sticky nature of laterite to minimize contamination a blank sand wash is utilized to clean jaw plates after every sample and wet brushing is done to completely clean the jaw plates (**Figure-66**).

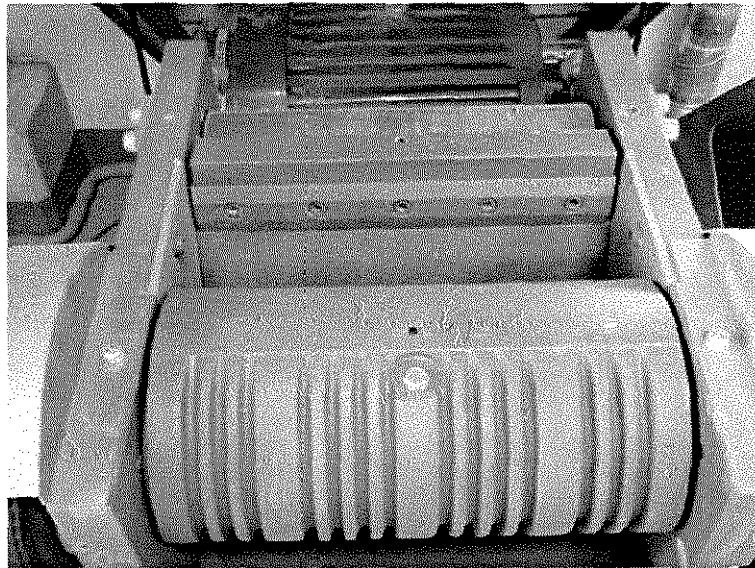


Figure-66. Jaw Plates of Crusher (Source: TMM)

The 2kg crushed samples are then pulverized in 2kg ESSA Labtec Pulverizers to at least 95% passing -200 mesh. Again, pulverizing bowls are cleaned by water after every sample to avoid contamination and air dried.

8.10.4 Analytical Methods Used

From this 150g packet, 30g of material is mixed with Sigma Flux homogenized by shaking and then fused using an LPG-fired 6 place- Claisse Fluxer (**Figure-67**).



Figure-67. Microbalance Weighing of Pulverized Sample and Flux (Source: TMM)

Assays are conducted by fusing the digitally-weighed dried and pulverized samples into a bead by means of a set amount of lithium borate flux and subjecting the fused bead into a platinum crucible using a 6-place Modutemp furnace fluxer, **Figure-68**. At the Berong Laboratory, a 6-place Claisse furnace fluxer is used, **Figure-69**.

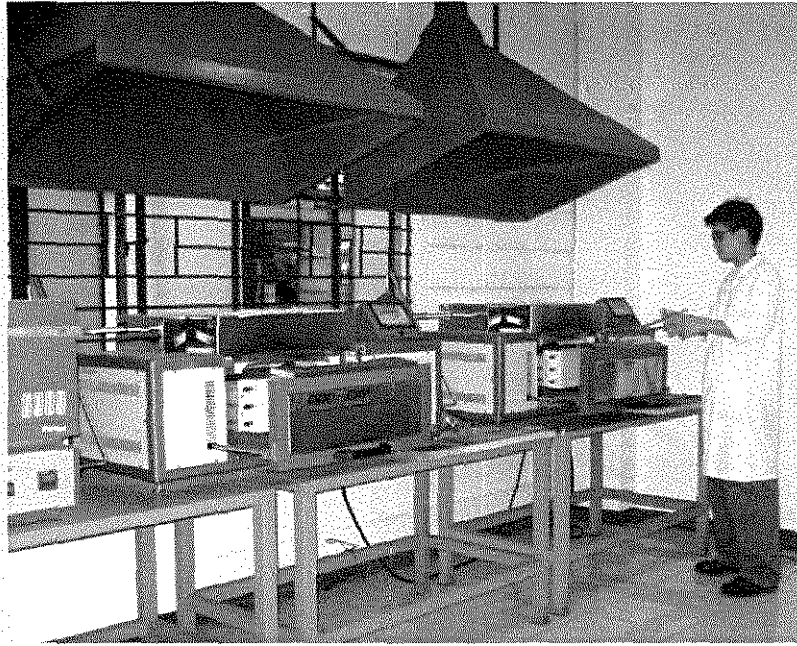


Figure-68. Sample Fusion using 6-place Modutemp Fluxer at ITS Manila (Source: TMM)

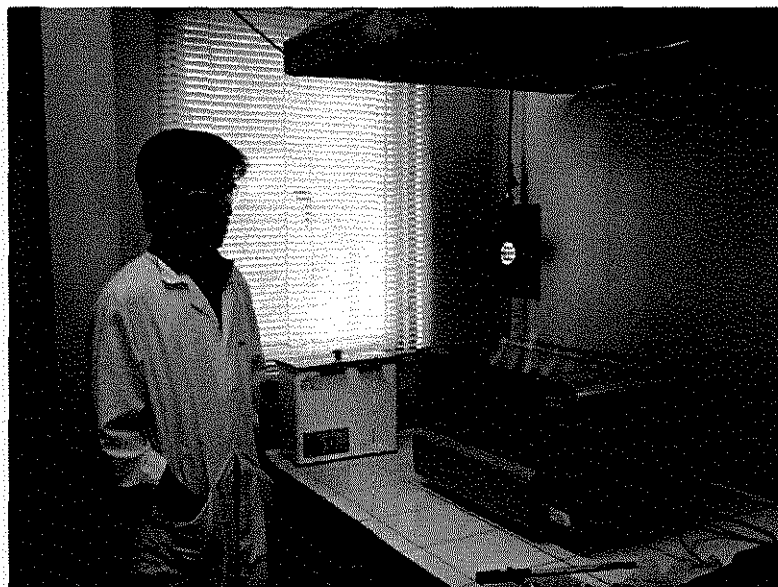


Figure-69. Sample Fusion using 6-place Claisse Fluxer at BNC Lab (Source: TMM)

The fused bead put into the commercial-grade Panalytical Axios Wavelength Dispersive X-ray Fluorescence (WDXRF) machine both in Intertek Jakarta and in Intertek Muntinlupa, Metro Manila (**Figure-70**). These produce the very high-quality results simultaneously for 13 elements. Later samples were analyzed by Spectro

Xepos Energy-dispersive X-Ray Fluorescence (EDXRF) at the Berong Lab in Palawan, **Figure-71**.

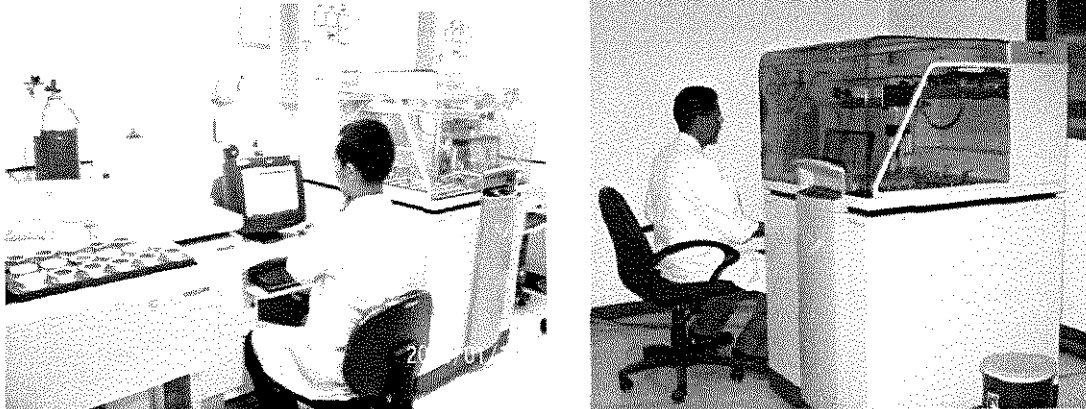


Figure-70. Panalytical Axios WD X-Ray Fluorescence Instrument (Source: TMM)

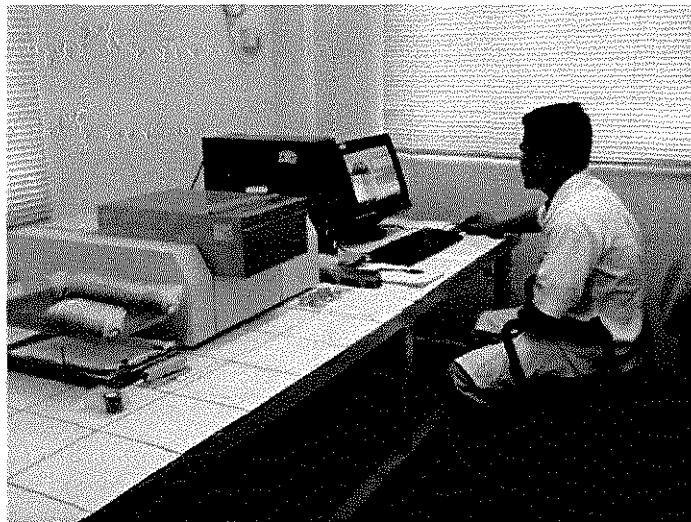


Figure-71. Spectro XEPOS Energy Dispersive X ray Fluorescence Instrument (Source: TMM)

XRF analyzes the total amount of metal in the sample, in which the metals are dispersed in the borate glass, eliminating any matrix effect, unlike other methods such as those involving acid digestion which may only partially and not wholly dissolve all the metals in the sample, leaving part of the metals in the insoluble residue. Thus XRF results in highly accurate values.

To check loss on ignition (LOI), a Barnstead Thermoline Furnace (**Figure-72**) is used to determine the water content of the sample from the minerals' crystal lattices.

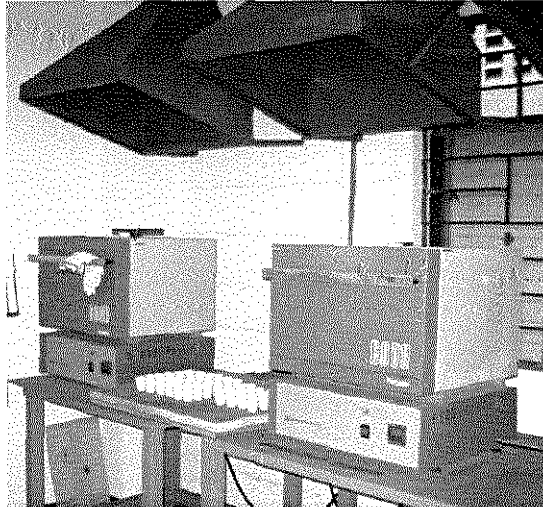


Figure-72. Barnstead Thermoline Furnace at ITS Manila (Source: TMM)

As there is no furnace at the Berong Laboratory no LOI results were provided. It is still possible to calculate LOI by assuming the difference from 100 per cent and the sum of all the Oxides corresponds to the LOI. However, this was not performed.

8.11 Data Exclusion

Data exclusion was conducted during interpretation of the laterite profile and prior to block modelling. The excluded data, **Table-13**, involved the test pits within the resource boundary and next to drill holes.

A. No. of Records (with Exclusion)		Depth (m)
Drill Holes	3,154	54,095.79
Test Pits	1,906	9,855.39
TOTAL	5,060	63,951.18
Sample Assays	66,554	
B. No. of Records (Complete)		Depth (m)
Drill Holes	3,154	54,095.79
Test Pits	5,093	27,279.24
TOTAL	8,247	81,375.03
Sample Assays	84,413	
Excluded Data		
Test Pits	3,187	
Sample Assays	17,859	

Table-13. Excluded Data

The data exclusion was necessary due to the following reasons:

- Most of the test pits are unbottomed and penetrated the limonite section and upper section of the saprolite only;
- The unbottomed saprolite section when taken into consideration will distort the true and correct interpretation of saprolite thickness. The unbottomed

saprolite section will be truncated and thus will give incorrect estimates during modelling;

- The resource area has been drilled on close- spaced grids (~25m) and this rendered the test pits redundant;
- QA/QC interpretations indicated better results on drill hole samples than test pit samples;
- Exclusion of the test pit data within the resource boundary gives realistic estimates as geologic domain modelling is true and correct.

For the peripheral areas where drilling is widely-spaced or where there are no drilling data, then test pit data and assays were used.

9.0 Quality Assurance/Quality Control (QA/QC)

The objective of Quality Assurance and Quality Control program is to ensure that data from sampling, assaying, and recording of geological observations are of high integrity for the purpose of obtaining reliable mineral resource and reserve estimates. The program should adhere to standards that are high enough to ensure that the accuracy and precision of the sampling and analytical process are at an acceptable level. The legal aspects of mining disclosure are governed by Standards of Disclosure for Mineral Projects such the Joint Ore Reserve Committee (JORC) for international projects and Philippine Mineral Reporting Code (PMRC) for local projects, which states that all scientific and Technical Reports must be prepared and certified by a Qualified Person in accordance with professional and industry standards following Mineral Exploration Best Practices Guidelines and Definitions, and Guidelines of the JORC/PMRC Standards on Mineral Resources and Reserves.

Quality control studies were initiated to:

- Determine the reliability and accuracy of the field sample preparation technique, i.e. homogenization of the sample during preparation (analysis of duplicate field samples).
- Determine the accuracy of the analytical data supplied by INC (check assaying by other independent laboratories).

9.1 INC Drill Hole and Test Pit QA/QC

INC implemented a system of quality assurance and quality control to check the integrity of the assay data. Duplicate field samples taken for test pits and drill cores were inserted every ten (10) routine samples. In test pits, duplicate samples are taken on the east-west wall of the pits while the routine samples are taken from the north-south walls. A core duplicate sample is derived by splitting the core along long core axis. Further, "certified standard" samples were inserted every 20 routine samples. When certified standards ran out, INC created "self-certified standards" by obtaining laboratory pulps with similar material types and assay results from previous assay samples. The selected assay pulps are then homogenized, reground and received for analysis.

To ensure the precision and accuracy of assay data obtained duplicate, standard and blank samples were inserted by INC during sample dispatch. A total of 8,433 duplicate samples; 4,547 standard and 2,205 blank samples were inserted by INC during dispatches during the exploration period.

The accuracy and precision of laboratory results were closely monitored by INC. To

ensure routine implementation, the company utilized unique, pre-numbered sample stubs, and pre-marked sample stubs are indicated for company duplicates and standards to be inserted.

9.1.1 Accuracy

To determine accuracy, or nearness to the true value, matrix and grade-matched standards are used from the same materials as the samples. However, nickel standards with the same oxidized matrix from ultramafic rocks are expensive and not available in large quantities at the economically significant levels. Thus, earlier sampled material crushed rejects were retrieved, and classified according to the sample matrix, i.e., whether limonite or saprolite. Then, the retrieved crushed reject samples are classified into low (~1%), medium (~1.5%), and high grade (~2% Ni) based on the prior results.

Thus, six types of standards are made corresponding to one of two matrix types and one of three grade ranges. Samples, from crushed rejects, up to 300 kgs of each of six types, are then homogenized and packed in sealed moisture-proof sachets by the independent lab, Intertek Testing Services, Inc. (ITS) with its Manila and Jakarta laboratories. ITS then sends samples of each type to four different labs worldwide using the same method, and then collates the results. The collated results serve as the basis for assigning the certified value for each element, especially Ni, Co, Fe, and P, the main elements of interest. ITS reports certified values and 95% confidence intervals for the four previously- mentioned elements (as oxide equivalents) including the oxides of Al, Cr, Mn, Ca, K, Na, Ti, Si, Mg, and LOI. These same parameters are analyzed for routine samples.

As standard preparation and external certification takes a lot of time, earlier dispatches used internal standards, i.e., crushed and/or pulp rejects from individual samples whose values were already known. As best practice, INC adopted to insert standards (anonymous to the laboratory) every 20 original samples, corresponding to 5% of total number of original samples.

9.1.2 Precision

Precision, or repeatability of results, is best measured by taking field duplicate samples for every 10 original samples (10% insertion rate). From test pits, the opposing east and west faces are sampled (original samples are routinely analyzed by taking samples from the north and south faces).

The 90th percentile of the absolute relative differences of the duplicates from the paired averages, sorted by increasing amounts, gives an indication of the combined geological variability, field sampling, sample preparation and laboratory error. ITS routinely also retrieves a sample every 15 original samples from the crushed rejects and analyzes this through the same process. This is by definition called a crushed duplicate. ITS refers to this as a "Second Split." Data from these sample type are reported separately in the internal quality control files of each dispatch as "SS" samples. This sample type quantifies mainly the error due to crushing.

ITS routinely analyzes, for every 15 original samples, another sample from the pulverized submitted sample packet. ITS refers to this as a REP sample, which actually is a replicate split of the final sample. This sample quantifies the geological, sample preparation/ crushing, and analytical errors. By combining the errors attributable from Duplicates, SS, REP samples, the relative contribution of geological, field sampling, sample preparation, and laboratory errors can be identified. A Screen

Test (using a -200 mesh sieve) is also conducted 1 every 10 samples. If less than 95% of the sample passes through the sieve, the preceding and succeeding 5 samples are re-pulverized. A screen test ensures that the sample is sufficiently pulverized and no coarse grains are present so that when fused, the metals are sufficiently dispersed in the glassy matrix.

9.1.3 Blanks and Standards

ITS also inserts blanks every 15 samples with values below or near detection for most elements, to check if there is any contamination present. Standards, which are Internationally- Certified Reference Materials of various matrices and metal values are also inserted by ITS every 15 samples to check for accuracy across the entire analytical range depicted for elements of interest.

9.2 QA/QC Analysis Methodology

The half relative difference and half absolute relative difference between assay results were analyzed and results are presented in the succeeding sections.

The Half Absolute Relative Difference (HARD) and Half Relative Difference (HRD) also measure the average error of any bias that may occur within a paired data. An unbiased comparison has also an average HARD of zero.

- % HARD = $1/2 \times ((\text{ABS}(A-B))/((0.50 \times (A+B))) \times 100$
- % HRD = $((A-B)/(A+B)) \times 100$

Where, A = original assay B = duplicate assay.

9.2.1 Internal Repeats for INC

The INC QA/QC program involved re-analyzing a total of 8,433 duplicates samples consisting of 5,638 drill holes and 2,795 test pits respectively to ITS-Manila to check for accuracy and precision.

Location map of the duplicate and check samples used for the QA/QC is in **Figure-73**.

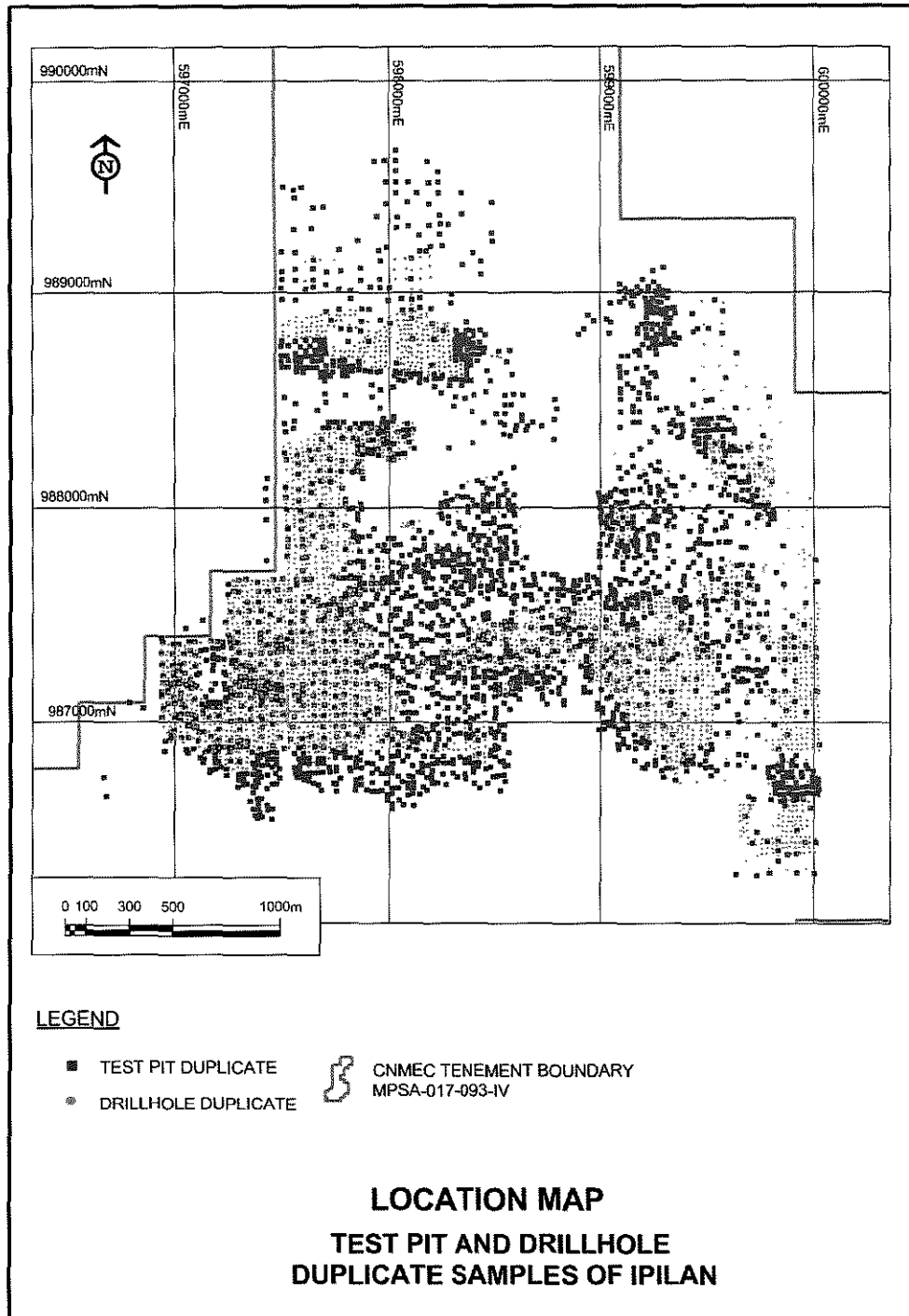


Figure-73. Location Map of the Duplicate and Check Samples- QA/QC

Results of the analysis of the duplicates for drill holes (**Table-14**) showed the following observations.

- Ni, Fe, Cr₂O₃ and SiO₂ – good accuracy with average HARD ranging from 2.9% to 4%. More than 90% of the pairs have HARD below 10%. Correlation plots have a correlation coefficient of more than 95% indicating moderate precision;
- Al₂O₃ and MgO – good accuracy with an average HARD ranging from 4.8% to 5.2%. Around 85%-87% of the pairs have HARD below 10%. Correlation plots have a correlation coefficient of more than 95% indicating moderate precision ;
- Co - good accuracy with an average HARD of 6%. Around 77% of the pairs have HARD below 10%. Correlation plots have a correlation coefficient of more than 89% indicating poor precision.

Attribute	Ni	Co	Fe	Al ₂ O ₃	Cr ₂ O ₃	MgO	SiO ₂
No. Pairs	5,638	5,638	5,638	5,638	5,638	5,638	5,638
Mean, Original	1.12	0.068	20.74	2.31	1.64	16.64	38.13
Mean , Duplicate	1.11	0.067	20.69	2.32	1.64	16.71	38.12
Difference	0.01	0.001	0.05	-0.01	0.001	-0.07	0.01
% Difference	0.9%	1.5%	0.2%	-0.4%	0.1%	-0.4%	0.03%
Ave. HARD	3.6%	6.0%	2.9%	5.2%	4.0%	4.8%	2.9%
Correlation Coefficient (R ²)	0.95	0.89	0.97	0.94	0.96	0.96	0.96
% Pairs >10% HARD	8%	23%	5%	13%	8%	11%	5%
% Pairs below 10% HARD	92%	77%	95%	87%	92%	89%	95%

Table-14. QA/QC Results of Internal Repeats (Duplicates) of INC Drill Holes

Plots for Drill Hole Duplicates are in **Figures 74 to 80**.

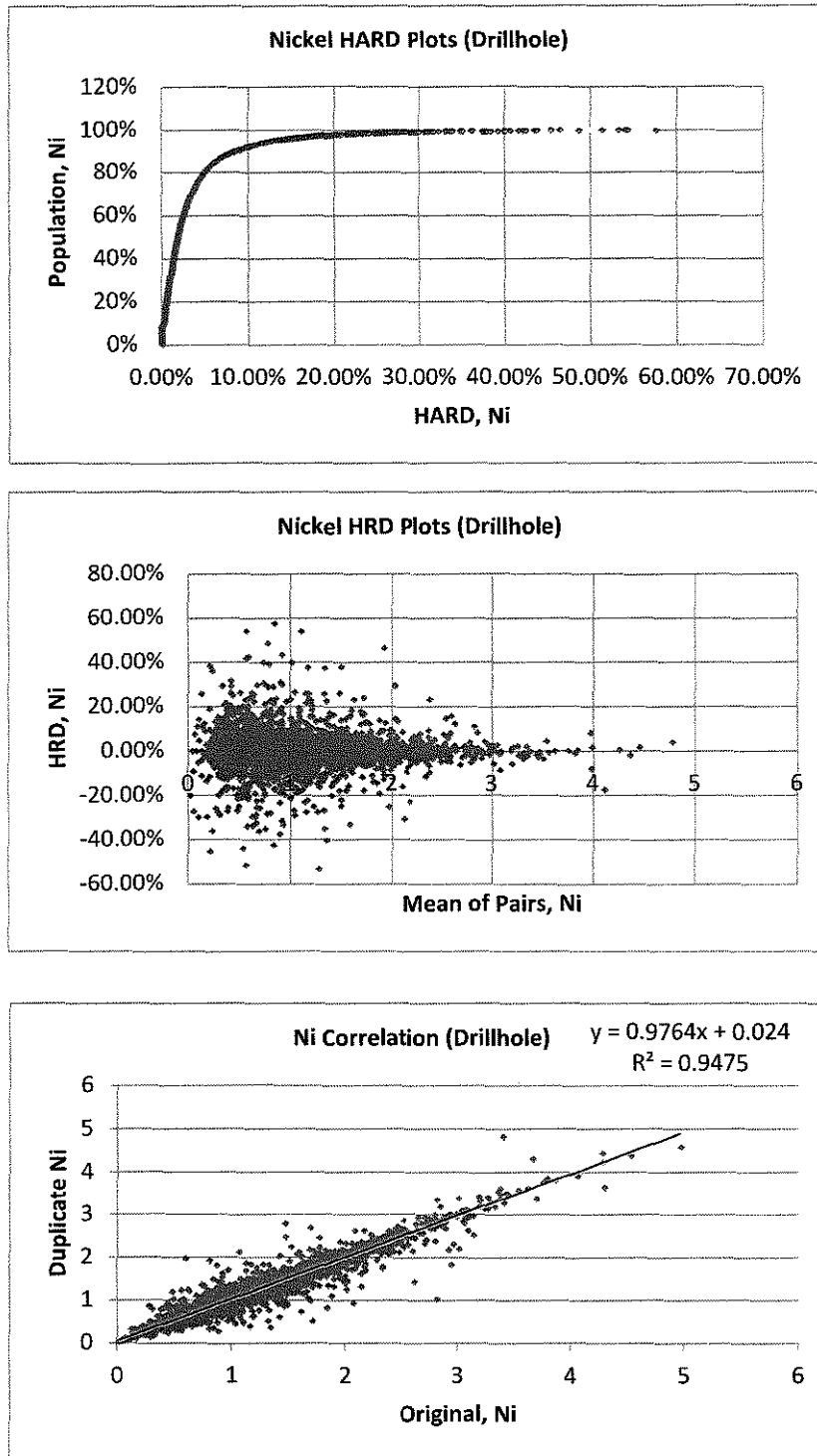


Figure-74. Drill Hole Internal Repeat (Duplicate) Plots for Nickel

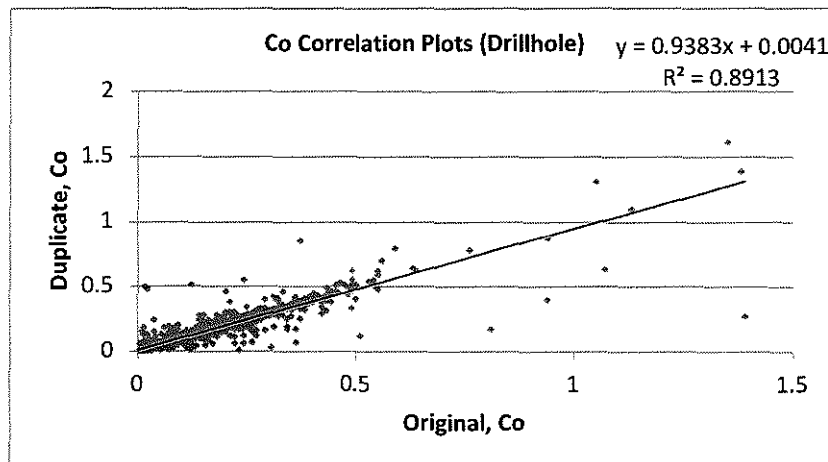
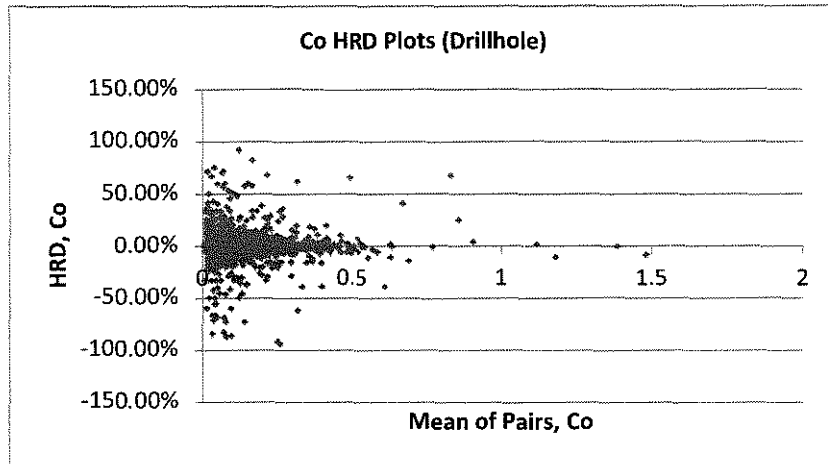
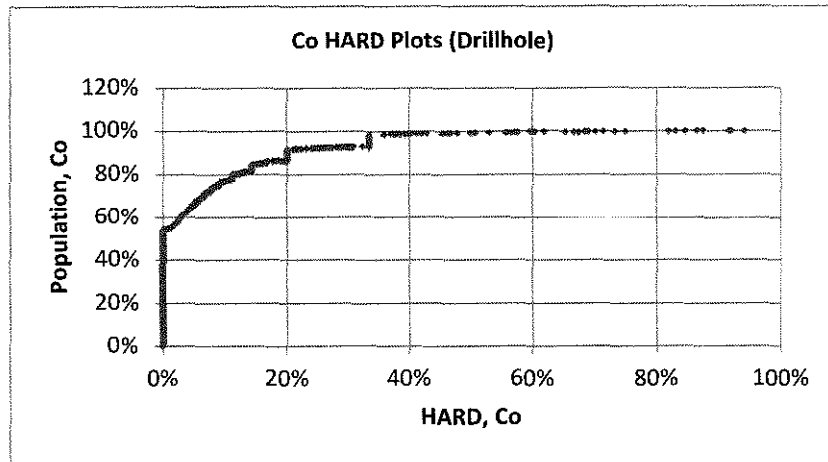


Figure-75. Drill Hole Internal Repeat (Duplicate) Plots for Cobalt

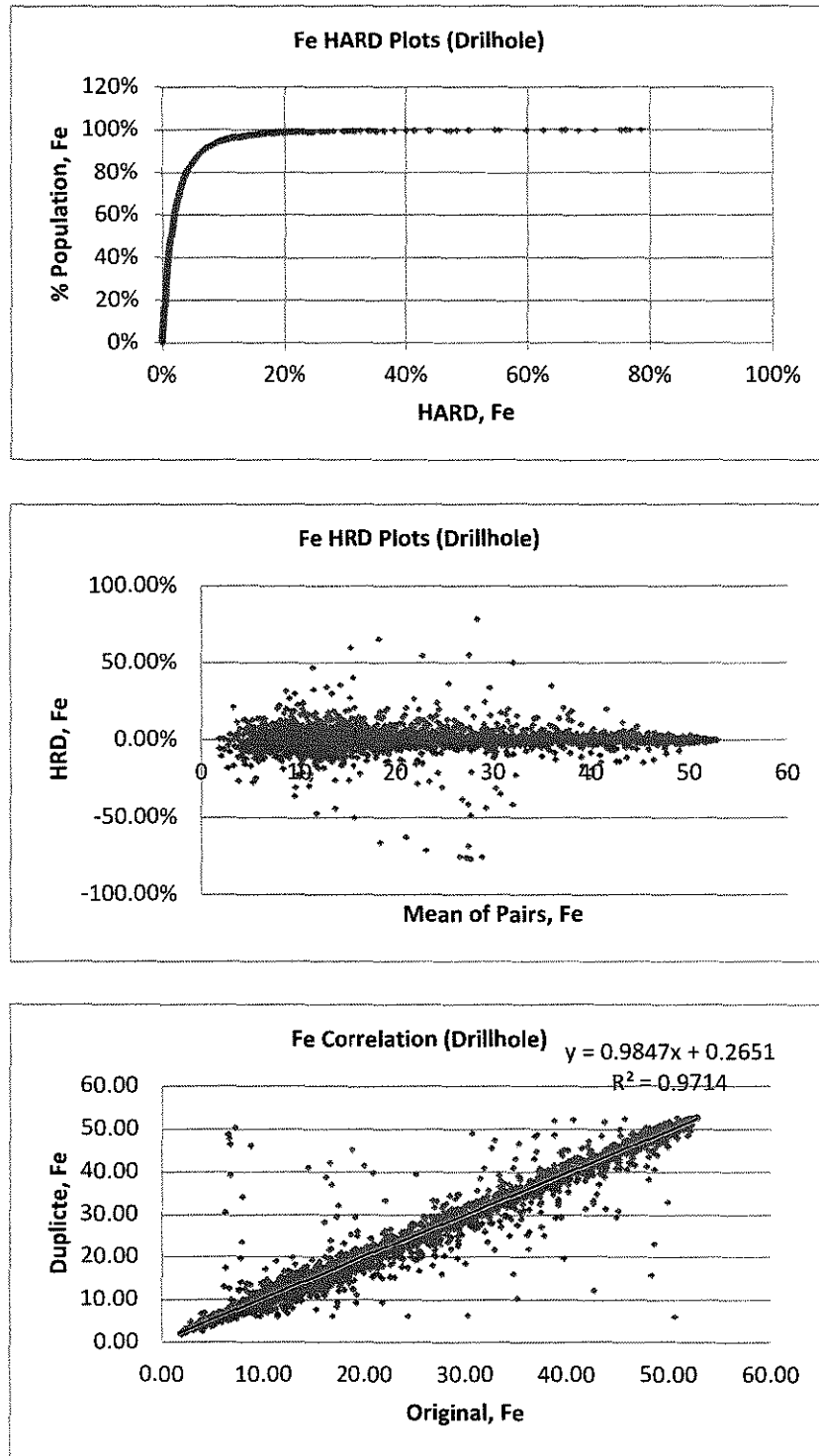


Figure-76. Drill Hole Internal Repeat (Duplicate) Plots for Iron

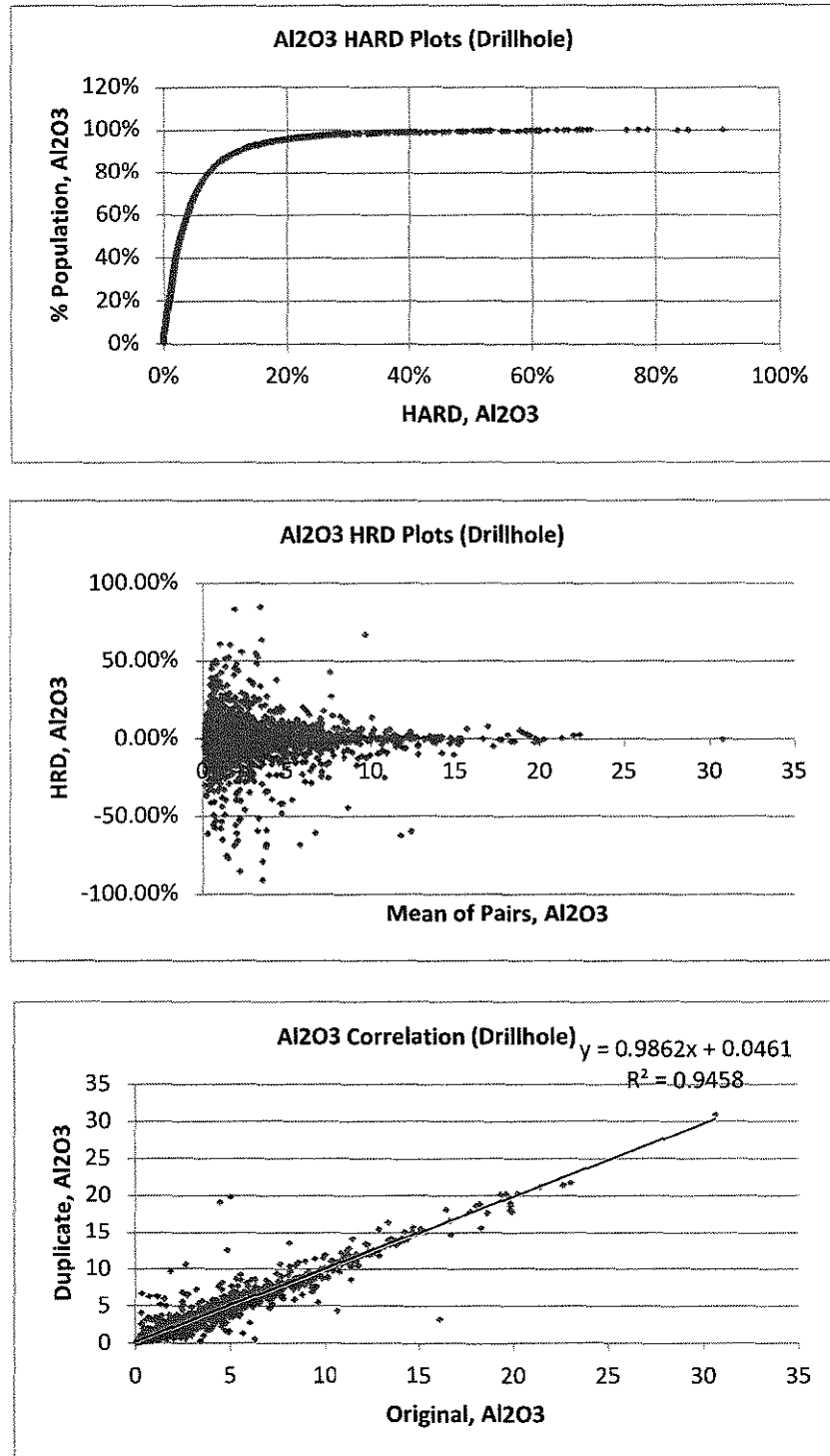


Figure-77. Drill Hole Internal Repeat (Duplicate) Plots for Al₂O₃

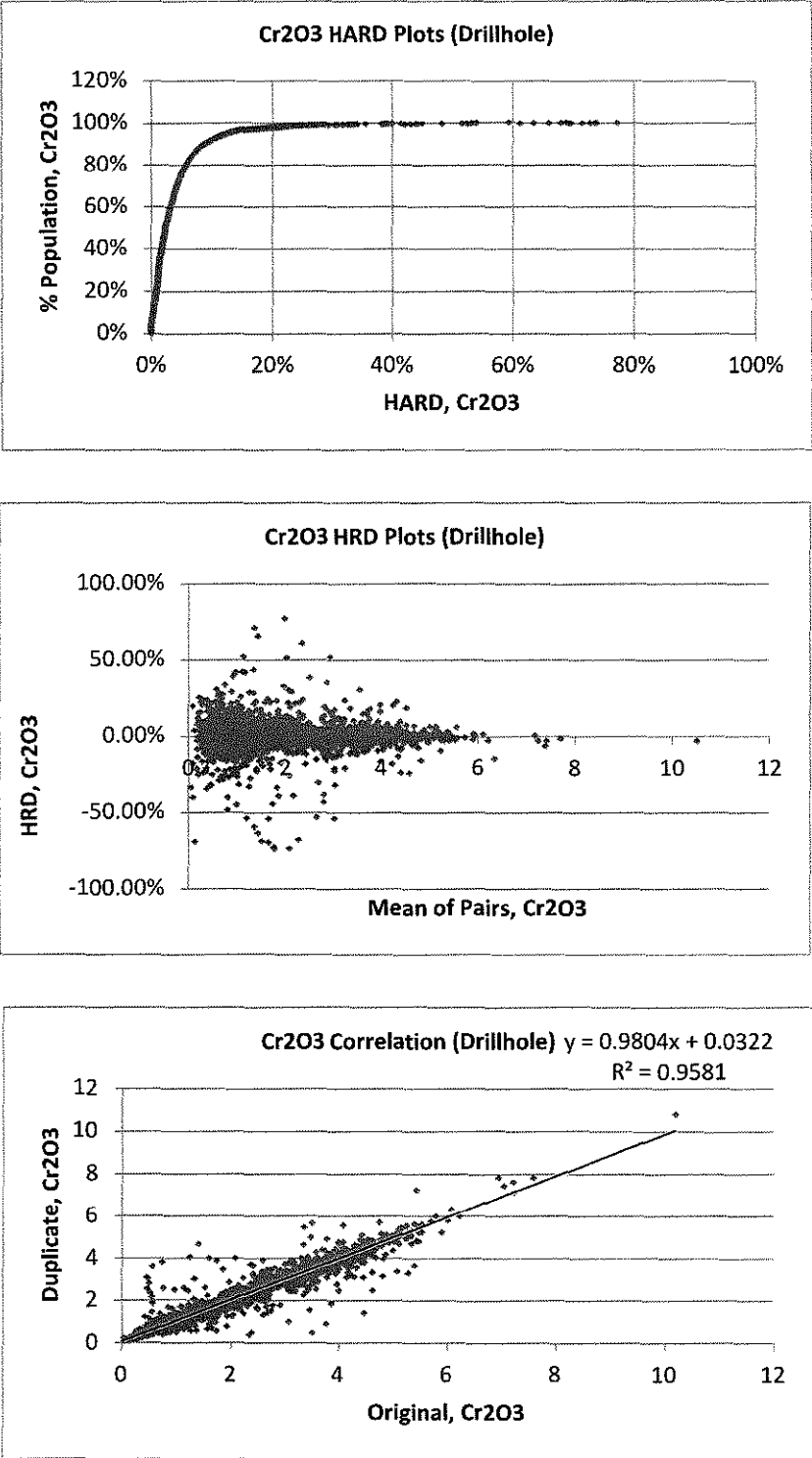


Figure-78. Drill Hole Internal Repeat (Duplicate) Plots for Cr₂O

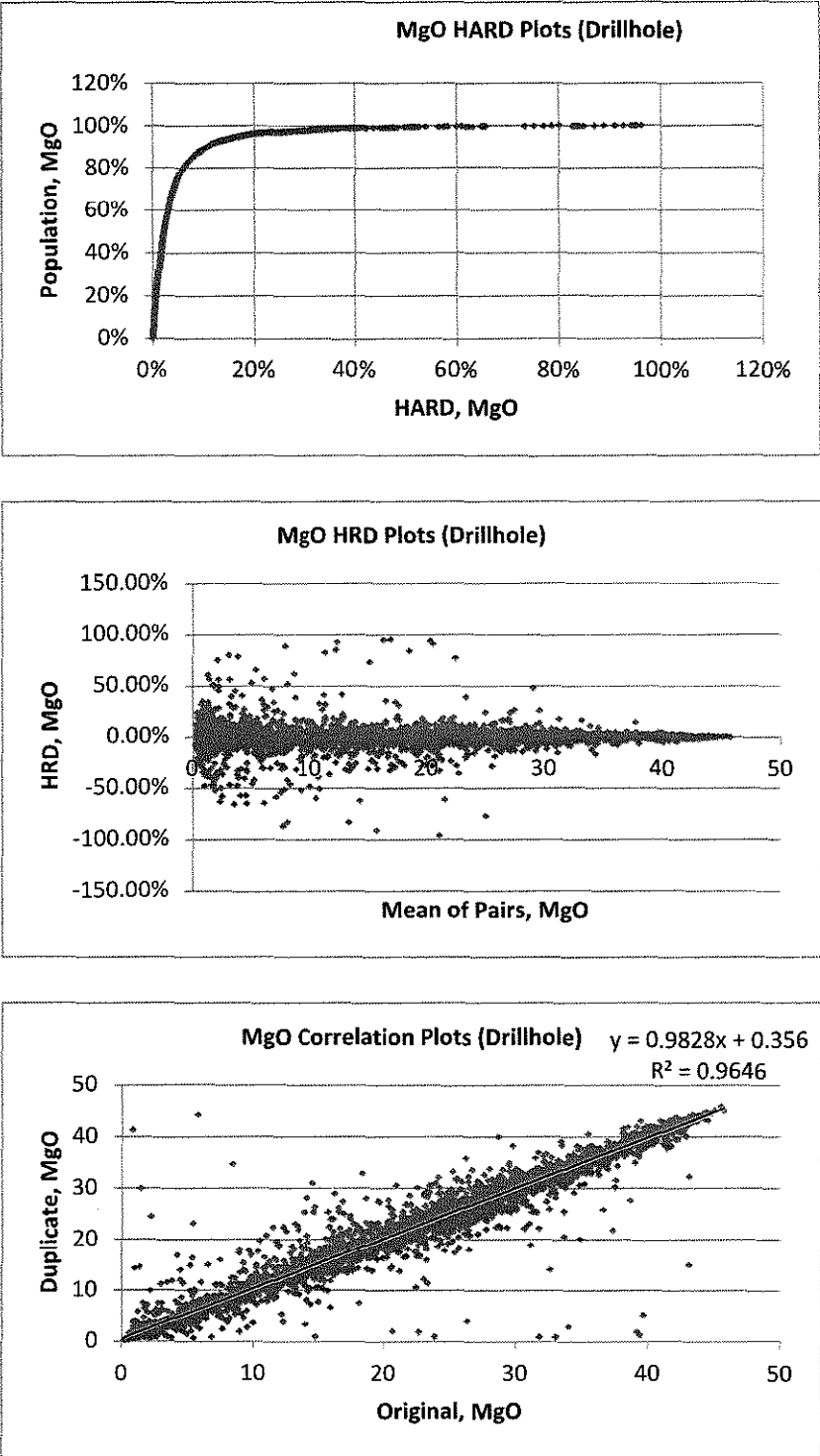


Figure-79. Drill Hole Internal Repeat (Duplicate) Plots for MgO

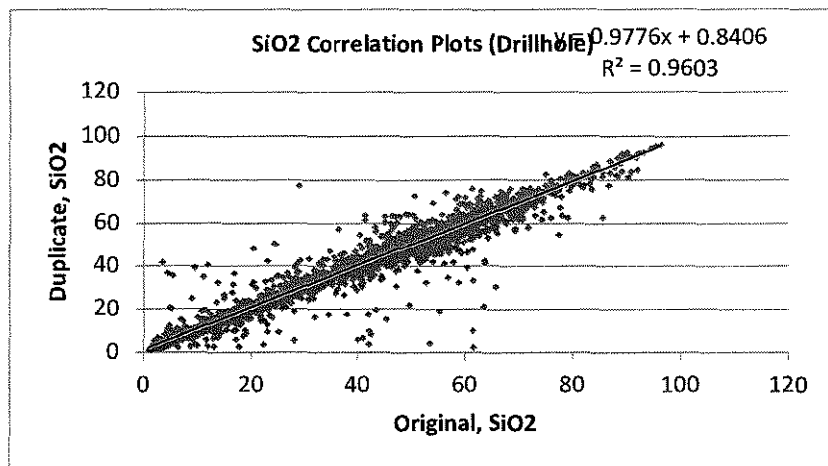
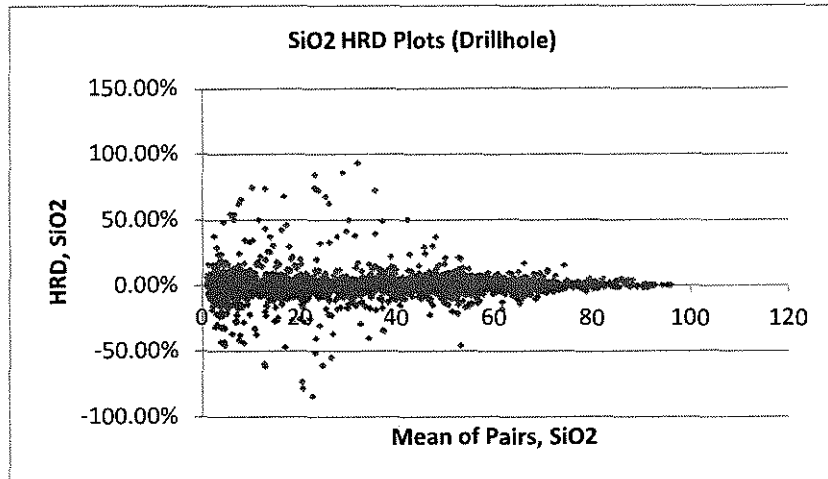
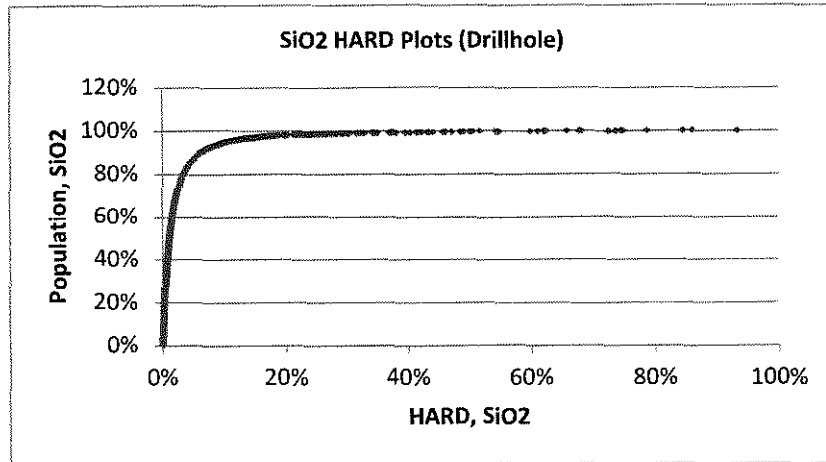


Figure-80. Drill Hole Internal Repeat (Duplicate) Plots for SiO₂

Results of the analysis of the duplicates for test pits (**Table-15**) showed the following observations.

- Ni, Fe, Cr₂O₃ and SiO₂ – moderate accuracy with average HARD ranging from 5.8% to 7.8%. More than 70% of the pairs have HARD below 10%. Correlation plots have a correlation coefficient of between 82% to 88% indicating moderate precision;
- Co, Al₂O₃ and MgO – poor accuracy with an average HARD of more than 10%. Around 58%-66% of the pairs have HARD below 10%. Correlation plots have a correlation coefficient of 75% to 83% indicating poor precision;

Attribute	Ni	Co	Fe	Al ₂ O ₃	Cr ₂ O ₃	MgO	SiO ₂
No. Pairs	2,795	2,795	2,795	2,795	2,795	2,795	2,795
Mean, Original	1.08	0.078	26.09	3.27	1.98	11.30	33.89
Mean , Duplicate	1.08	0.077	25.91	3.26	1.97	11.38	34.14
Difference	0.00	0.001	0.18	0.01	0.010	-0.08	-0.25
% Difference	0.2%	1.3%	0.7%	0.3%	0.5%	-0.7%	-0.73%
Ave. HARD	5.8%	10.9%	6.9%	10.0%	7.8%	12.8%	6.8%
Corr. Coeff (R ²)	0.82	0.75	0.87	0.83	0.84	0.79	0.88
% Pairs >10% HARD	17%	41%	23%	34%	27%	42%	20%
% Pairs below 10% HARD	83%	59%	77%	66%	73%	58%	80%

Table-15. QA/QC Results of Internal Repeats (Duplicates) of INC Test Pits

Plots for Test Pit Duplicates are in **Figures 81 to 87**.

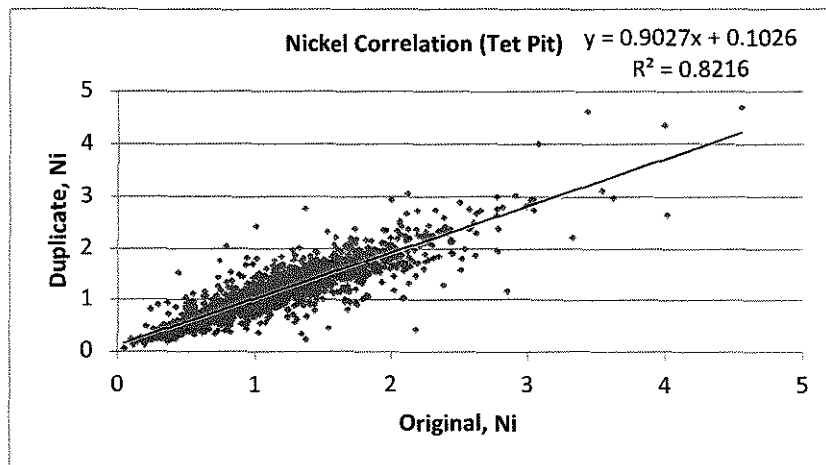
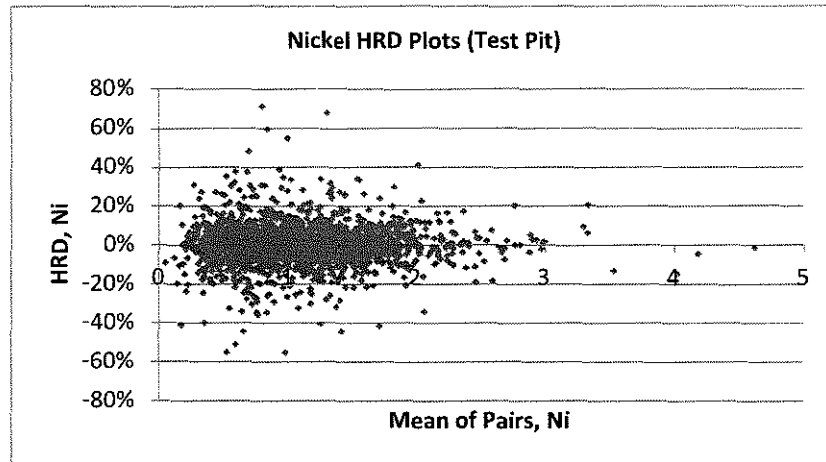
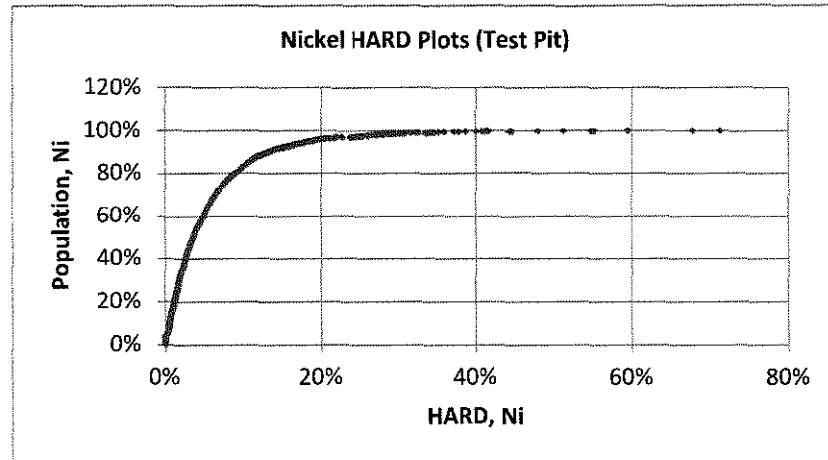


Figure-81. Test Pit Internal Repeat (Duplicate) Plots for Nickel

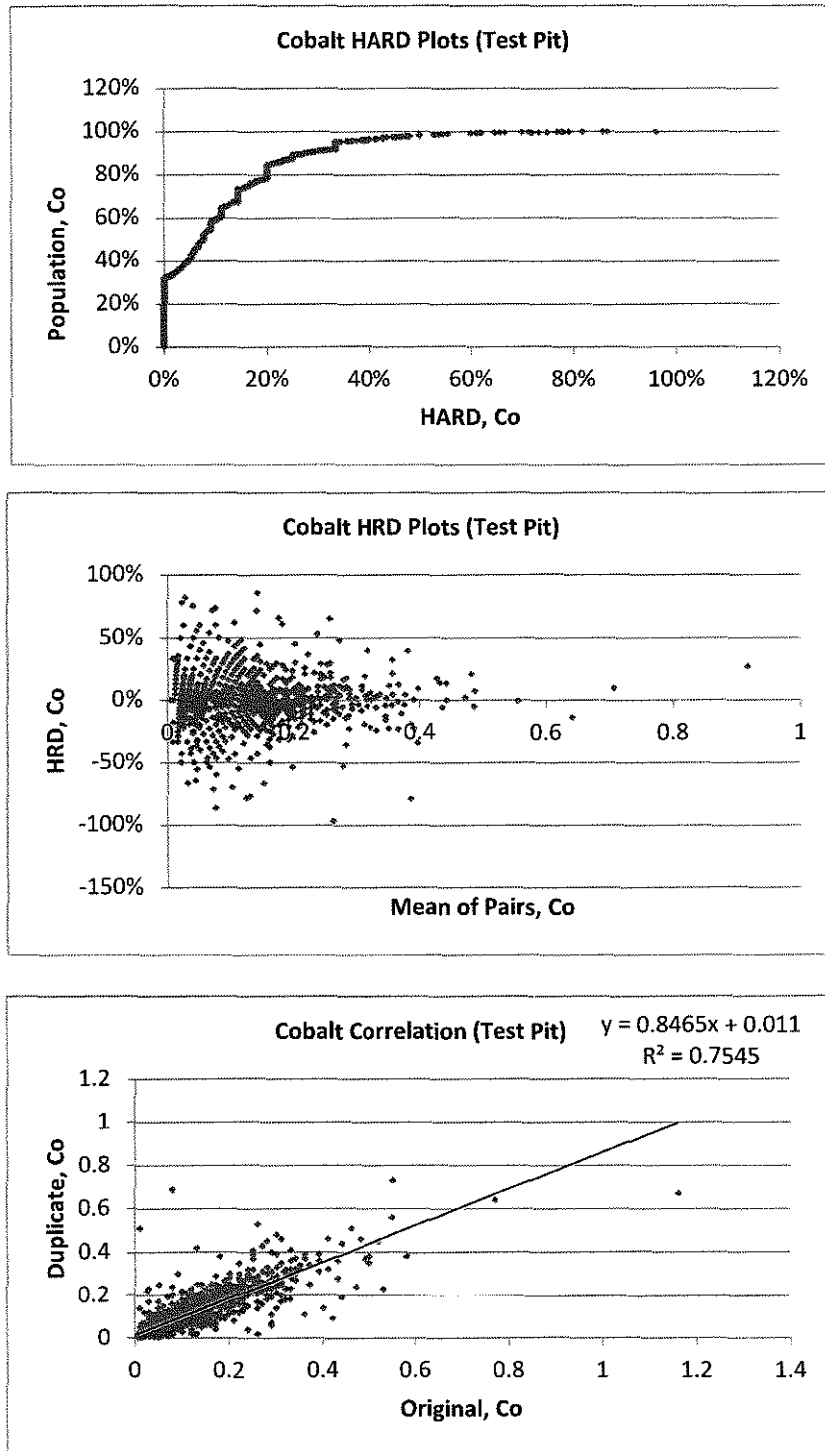


Figure-82. Test Pit Internal Repeat (Duplicate) Plots for Cobalt

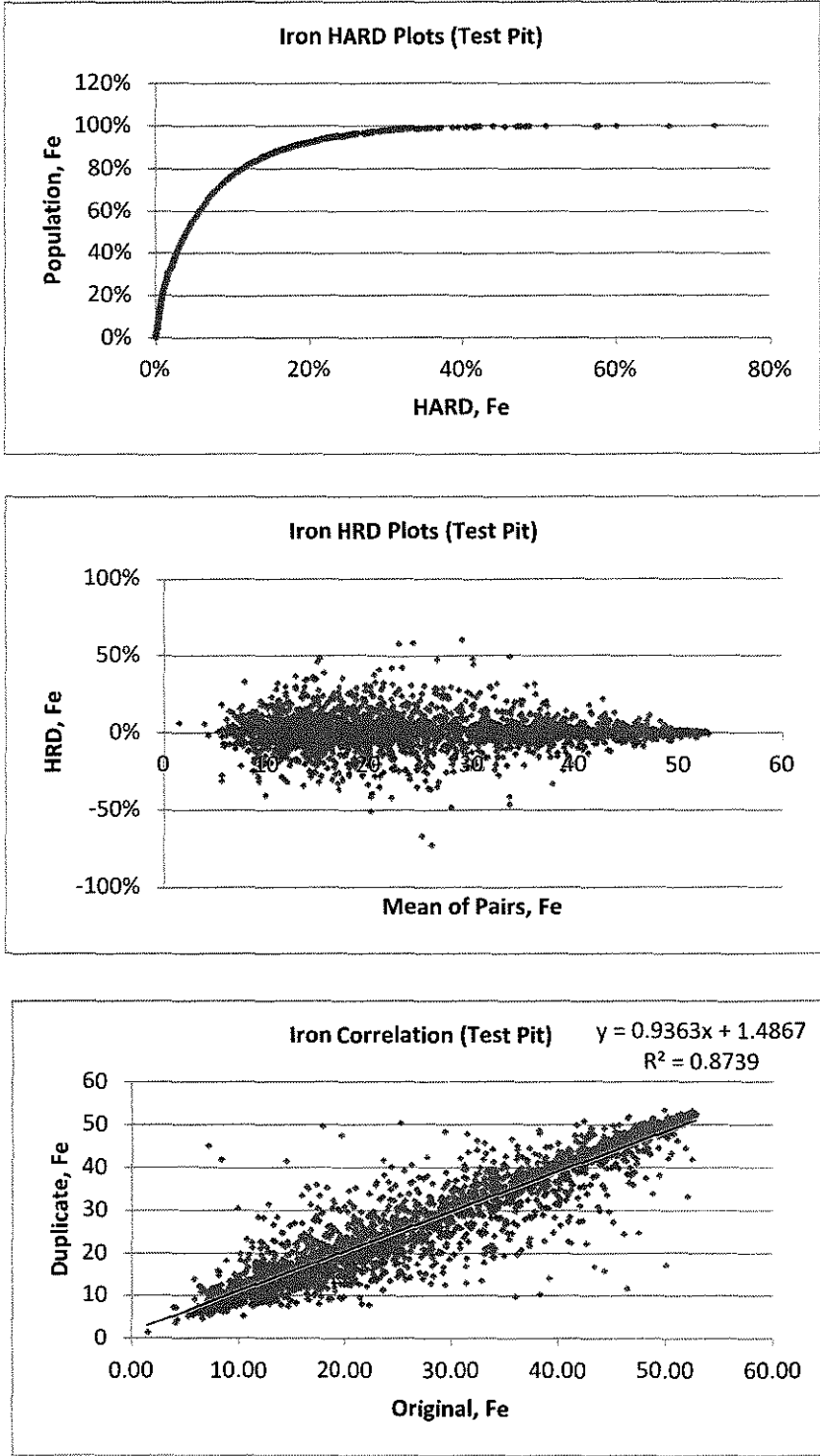


Figure-83. Test Pit Internal Repeat (Duplicate) Plots for Iron

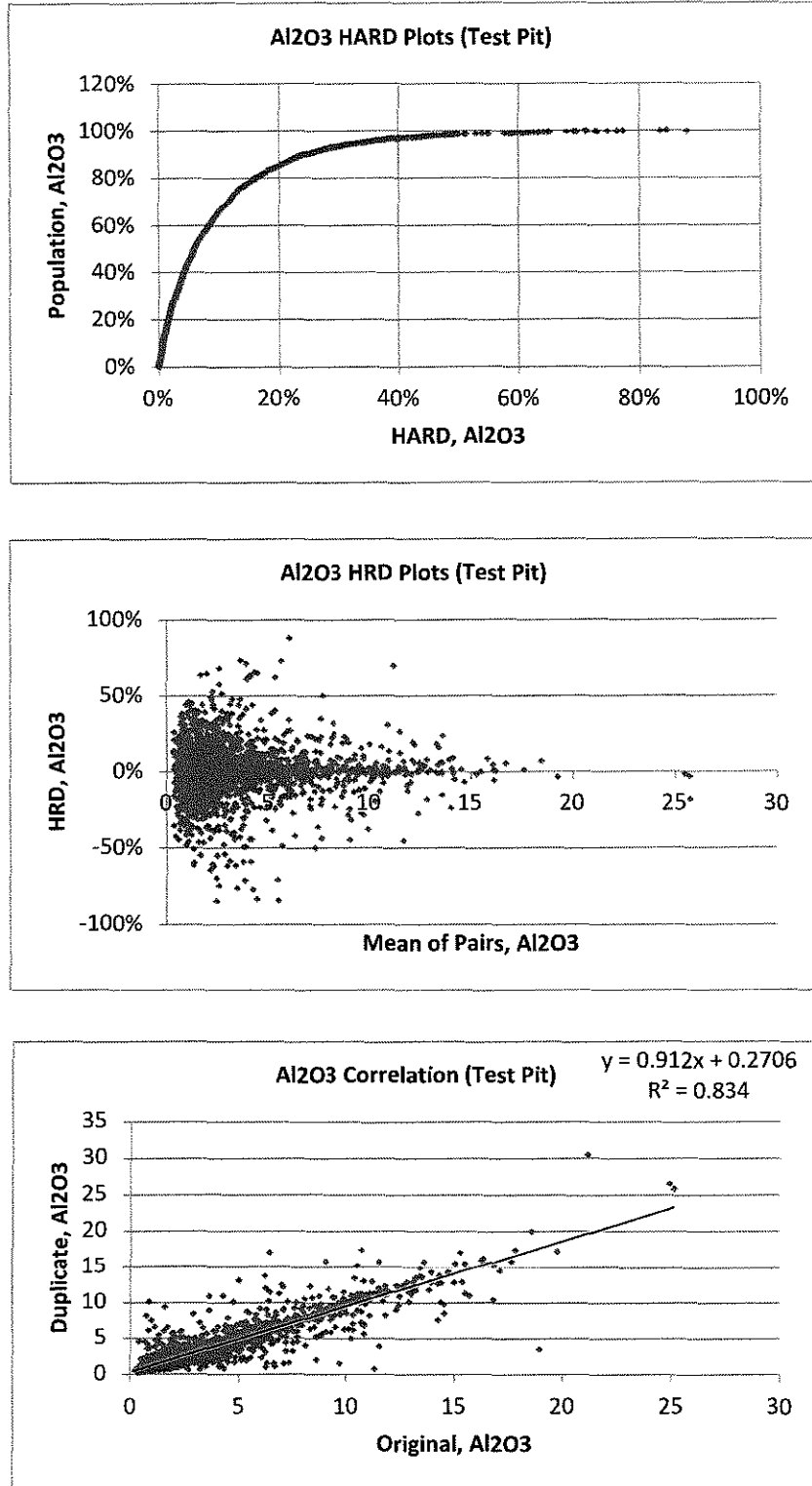


Figure-84. Test Pit Internal Repeat (Duplicate) Plots for Al₂O₃

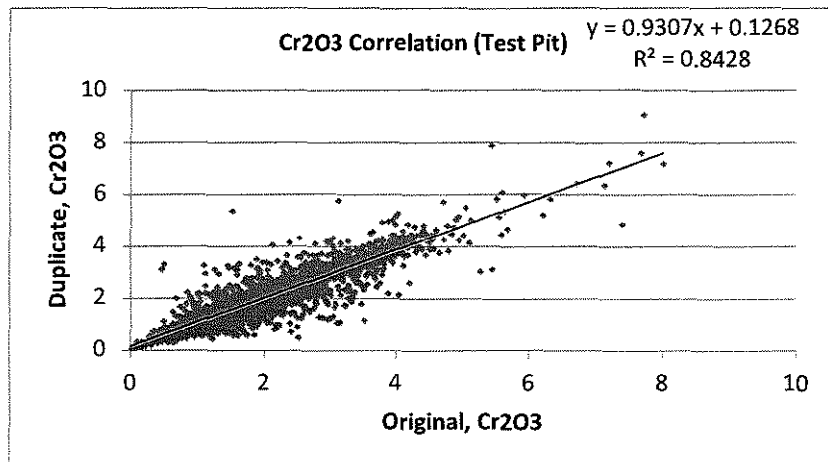
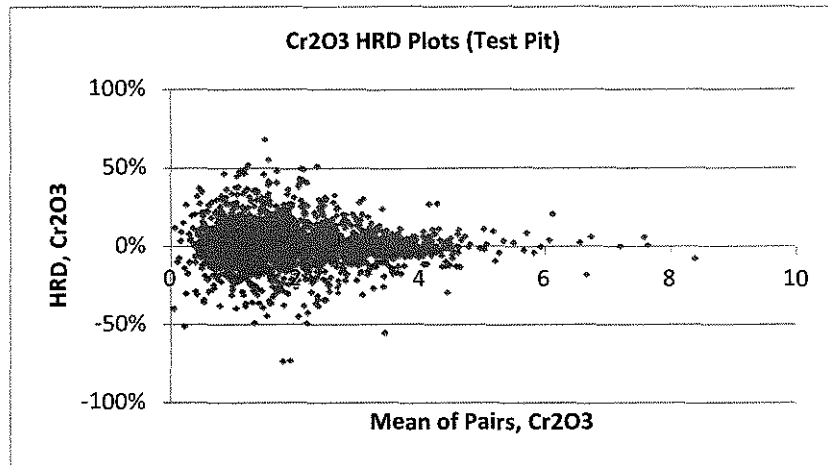
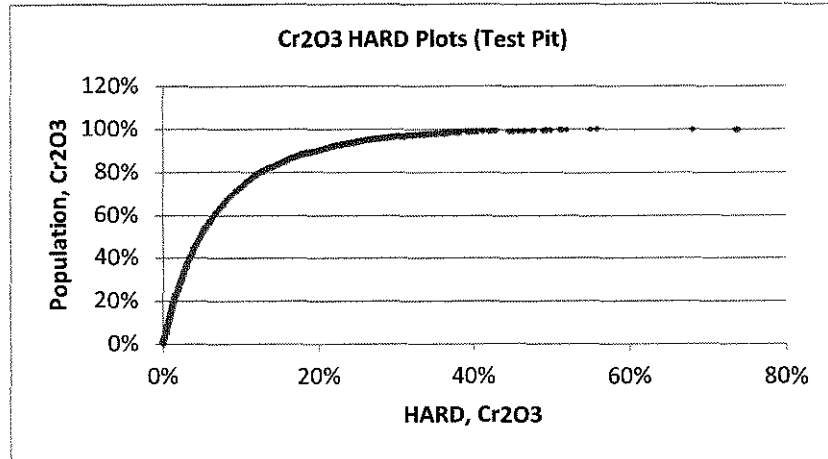


Figure-85. Test Pit Internal Repeat (Duplicate) Plots for Cr2O3

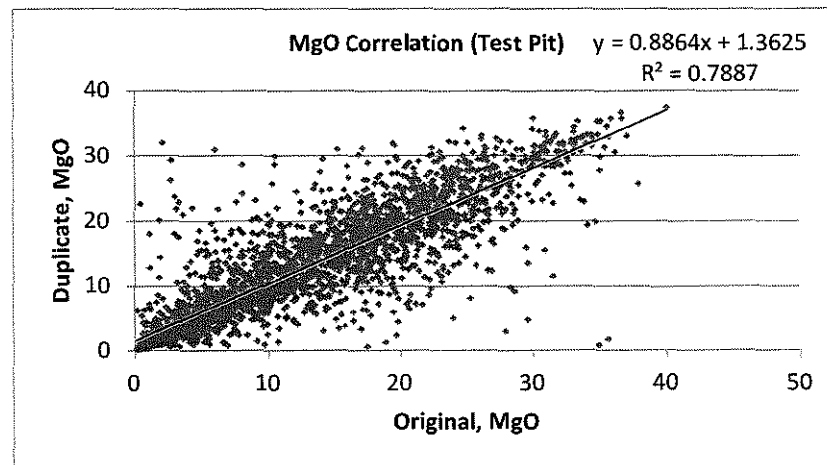
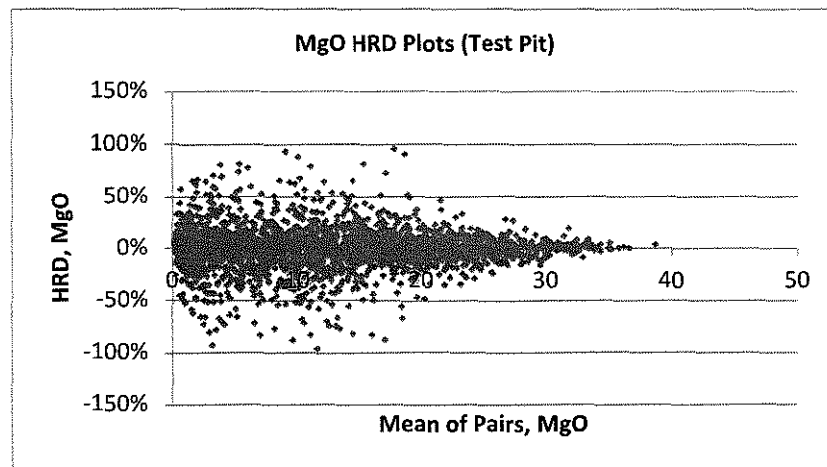
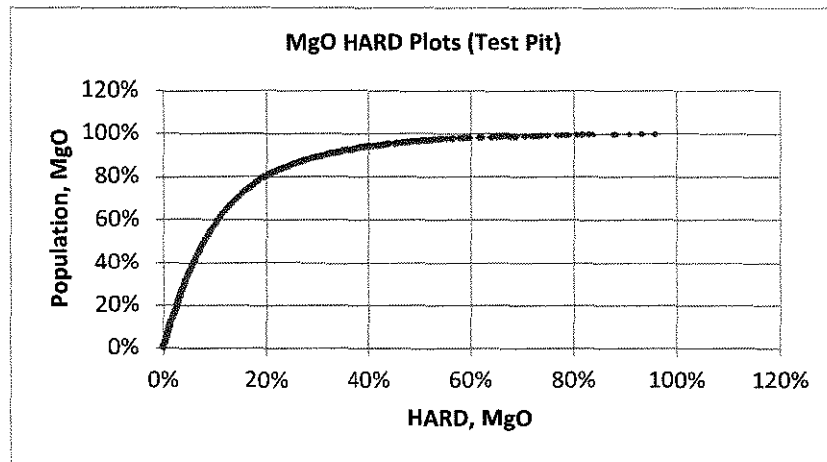


Figure-86. Test Pit Internal Repeat (Duplicate) Plots for MgO

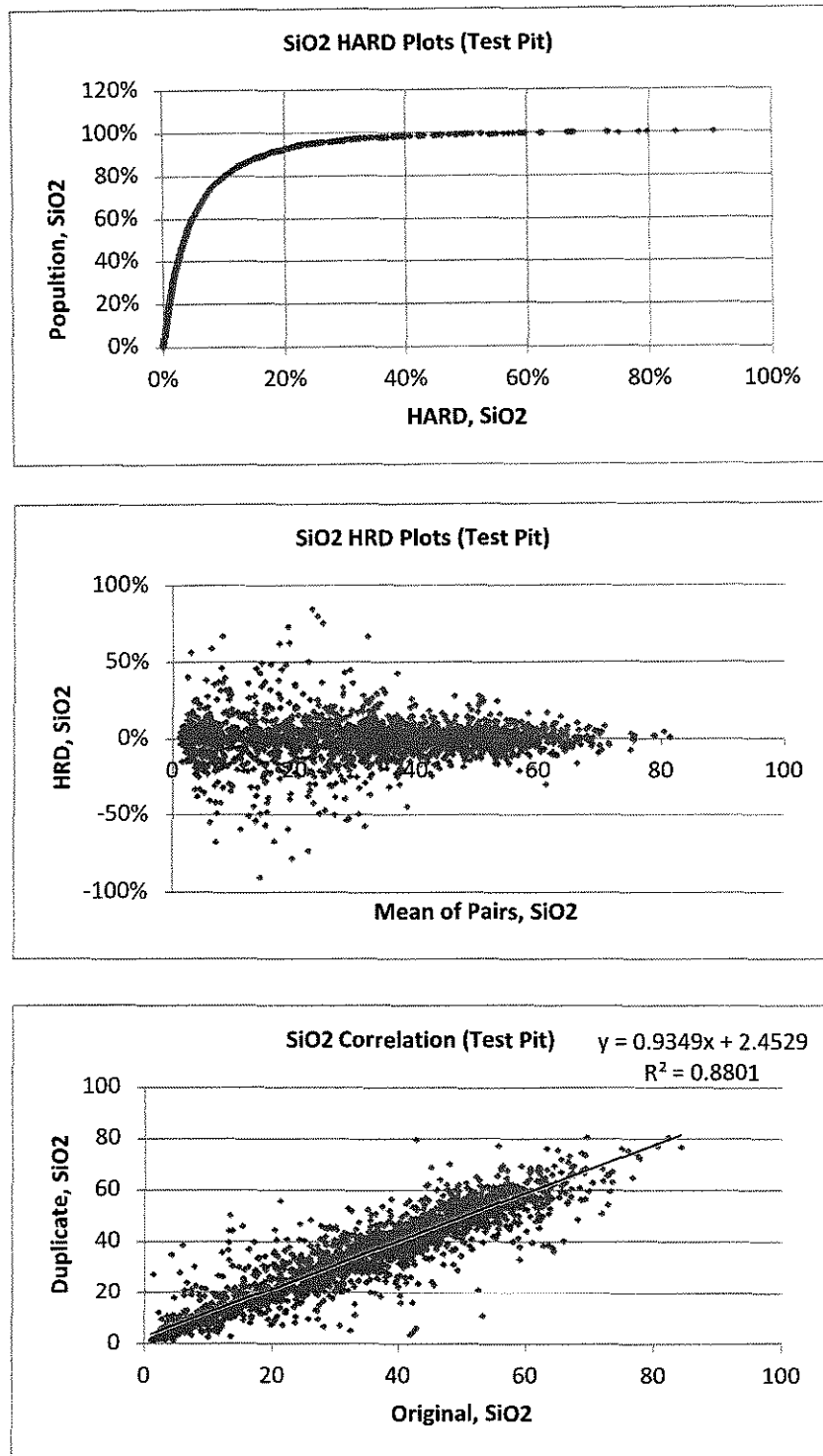


Figure-87. Test Pit Internal Repeat (Duplicate) Plots for SiO₂

9.2.2 External Repeats for INC

A total of 7,128 re-check samples were sent to ITS-BNC to check reliability of the ITS-Manila analysis. Results of the analysis of the re-check samples (**Table-16**) showed the following observations, **Figures 88 to 94**.

- Ni, Fe, Cr₂O₃, Al₂O₃, MgO and SiO₂ – good accuracy with average HARD ranging from 0.40% to 3%. More than 90% of the pairs have HARD below 10%. Correlation plots have a correlation coefficient of more than 99% indicating good precision;
- Co - moderate accuracy with an average HARD of 3%. Around 89% of the pairs have HARD below 10%. Correlation plots have a correlation coefficient of more than 99% indicating good repeatability;

Attribute	Ni	Co	Fe	Al ₂ O ₃	Cr ₂ O ₃	MgO	SiO ₂
No. Pairs	7,128	7,128	7,128	7,128	7,128	7,128	7,128
Mean, Original	1.25	0.084	23.52	3.05	1.81	13.48	35.66
Mean , Duplicate	1.25	0.084	23.52	3.05	1.82	13.46	35.59
Difference	0.00	0.000	0.00	0.00	-0.010	0.02	0.07
% Difference	0.1%	-0.1%	0.0%	0.0%	-0.5%	0.1%	0.20%
Ave. HARD	0.7%	3.0%	0.3%	1.0%	0.9%	0.7%	0.4%
Corr. Coeff (R ²)	0.99	0.99	0.99	0.99	0.99	0.99	0.99
% Pairs >10% HARD	0%	11%	0%	0%	0%	0%	0%
% Pairs below 10% HARD	100%	89%	100%	100%	100%	100%	100%

Table-16. QA/QC Results of External Repeats (Re-Check) of INC Test Pits and Drill Holes

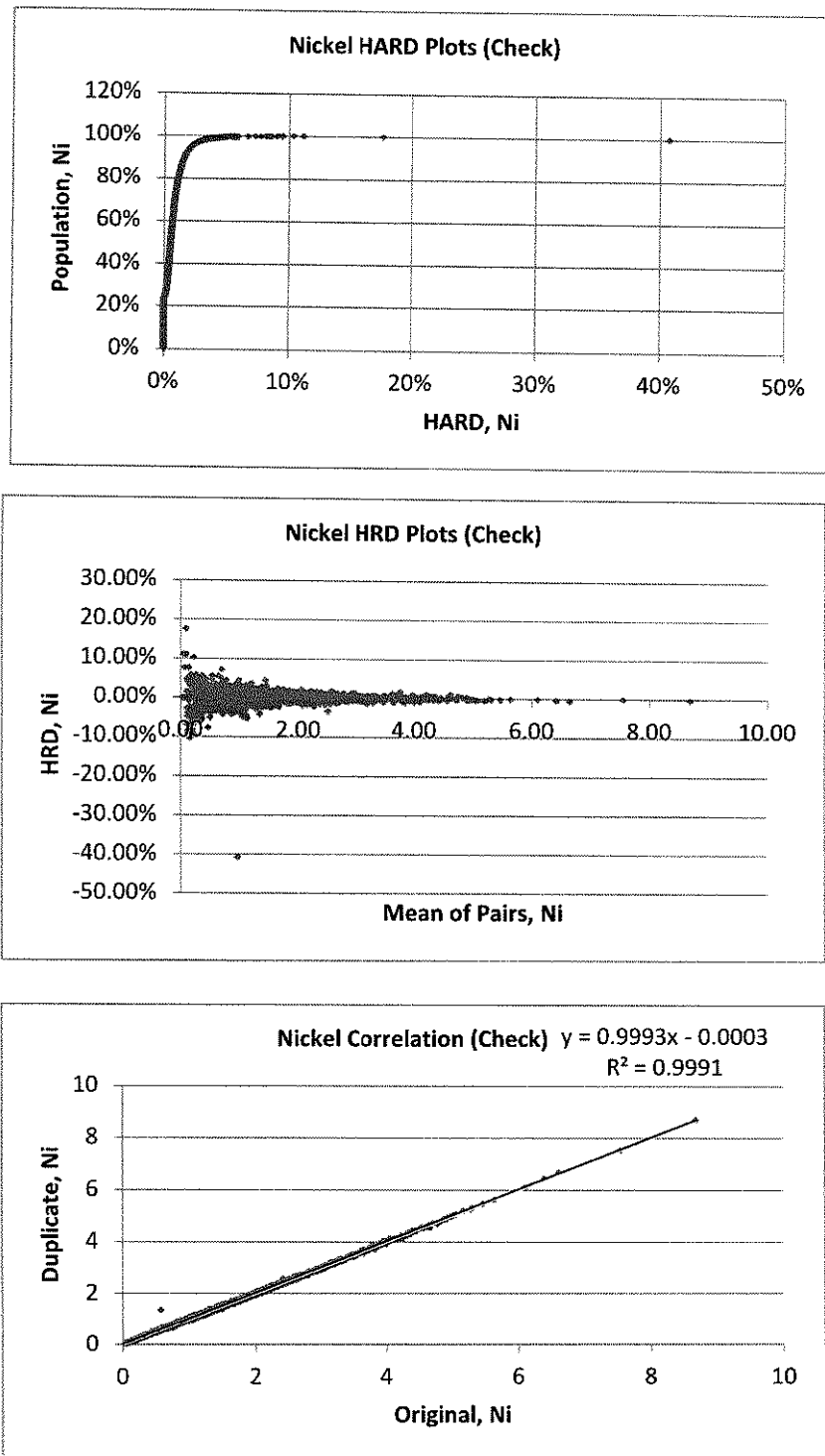


Figure-88. External Repeat (Check) Plots for Nickel

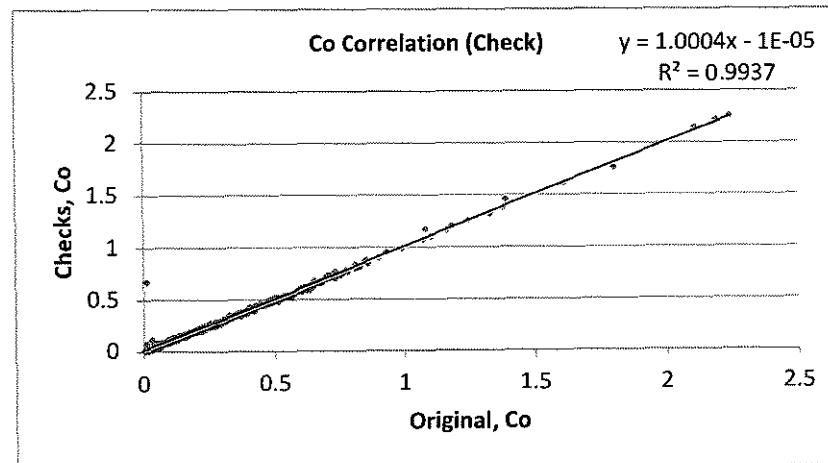
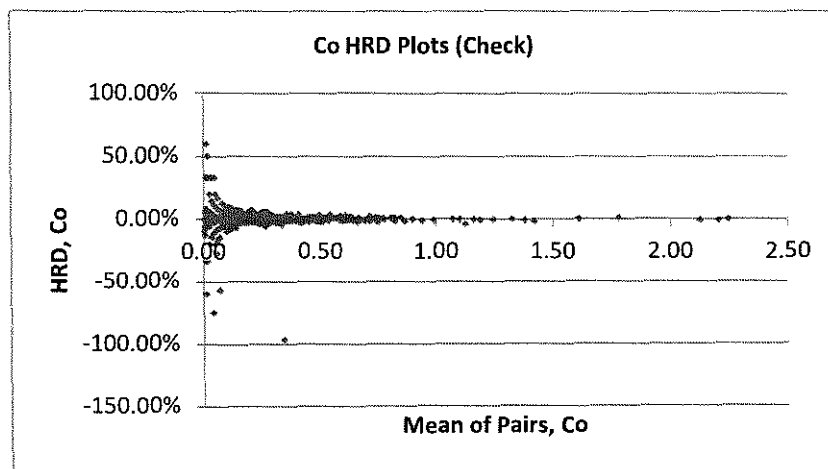
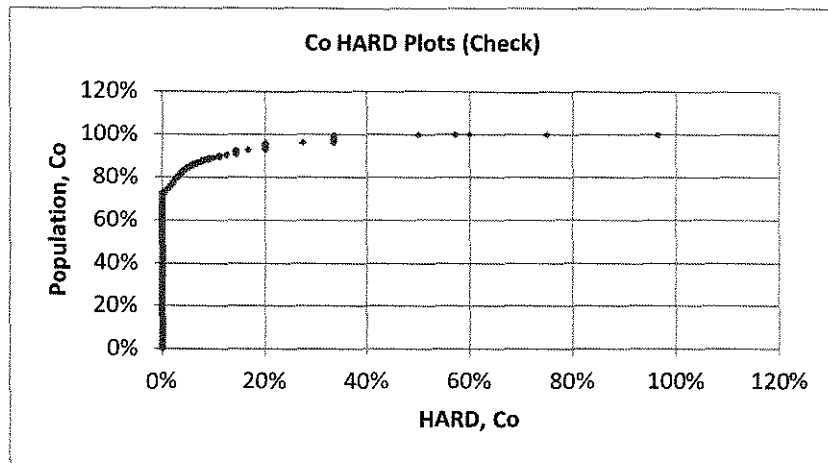


Figure-89. External Repeat (Check) Plots for Cobalt

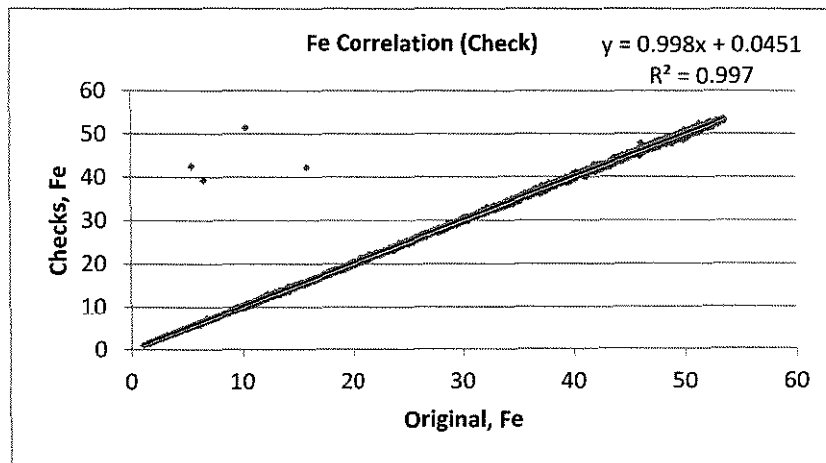
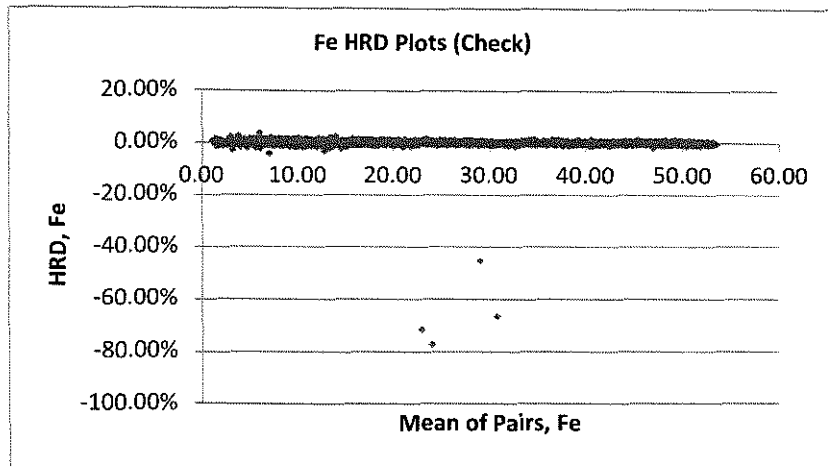
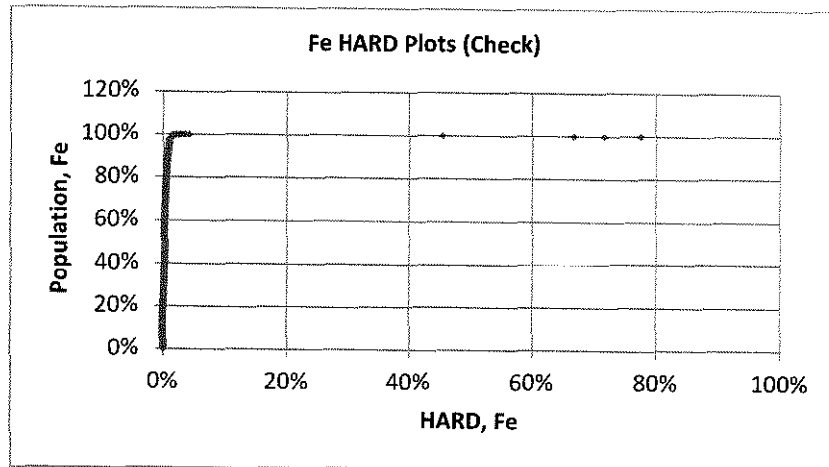


Figure-90. External Repeat (Check) Plots for Iron

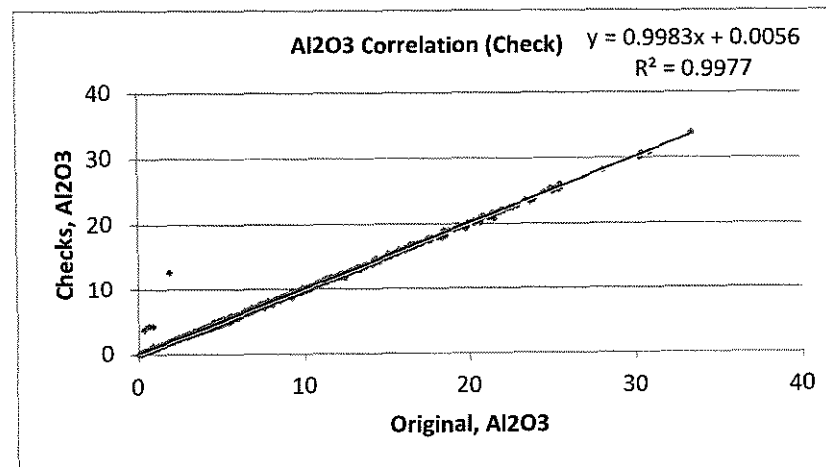
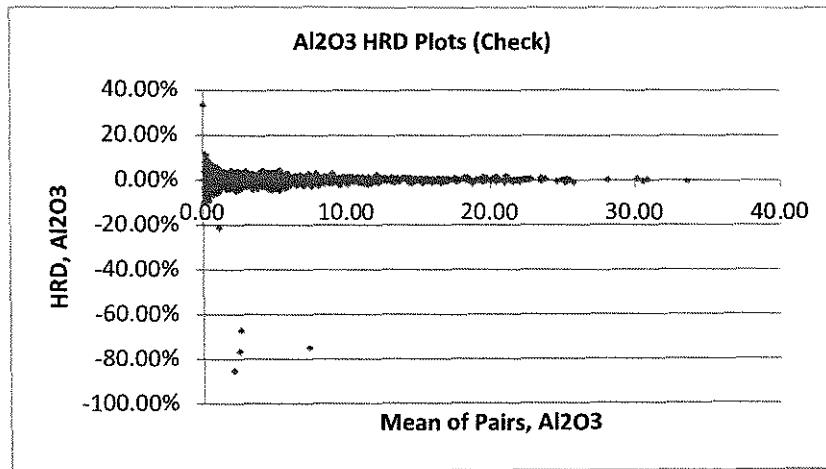
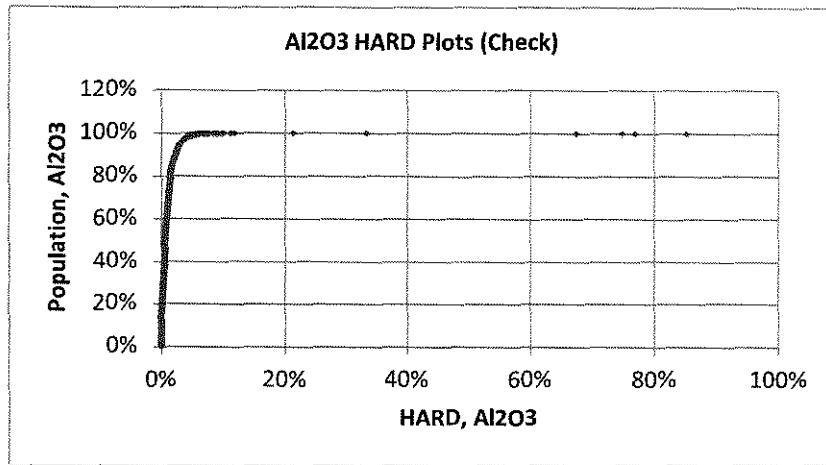


Figure-91. External Repeat (Check) Plots for AI2O3

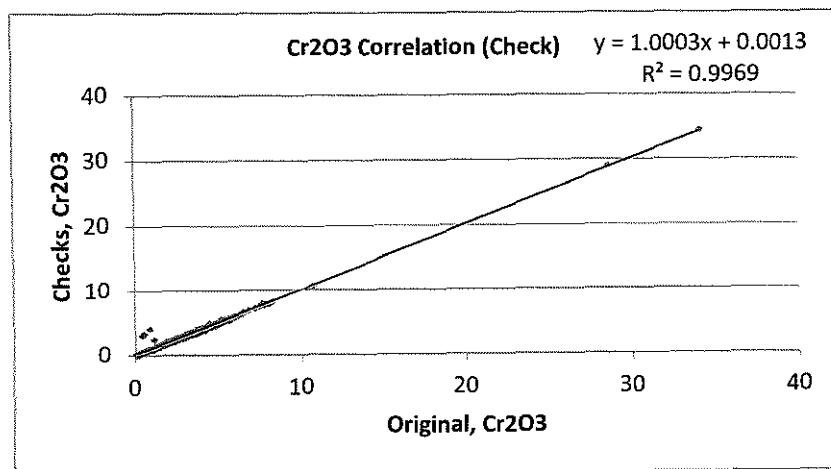
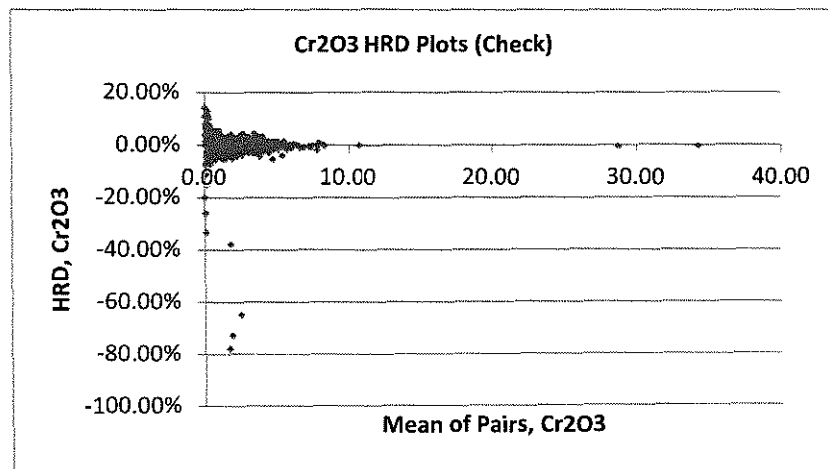
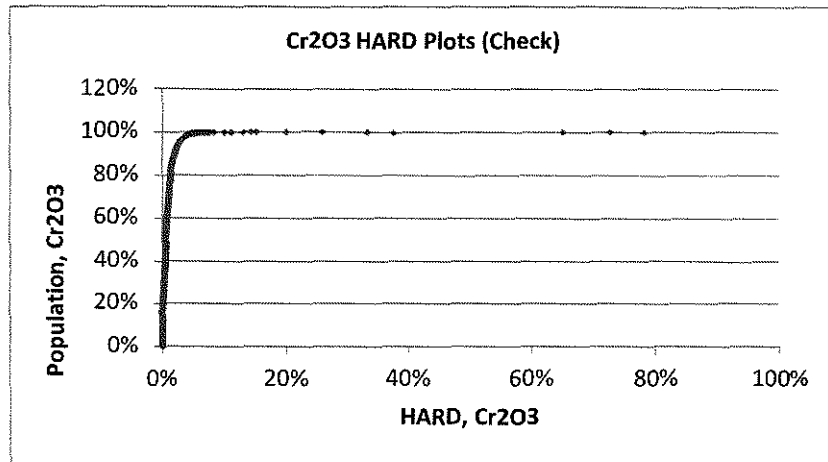


Figure-92. External Repeat (Check) Plots for Cr2O3

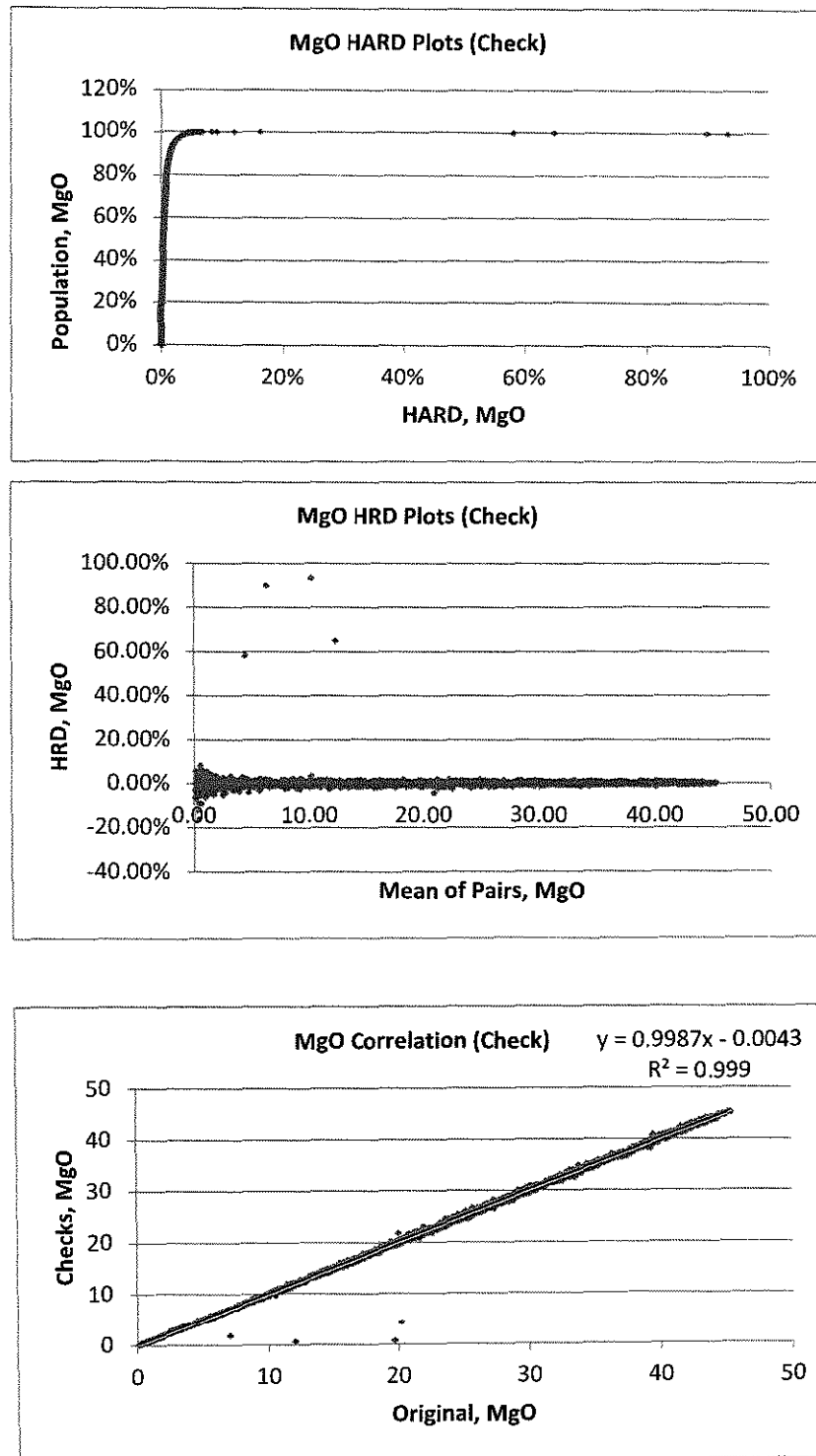


Figure-93. External Repeat (Check) Plots for MgO

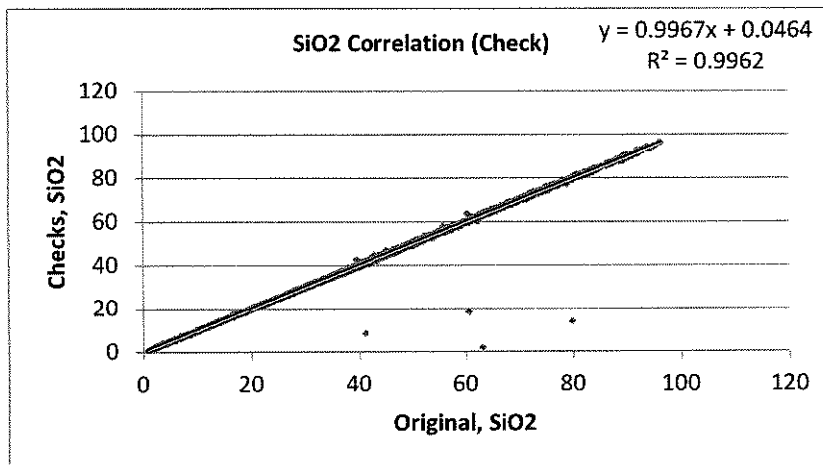
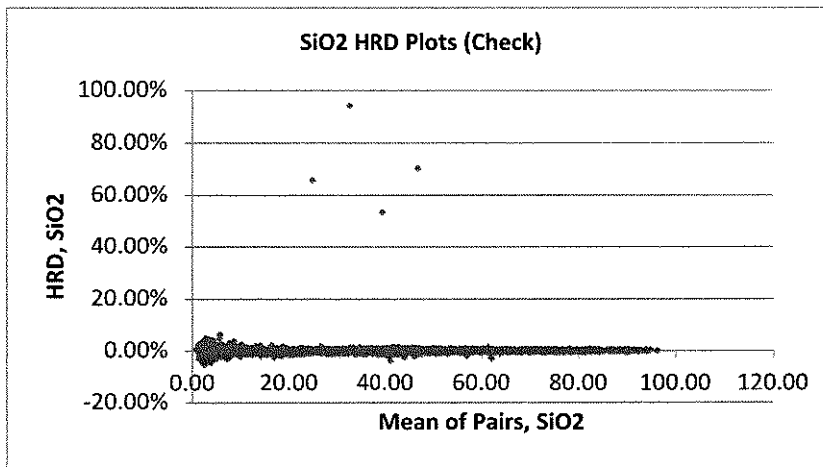
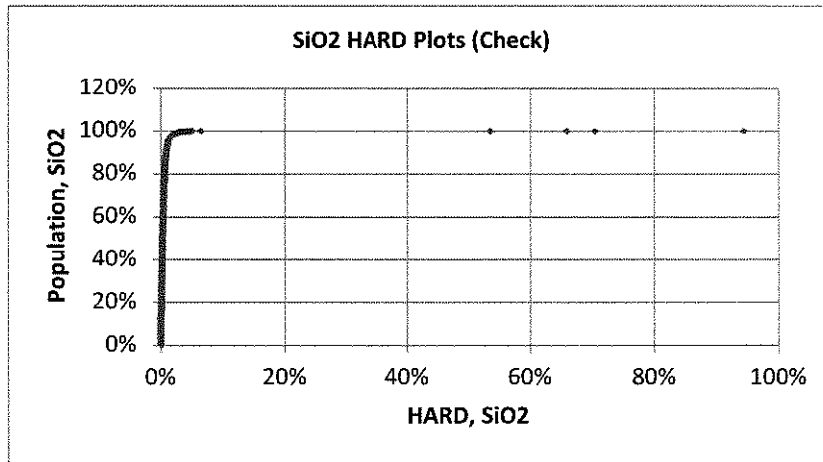


Figure-94. External Repeat (Check) Plots for SiO2

9.2.3 Laboratory Internal Standards (*Excerpts from TMM Report*)

The QA/QC program used 40 types and 4,547 determinations were obtained for 14 elements (including LOI). Results show excellent accuracy across the analytical range.

Results show very high accuracy for Ni and Fe including standards CECA 609-1, SARM47, LTRT 6,7, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, GBM900-8 and SARM-5.

Less precise results are observed for low-level (usually <0.1%Ni) standards for nickel, as these are less than 10 times the detection limit. Fe assays remain accurate. These standards include SSCH-1, SARM5, JSS 831-1, IPT48, 61, High Silica, GBW 07403, 07407, IOS23 and 23B. As these levels are also of no economic interest, accuracy at these low values of nickel is of limited importance.

Data for the standards were not made available (unpreserved) to the CP and, hence no validation has been made.

9.2.4 Laboratory Blanks (*Excerpts from TMM Report*)

The QA/QC program used 2,205 blanks.

Results show virtually no contamination for Ni and Fe except for a single outlier (at 0.04%), which is less than 10 times the detection limit (0.01%) and certainly less than the range of interest for Ni and Fe, hence is negligible. Elements well above previous results include Ca, Cr, K, Na, P and Si which might be indicative of contamination due to manual handling and dust at very low levels of <10 times detection limits.

Data for the blanks were not made available (unpreserved) to the CP and, hence no validation has been made.

9.2.5 Drill Hole and Test Pit Validation by Jinchuan

Jinchuan Group Company, Ltd. as part of their possible joint-venture arrangement with INC/TMM conducted a brief due diligence on the INC Nickel Project from November to December 2011. Activities included the following:

- Drilling of 62 drill holes with total meterage of 1,230m and 1,355 samples collected and analyzed by ITS.
- Re-sampling of 21 test pits and collection of 127 channel samples for analyses by ITS.
- Analyses of 81 duplicate and 43 standard samples by ITS.

Based on the review of Jinchuan, laboratory results from the collected core samples generated consistent assays with previous INC results received. Mineralization was confirmed in the drill cores and matched the received assays with no material inconsistencies observed. The Jinchuan report on this due diligence was not made available to CP and information was gathered from other reliable sources.

9.2.6 Geologist- CP Review of Jinchuan Validation

Available information on the Jinchuan due diligence consisting of about twenty one (21) re-sampled test pits and thirty six (36) twinning holes drilled by Jinchuan/JGS on November- December 2011 to validate the resource estimates of INC was reviewed by the CP. The average separation distance of the twin drill holes to the INC drill holes was 1.31 meters. Comparison of the two (2) datasets using the half absolute relative difference (HARD) showed an average difference from 0.50% to 2.0%. Correlation plots also revealed a correlation coefficient (R^2) ranging from 0.50 to 0.75. The validation of INC by Jinchuan showed no significant difference. **Table-17** shows the summary of the validation.

Attribute	Ni	Co	Fe
No. Pairs	57.00	57.00	57.00
Mean, INC	1.05	0.04	17.05
Mean, Jinchuan	1.07	0.04	17.68
Difference	-0.02	0.00	-0.63
% Difference	-2%	0%	-4%
Ave. HARD	1%	0.5%	2%
Correlation Coefficient (R^2)	0.75	0.50	0.73
Separation, m	1.31	1.31	1.31

Table-17. Drill Hole/Test Pit Validation by Jinchuan

The available coarse rejects from the Jinchuan due diligence study consisting of seven hundred ninety-two (792) samples were sent to ITS-Manila (internal repeats) and Ostrea (external repeats) to check the integrity of the Jinchuan validation sampling results. The results showed good precision and accuracy for both nickel and iron but with a significant bias for cobalt. Good repeatability however was observed on nickel, cobalt and iron. **Tables 18 and 19** show the summary of the results of the QA/QC.

Attribute	Ni	Co	Fe
No. Pairs	792.00	792.00	792.00
Mean, Original (ITS-Manila)	1.11	0.05	16.59
Mean , Duplicate (ITS-Manila)	1.10	0.05	16.87
Difference	0.01	0.00	-0.28
% Difference	0.9%	-0.2%	-1.7%
Ave. HARD	1.4%	11.8%	1.4%
Correlation Coefficient (R ²)	0.99	0.99	0.99
% Pairs >10% HARD	1%	41%	1%
% Pairs below 10% HARD	99%	59%	99%

Table-18. DH/TP Validation of Jinchuan Samples (Internal Repeats)

Attribute	Ni	Co	Fe
No. Pairs	792.00	792.00	792.00
Mean, Original (ITS-Manila)	1.11	0.05	16.59
Mean , Re-Check (Ostrea)	1.04	0.03	15.95
Difference	0.07	0.02	0.64
% Difference	6.7%	66.7%	4.0%
Ave. HARD	5.3%	18.2%	2.8%
Corr. Coeff (R ²)	0.97	0.93	0.99
% Pairs >10% HARD	12%	69%	1%
% Pairs below 10% HARD	88%	31%	99%

Table-19. Drill Hole/Test Pit Validation of Jinchuan Samples (External Repeats)

The location map of the Jinchuan validation program is given in **Figure-95**.

The plots for drill hole/test pit validation are shown in **Figures-96 to 104**.

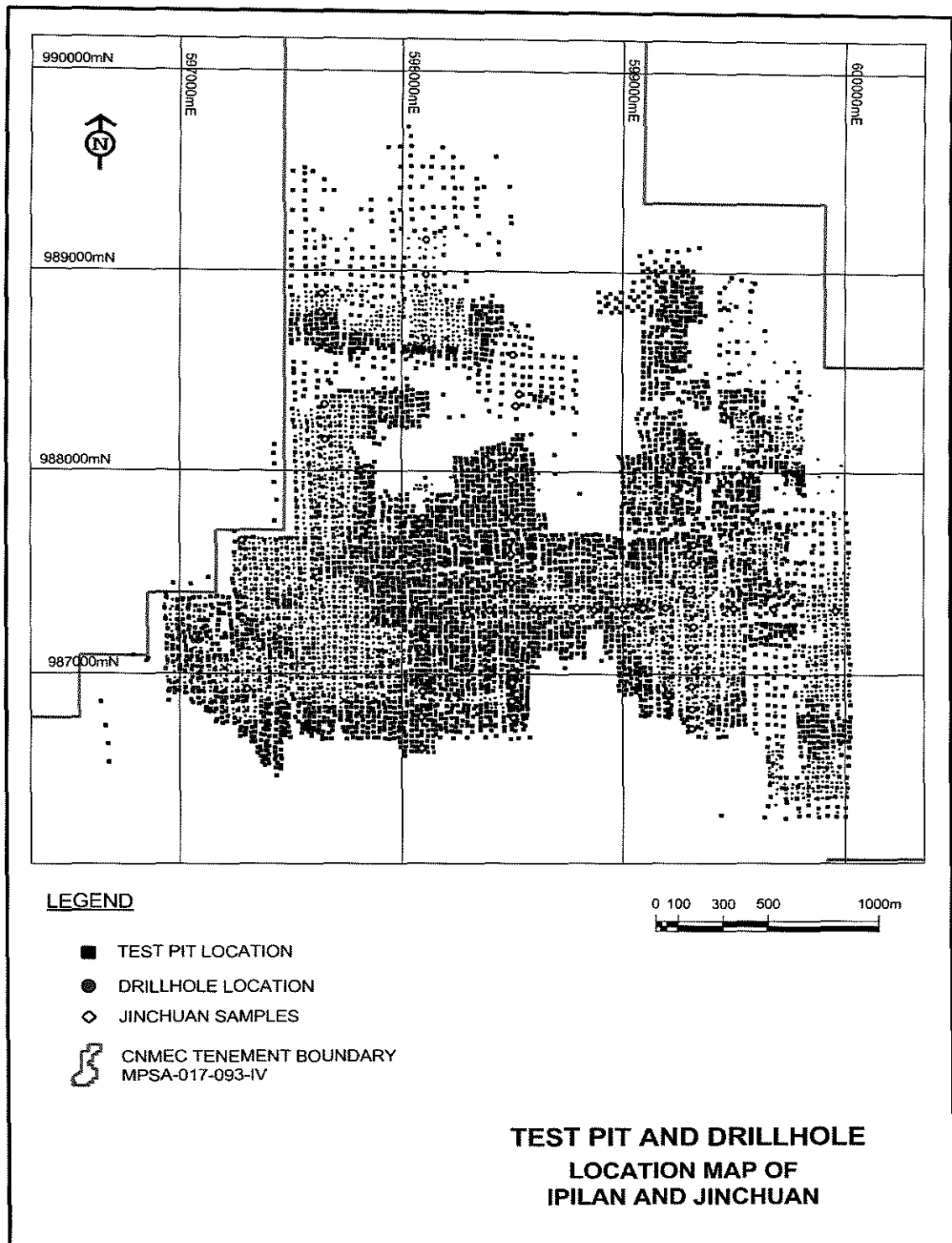


Figure-95. Location Map Showing the Jinchuan Validation Sampling Program

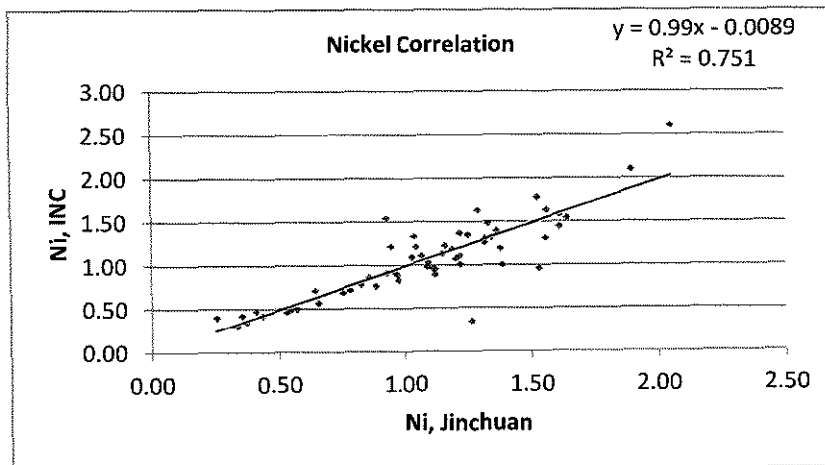
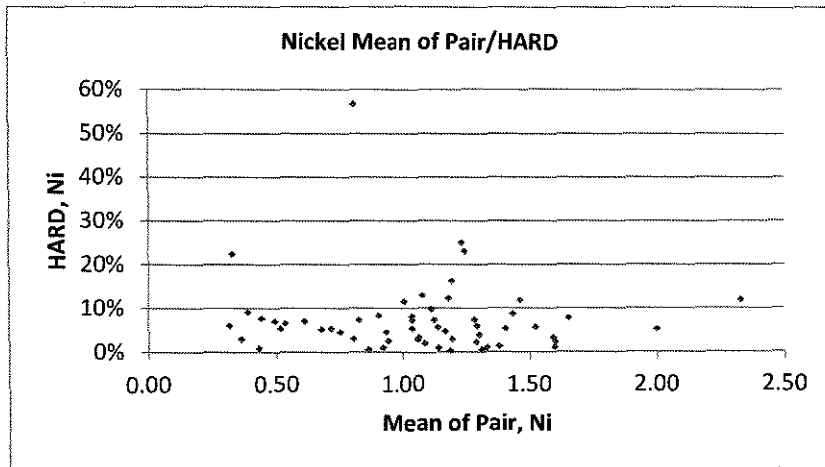
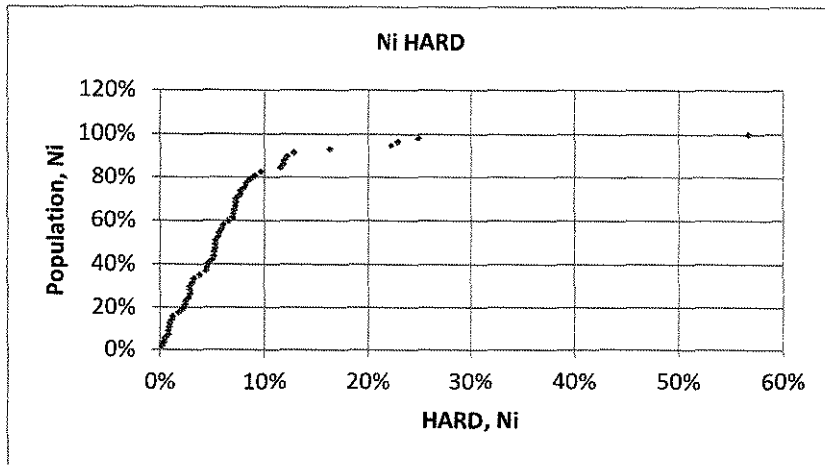


Figure-96. Drill Hole/Test Pit Validation (INC vs Jinchuan Nickel Samples)

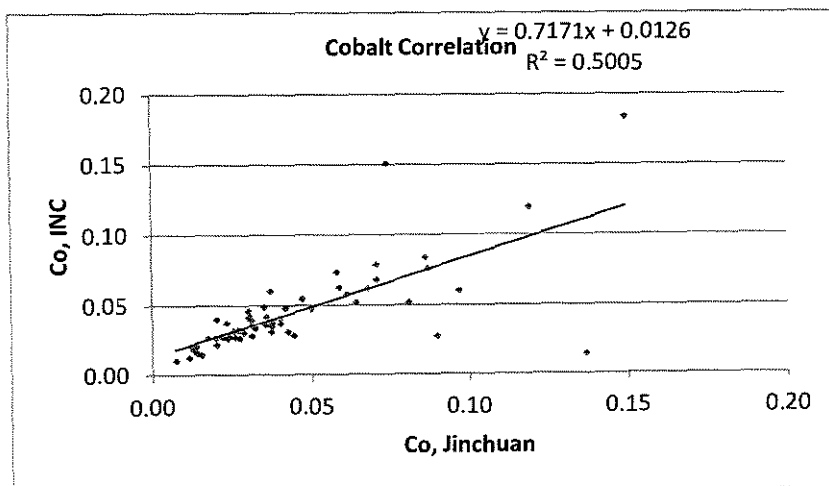
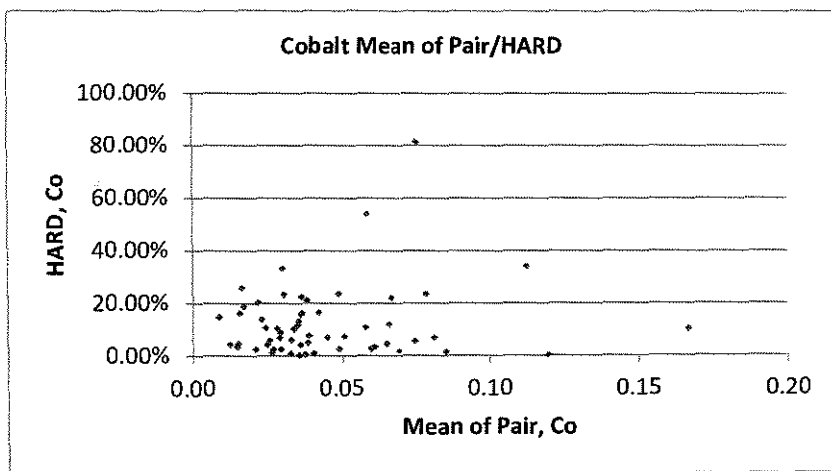
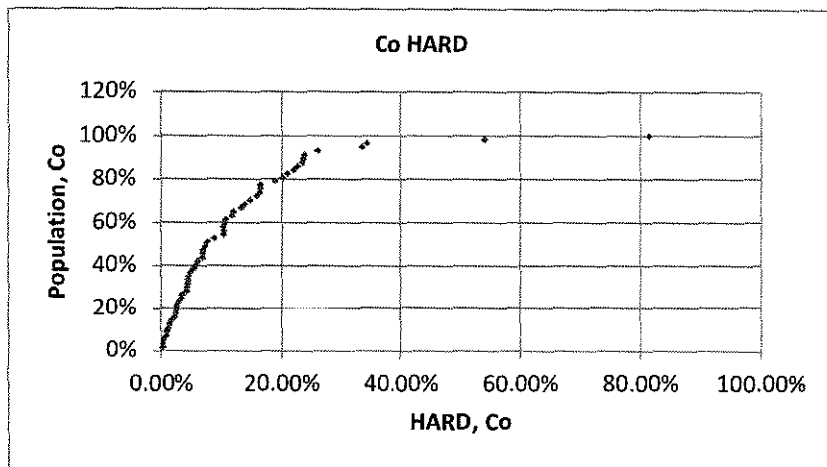


Figure-97. Drill Hole/Test Pit Validation (INC vs Jinchuan Cobalt Samples)

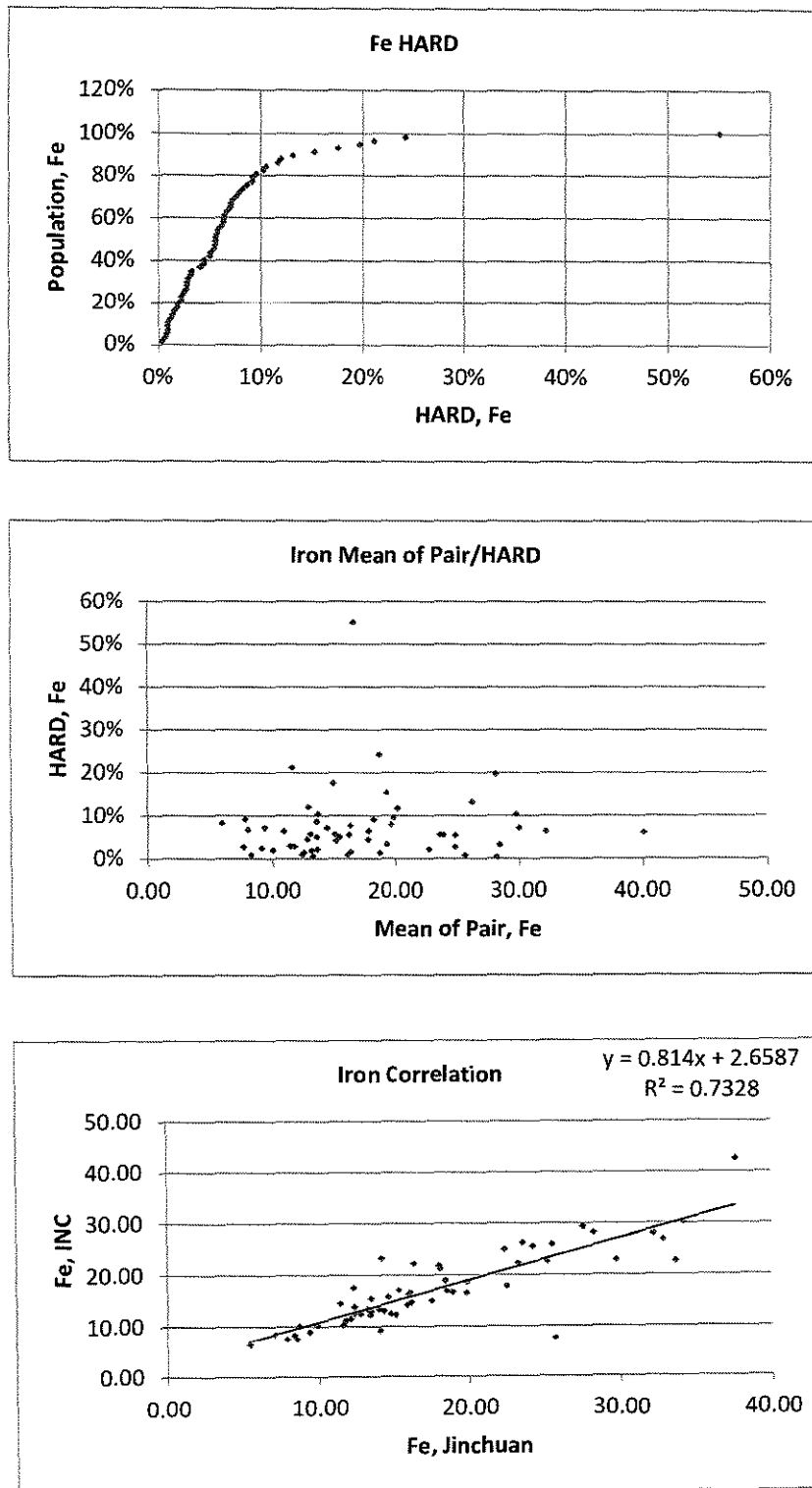


Figure-98. Drill Hole/Test Pit Validation (INC vs Jinchuan Iron Samples)

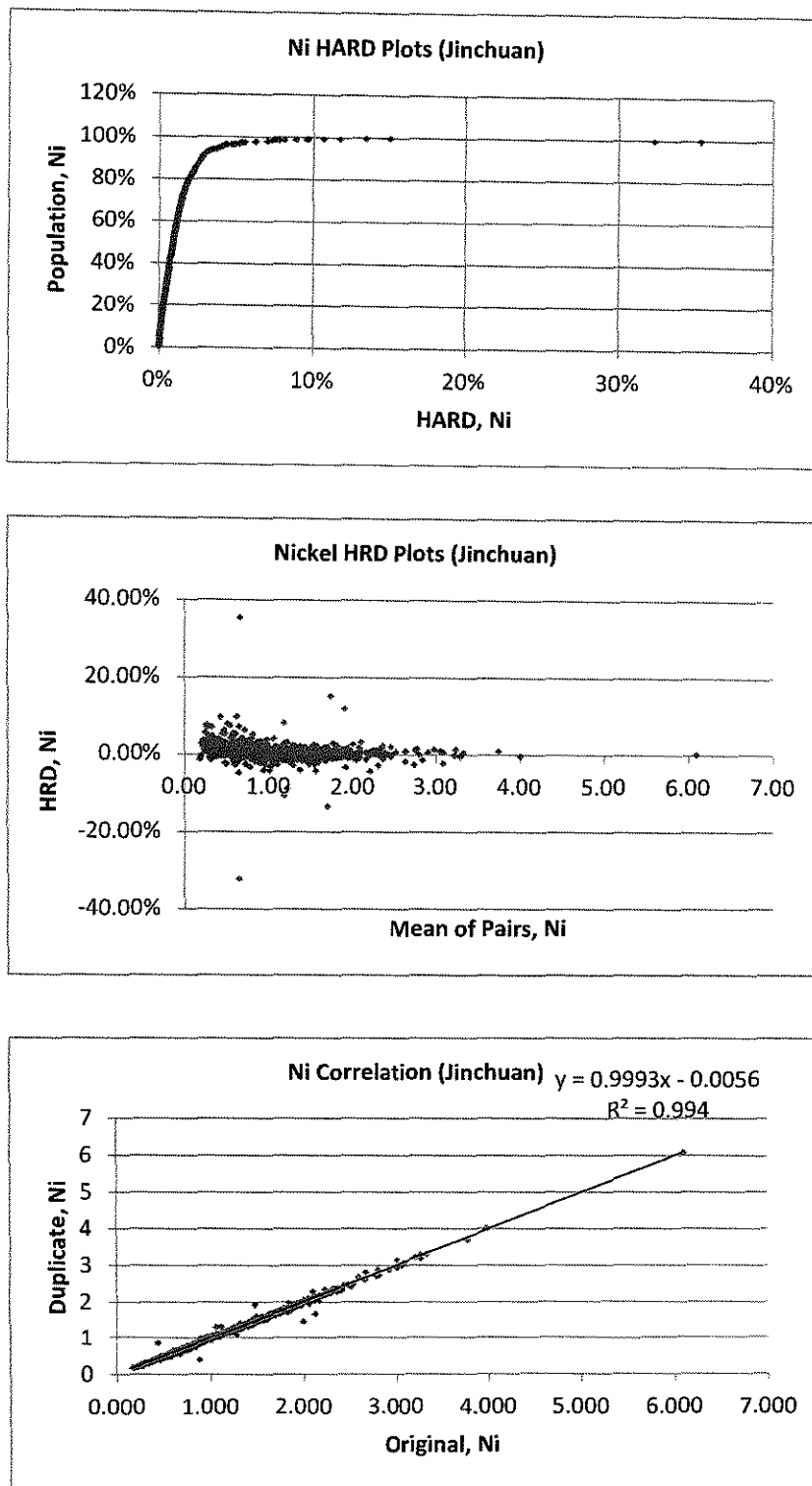


Figure-99. Drill Hole/Test Pit Validation Internal Repeat (Duplicate) Plots for Nickel

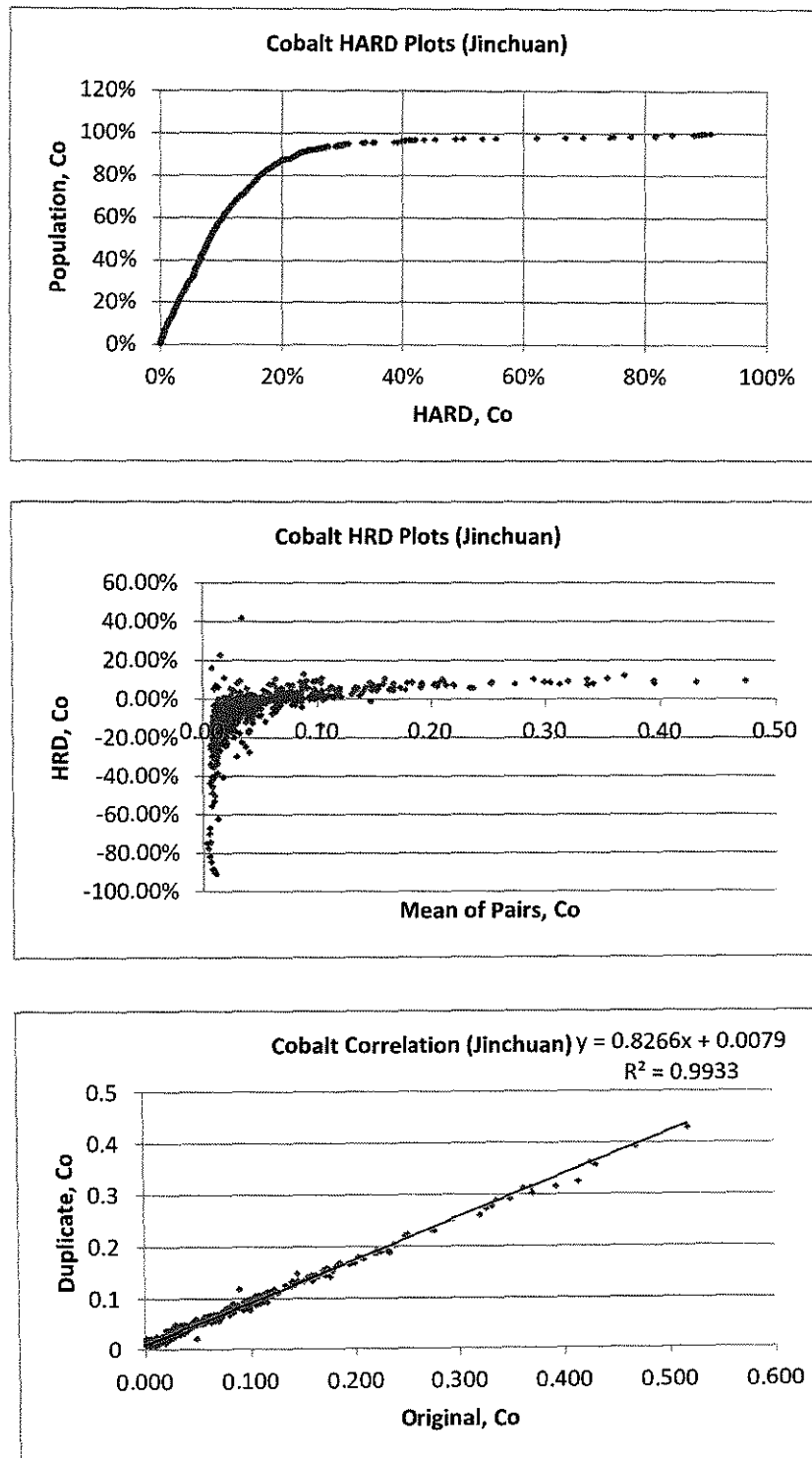


Figure-100. Drill Hole/Test Pit Validation Internal Repeat (Duplicate) Plots for Cobalt

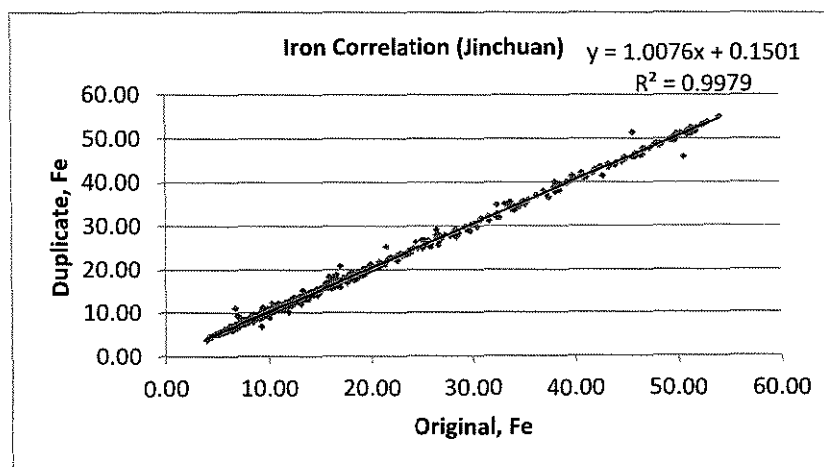
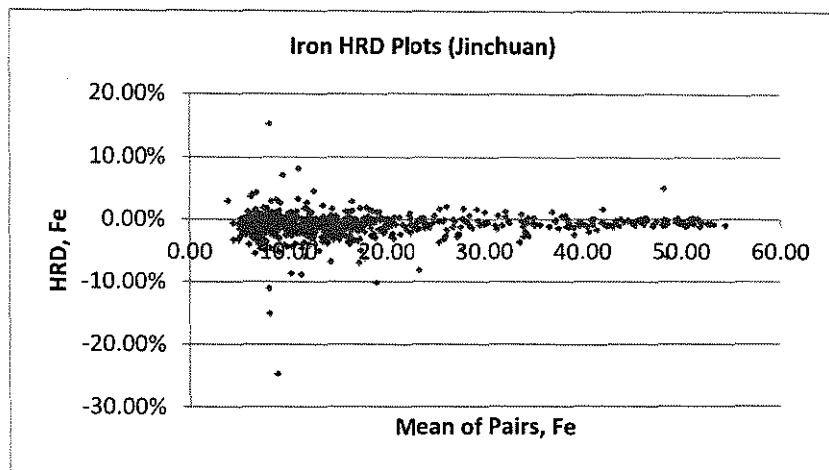
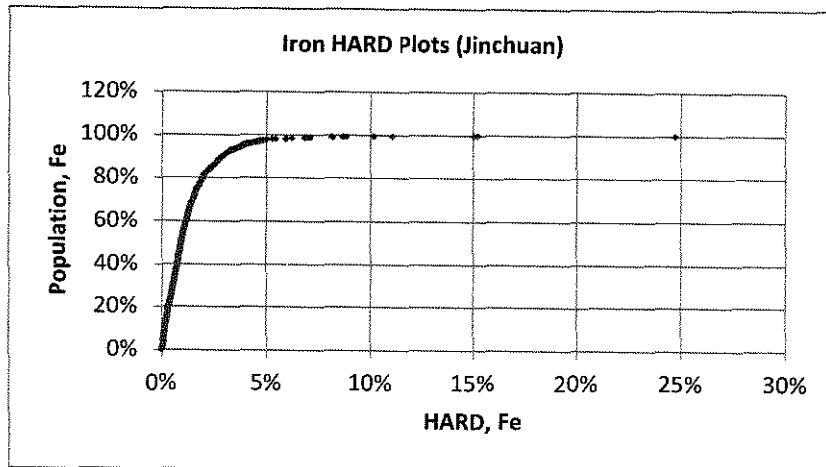


Figure-101. Drill Hole/Test Pit Validation Internal Repeat (Duplicate) Plots for Iron

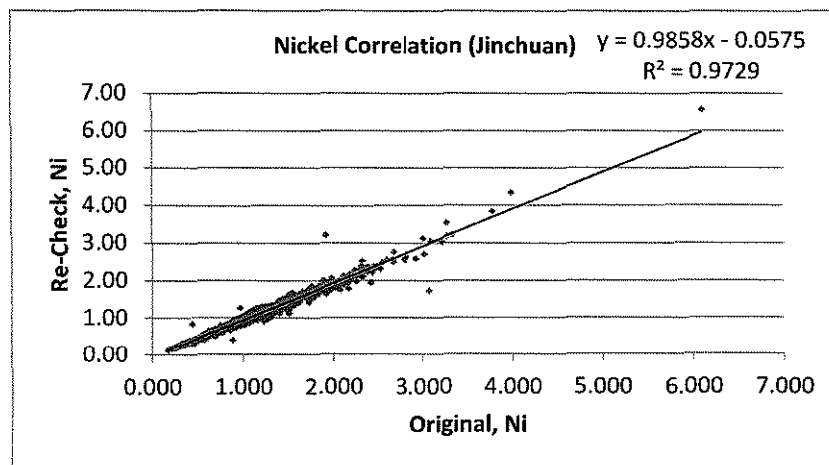
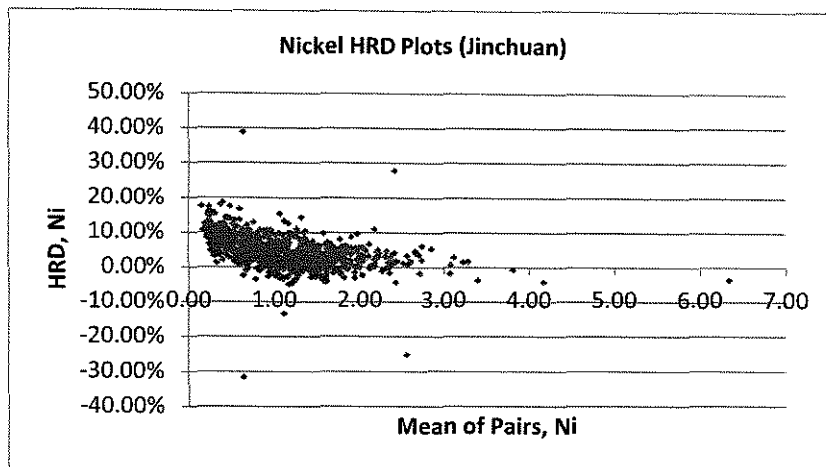
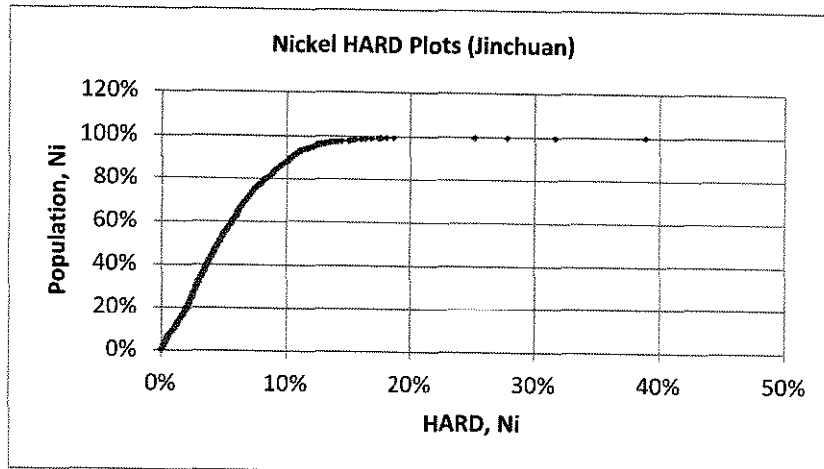


Figure-102. Drill Hole/Test Pit Validation External Repeat (Re-Check) Plots for Nickel

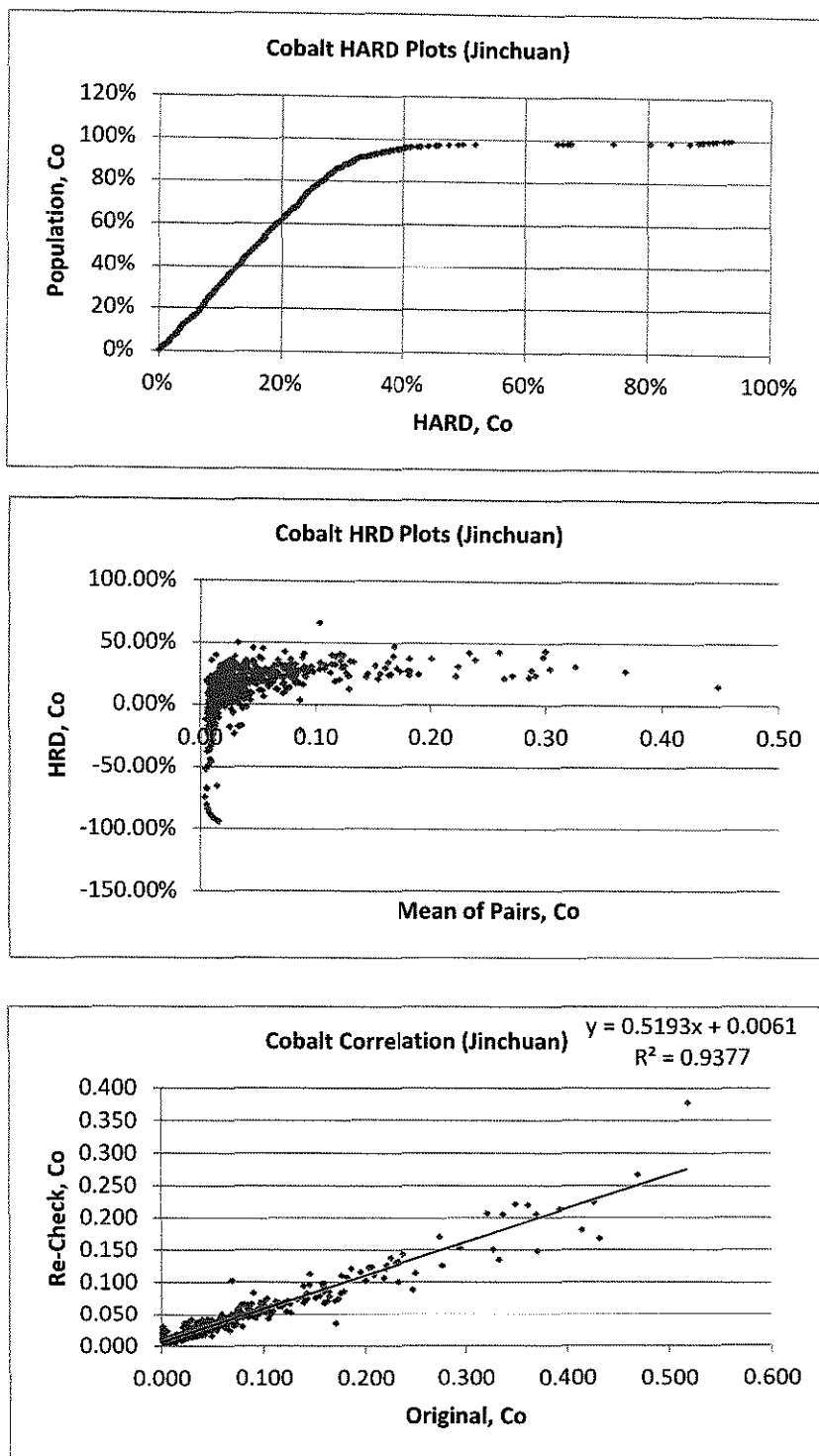


Figure-103. Drill Hole/Test Pit Validation External Repeat (Re-Check) Plots for Cobalt

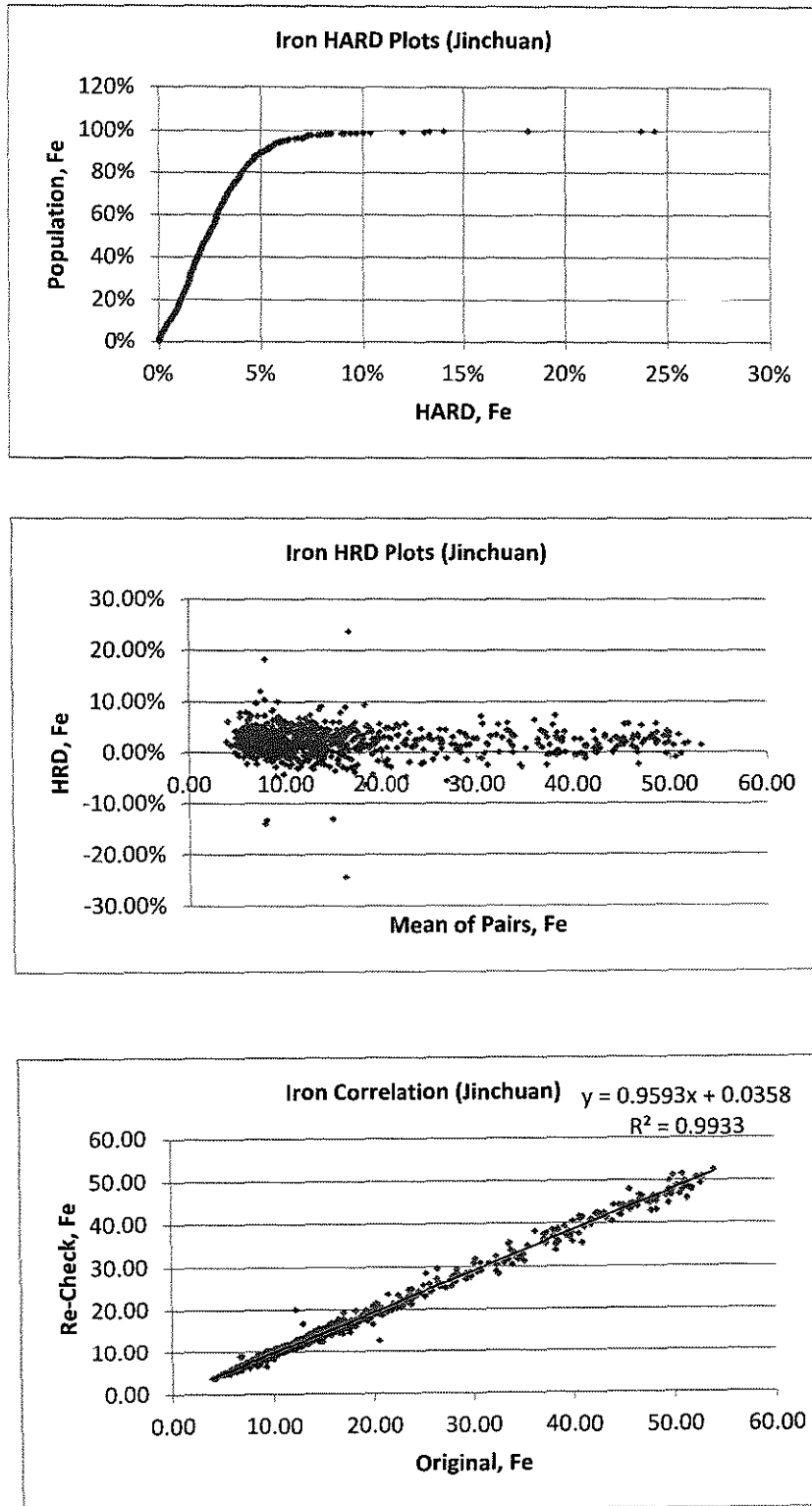


Figure-104. Drill Hole/Test Pit Validation External Repeat (Re-Check) Plots for Iron

9.3 Statement of CP on QA/QC

The QA/QC process indicated the following: that there is no significant assay bias; that with the significant amount of samples used in the estimation and the normal distribution and small range of sample grades within each estimation domain, the observed scatter of repeat data have no material and adverse impact on the resource estimate. The sources of uncertainty on precision related to certain elements have been identified and quantified, and its related effects in estimation have been considered acceptable. Contributors to uncertainty on precision include:

- Natural variability of geology/mineralization of deposit,
- Field sampling,
- Field sample preparation,
- Laboratory preparation, and
- Analytical error.

Using the results of QA/QC, considerations were made when assigning PMRC classifications to the resource estimates.

The Mining Engineer- CP agrees with the Geologist- CP's observations that the QA/QC protocols implemented is sufficient and acceptable for the purpose of the block modelling resource estimation.

10.0 MINERAL RESOURCE ESTIMATE

The following sections were based solely on the Geologist- CP, Edgardo G. Garcia assessment.

10.1 INC Database Preparation

The INC database was created in MS Excel format incorporating all information of the test pits and drill holes such as hole ID, coordinates, collar elevation, intervals, depth, lithology, sample analyses, etc. The INC database was reformatted and further subdivided into three (3) main tables: DCollar, DSample and DSurvey.

The DCollar Table contains HoleID, Coordinates, Elevation, Projection and Total Depth. The DSample Table contains HoleID, SampleID, Lithology, Depth From, Depth To, and Assays of Ni, Co, Fe, MgO, Cr2O3, SiO2, Al2O3 and Lithology. The DSurvey Table contains HoleID, Azimuth, Dip and Total Depth. These table structures are necessary to generate and calculate the mineral resource. The fields were then re-formatted and imported into the GEMCOM Surpac v6.3.2 database.

All 3,154 drill holes and 1,906 test pits with a total of 66,554 samples complete with required data were used in the mineral resource computation. The location of drill holes and test pits are shown in **Figure-105**.

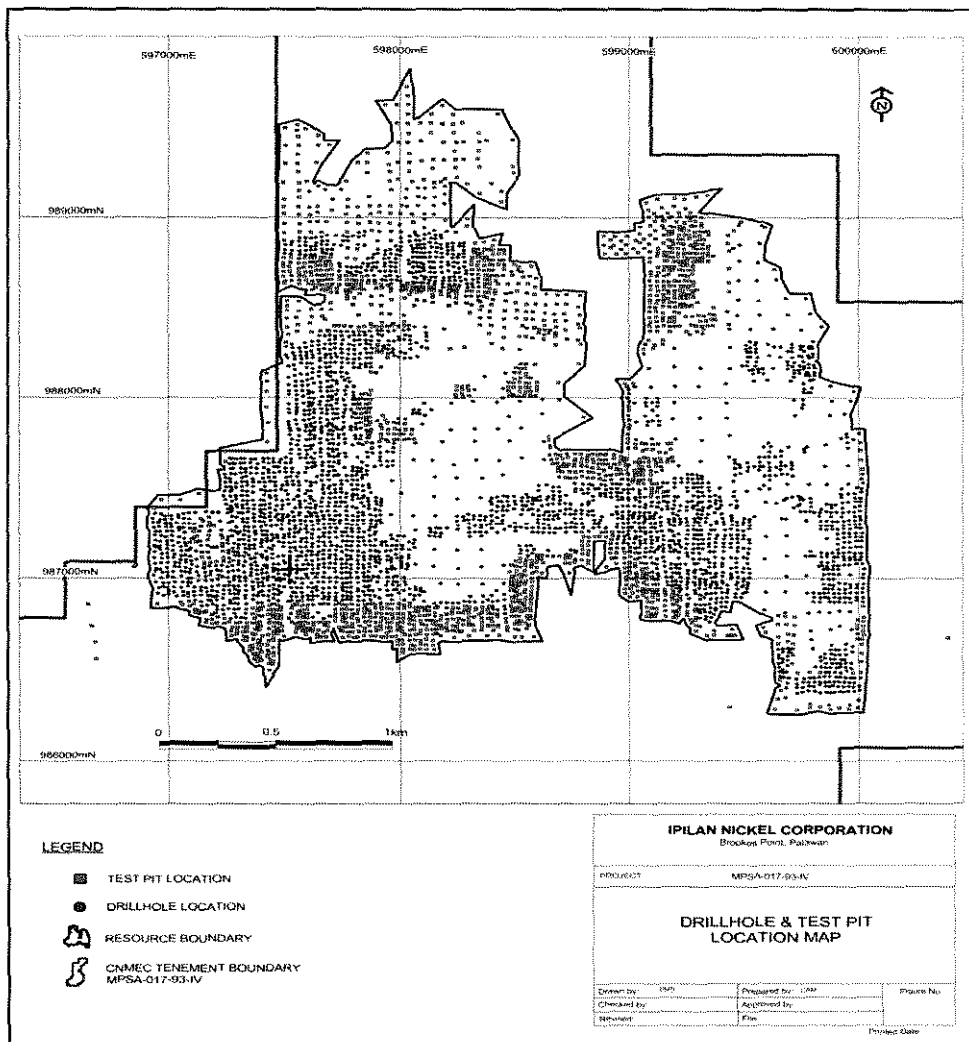


Figure-105. Map Showing Drill Hole and Test Pit Locations

10.2 Integrity of Database

Data validation was done to check the integrity of the database provided by INC which is discussed in the succeeding sections of this report.

10.3 Data Verification and Validation

The verification or validation procedures involve detecting the following:

- Detection and removal of erroneous data as well as duplicate entries;
- Possible existence of orphan holes or samples. This problem involves samples with no collar information. The drill holes and test pits were plotted to check for tower spots which indicate wrong collar elevation, topographical errors in the drill hole and test pit collar and sample tables. Minor errors of this type were detected and corrected accordingly;
- Different collar depth and sample maximum run of a hole. In a sample database, one criterion that should be met to ensure that the samples will be processed is that the collar depth should be the same as the maximum hole run. This

validation procedure is automatically executed by the sample verify data function. No errors were detected in the sample database;

- The drill holes and test pits were all vertically oriented. Collar locations were checked against the actual surface topographic survey with only minimal variances in surface versus collar elevations. To address the issue of generating air of underground collars, all the collar elevations were snapped to the actual surveyed topographic surfaces;
- Lithological log validation. The lithological log validation ensures that the lithological codes are consistent. Errors of this form arise due to typographical mistakes. The lithological codes of the database are L (Limonite), S (Saprolite) and B (Bedrock). The validation results showed no error in this form.

All drill hole and test pit locations were based on actual collar surveys using surveying instruments Differential Global Positioning System (DGPS) and Total Stations with regular calibrations of at least twice a year from the National Mapping Resource Information Administration (NAMRIA).

After the minor corrections on the validation process, the corrected and validated data was saved into the MS Access database format for statistical analysis.

10.4 Data Quality Review

The review of the drilling and sampling procedures indicates that good practices were used by INC during the various drilling and test pitting programs. These practices were guided by the INC Exploration Protocol.

Both the internal and external duplicates have reasonable correlations and the sources of uncertainty on precision related to certain elements have been identified and quantified, and its related effects in estimation have been considered acceptable. The results of the independent re-assays, however, were acceptable with only minor scatter and no observed bias.

The observed minor scatter is insignificant and has no impact on the resource estimate given the great number of samples used in the estimation and the generally normal distribution and small range of sample grades within each estimation domain.

10.5 Data Verification Statement

The digital database used as the basis for resource estimation has been verified to be supported by certified assay certificates and/or original drill logs together with an acceptable QA/QC program. The supporting documentation is sufficient to enable the use of the database in a Mineral Resource estimate following the guidelines set forth by the PMRC Code.

10.6 Basic Statistics

Basic statistical analysis was done to determine any biases/variances in the analytical results which may be due to inherent geological characteristics of the deposit or in sampling, preparation and laboratory analyses. The analysis considered all available assay results from 3,154 drill hole and 1,906 test pit database. Summary of data used in the statistical analysis is shown in **Table-20**.

Hole Type	Test Pits	Drill Holes	Total/Ave.
Ave. Depth (m)	5.17	17.15	12.64
No. Holes	1,906	3,154	5,060
Meterage (m)	9,855	54,096	63,951
No. Samples	10,129	56,425	66,554

Table-20. Test Pit Summary- Statistical Analysis

Statistical analysis of the sample data was done to determine the standard deviation, mean and coefficient of variation. Some of the data fields have showed a relatively low coefficient of variation (<1.0) which indicates that the dispersion of grades is close to its mean. It also means that the lithological domains are not that geostatistically complex and that simple modelling techniques are applicable. Some high fliers have been observed in the database. This means that top-cutting of high fliers is necessary. A formula of top-cut value = mean + (1.96 x standard deviation) was applied to determine the top-cut values prior to the conduct of basic statistical analysis.

The multimodal distribution of Fe grades in the database indicates three distinct populations that coincide with the three major geological domains. This suggests that the laterite profile is complete with the limonite zone, saprolite zone and with a thin transition zone in between. This was evident with the abrupt change of lithology as encountered in the test pit samples.

Various results of basic statistics for the original and topcut samples are shown in **Tables-21 to 30**. Histograms and probability plots are given in **Figures- 106 to 109**.

Item/Field	Ni	Co	Fe	Al2O3	Cr2O3	MgO	SiO2
Non-nul records	66,554	66,554	66,554	66,554	66,554	66,554	66,554
Minimum value	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Maximum value	8.67	2.24	55.18	33.40	34.10	45.70	96.90
Mean	1.10	0.07	21.02	2.41	1.66	16.24	37.90
Weighted Mean	1.11	0.07	21.47	2.46	1.69	15.72	37.63
Variance	0.31	0.01	222.48	6.76	1.42	162.19	336.86
Standard deviation	0.56	0.09	14.92	2.60	1.19	12.74	18.35
Std error of mean	0.00	0.00	0.06	0.01	0.01	0.05	0.07
Geometric mean	0.96	0.04	16.33	1.51	1.29	8.95	29.37
Log Variance	0.31	1.00	0.51	0.94	0.52	1.82	0.83
Variance	0.31	0.01	222.48	6.76	1.42	162.19	336.86
Mean	1.11	0.07	21.47	2.46	1.69	15.72	37.63
Stdev	0.56	0.09	14.92	2.60	1.19	12.74	18.35
Coefficient of Variation	0.50	1.29	0.69	1.06	0.70	0.81	0.49

Table-21. Basic Statistics (All Samples)

Variable	Ni	Co	Fe	Al ₂ O ₃	Cr ₂ O ₃	MgO	SiO ₂
Number of samples	18,296	18,296	18,296	18,296	18,296	18,296	18,296
Minimum value	0.08	0.01	3.69	0.18	0.26	0.13	0.70
Maximum value	4.23	2.24	55.18	33.40	34.10	42.20	91.50
Mean	1.11	0.15	42.42	4.91	3.23	2.47	13.90
Median	1.09	0.12	44.48	4.45	3.19	1.28	10.20
Geometric Mean	1.05	0.11	41.49	4.42	3.13	1.56	9.05
Variance	0.12	0.02	61.22	6.10	0.70	9.57	150.82
Standard Deviation	0.35	0.12	7.82	2.47	0.84	3.09	12.28
Coefficient of variation	0.31	0.83	0.18	0.50	0.26	1.25	0.88
Skewness	0.71	3.16	-1.10	2.23	3.63	4.09	1.37
Kurtosis	5.69	29.46	4.36	12.11	113.87	31.41	5.28
Natural Log Mean	0.05	-2.25	3.73	1.49	1.14	0.44	2.20
Log Variance	0.11	0.87	0.05	0.21	0.07	0.81	0.96
Topcut Value	-	0.39	-	-	-	8.53	37.97

Table-22. Limonite Sample Statistics (No Topcut)

Variable	Ni	Co	Fe	Al ₂ O ₃	Cr ₂ O ₃	MgO	SiO ₂
Number of samples	39,231	39,231	39,231	39,231	39,231	39,231	39,231
Minimum value	0.06	0.01	1.27	0.03	0.04	0.15	1.86
Maximum value	8.67	2.19	51.76	31.40	10.70	44.12	95.20
Mean	1.24	0.04	14.35	1.58	1.18	19.03	46.90
Median	1.15	0.03	12.45	1.02	1.01	19.30	44.90
Geometric Mean	1.11	0.03	13.08	1.15	1.06	15.48	45.77
Variance	0.35	0.00	42.46	3.59	0.38	93.90	103.34
Standard Deviation	0.59	0.05	6.52	1.90	0.62	9.69	10.17
Coefficient of variation	0.48	1.06	0.45	1.20	0.52	0.51	0.22
Skewness	1.19	8.50	1.21	5.12	1.99	0.04	0.58
Kurtosis	6.75	211.03	4.57	41.22	10.89	2.21	4.29
Natural Log Mean	0.10	-3.43	2.57	0.14	0.05	2.74	3.82
Log Variance	0.25	0.48	0.18	0.50	0.22	0.58	0.05
Topcut Value	2.40	0.13	-	5.29	-	-	-

Table-23. Saprolite Sample Statistics (No Topcut)

Variable	Ni	Co	Fe	Al ₂ O ₃	Cr ₂ O ₃	MgO	SiO ₂
Number of samples	9025	9025	9025	9025	9025	9025	9025
Minimum value	0	0	0	0	0	0	0
Maximum value	4.52	0.74	49.73	25.50	28.60	45.70	96.90
Mean	0.47	0.01	6.60	0.99	0.54	32.08	47.44
Median	0.40	0.01	6.37	0.44	0.49	34.70	42.90
Variance	0.06	0.00	2.63	4.18	0.14	99.31	118.23
Standard Deviation	0.24	0.01	1.62	2.04	0.38	9.97	10.87
Coefficient of variation	0.51	0.82	0.25	2.07	0.70	0.31	0.23
Skewness	2.33	26.69	7.53	5.76	46.28	-1.37	2.32
Kurtosis	18.14	1423.38	157.92	43.52	3352.02	4.44	8.21
Topcut value	0.94	-	9.78	4.99	-	-	-

Table-24. Bedrock Sample Statistics (No Topcut)

Variable	Ni	Co	Fe	Al ₂ O ₃	Cr ₂ O ₃	MgO	SiO ₂
Number of samples	18,296	18,296	18,296	18,296	18,296	18,296	18,296
Minimum value	0.08	0.01	3.69	0.18	0.26	0.13	0.70
Maximum value	4.23	0.39	55.18	33.40	34.10	8.53	37.97
Mean	1.11	0.14	42.42	4.91	3.23	2.27	13.43
Median	1.09	0.12	44.48	4.45	3.19	1.28	10.20
Geometric Mean	1.05	0.10	41.49	4.42	3.13	1.53	8.96
Variance	0.12	0.01	61.22	6.10	0.70	4.86	119.32
Standard Deviation	0.35	0.10	7.82	2.47	0.84	2.20	10.92
Coefficient of variation	0.31	0.70	0.18	0.50	0.26	0.97	0.81
Skewness	0.71	0.84	-1.10	2.23	3.63	1.58	0.78
Kurtosis	5.69	3.01	4.36	12.11	113.87	4.55	2.47
Natural Log Mean	0.05	-2.26	3.73	1.49	1.14	0.43	2.19
Log Variance	0.11	0.84	0.05	0.21	0.07	0.74	0.93

Table-25 Limonite Sample Statistics (Topcut Applied)

Variable	Ni	Co	Fe	Al ₂ O ₃	Cr ₂ O ₃	MgO	SiO ₂
Number of samples	39,231	39,231	39,231	39,231	39,231	39,231	39,231
Minimum value	0.06	0.01	1.27	0.03	0.04	0.15	1.86
Maximum value	7.54	0.13	51.76	5.29	10.70	44.12	95.20
Mean	1.24	0.04	14.35	1.43	1.18	19.03	46.90
Median	1.15	0.03	12.45	1.02	1.01	19.30	44.90
Geometric Mean	1.11	0.03	13.08	1.13	1.06	15.48	45.77
Variance	0.35	0.00	42.46	1.33	0.38	93.90	103.34
Standard Deviation	0.59	0.03	6.52	1.15	0.62	9.69	10.17
Coefficient of variation	0.48	0.73	0.45	0.81	0.52	0.51	0.22
Skewness	1.14	1.66	1.21	1.99	1.99	0.04	0.58
Kurtosis	6.17	5.27	4.57	6.61	10.89	2.21	4.29
Natural Log Mean	0.10	-3.44	2.57	0.12	0.05	2.74	3.82
Log Variance	0.25	0.43	0.18	0.44	0.22	0.58	0.05

Table-26. Saprolite Sample Statistics (Topcut Applied)

Variable	Ni	Co	Fe	Al ₂ O ₃	Cr ₂ O ₃	MgO	SiO ₂
Number of samples	9025	9025	9025	9025	9025	9025	9025
Minimum value	0	0	0	0	0	0	0
Maximum value	0.94	0.74	9.78	4.99	28.60	45.70	96.90
Mean	0.46	0.01	6.53	0.80	0.54	32.08	47.44
Median	0.40	0.01	6.37	0.44	0.49	34.70	42.90
Variance	0.04	0.00	1.37	1.10	0.14	99.31	118.23
Standard Deviation	0.20	0.01	1.17	1.05	0.38	9.97	10.87
Coefficient of variation	0.44	0.82	0.18	1.30	0.70	0.31	0.23
Skewness	0.80	26.69	0.11	3.08	46.28	-1.37	2.32
Kurtosis	2.90	1423.38	5.09	11.76	3352.02	4.44	8.21

Table-27. Bedrock Sample Statistics (Topcut Applied)

Item/Field	Ni	Co	Fe	Al2O3	Cr2O3	MgO	Sio2	Thickness
Non-nul records	3341	3341	3341	3341	3341	3341	3341	3341
Minimum value	0.35	0.01	16.47	1.4	1.17	0.41	1.77	0.3
Maximum value	2.64	0.77	51.39	18.34	14.68	14.7	58.34	41
Mean	1.05	0.13	40.5	4.93	3.06	3.2	16.6	5.46
Weighted Mean	1.11	0.15	42.44	4.91	3.24	2.45	13.87	10.72
Variance	0.07	0	31.53	4.37	0.38	5.56	79.06	28.73
Standard deviation	0.27	0.07	5.62	2.09	0.61	2.36	8.89	5.36
Std error of mean	0.01	0	0.1	0.04	0.01	0.04	0.15	0.09
Log population	3341	3341	3341	3341	3341	3341	3341	3341
Geometric mean	1.02	0.12	40.09	4.58	3	2.51	14.05	3.6
Log Variance	0.07	0.23	0.02	0.14	0.04	0.49	0.38	0.86

Table-28. Basic Statistics (Limonite Composites)

Item/Field	Ni	Co	Fe	Al2O3	Cr2O3	MgO	Sio2	Thickness
Non-nul records	5002	5002	5002	5002	5002	5002	5002	5002
Minimum value	0.23	0.01	5.02	0.33	0.42	0.47	20.56	0.3
Maximum value	5.07	0.67	33.29	23.65	5.66	38.78	79.9	44.5
Mean	1.16	0.04	15.31	1.81	1.25	18.99	45	7.51
Weighted Mean	1.25	0.04	14.51	1.6	1.2	18.64	47.01	12.25
Variance	0.2	0	18.08	2.55	0.18	49.53	56.58	35.58
Standard deviation	0.44	0.03	4.25	1.6	0.42	7.04	7.52	5.97
Std error of mean	0.01	0	0.06	0.02	0.01	0.1	0.11	0.08
Log population	5002	5002	5002	5002	5002	5002	5002	5002
Geometric mean	1.07	0.04	14.76	1.47	1.19	17.16	44.39	5.44
Log Variance	0.16	0.25	0.07	0.34	0.09	0.28	0.03	0.72

Table-29. Basic Statistics (Saprolite Composites)

Item/Field	Ni	Co	Fe	Al2O3	Cr2O3	MgO	Sio2	Thickness
Non-nul records	2922	2922	2922	2922	2922	2922	2922	2922
Minimum value	0	0	0	0	0	0	0	0.2
Maximum value	2.07	0.18	24.99	24.94	8.84	45.2	95.3	16
Mean	0.49	0.01	6.42	0.99	0.53	32.86	47.16	2.78
Weighted Mean	0.47	0.01	6.57	0.97	0.54	32.04	47.59	4.37
Variance	0.04	0	1	3.67	0.05	90.41	111.13	4.41
Standard deviation	0.21	0.01	1	1.92	0.22	9.51	10.54	2.1
Std error of mean	0	0	0.02	0.04	0	0.18	0.2	0.04
Log population	2921	2869	2921	2921	2921	2921	2921	2922
Geometric mean	0.45	0.01	6.34	0.57	0.51	29.76	46.29	2.18
Log Variance	0.17	0.17	0.03	0.65	0.07	0.36	0.03	0.49

Table-30. Basic Statistics (Bedrock Composites)

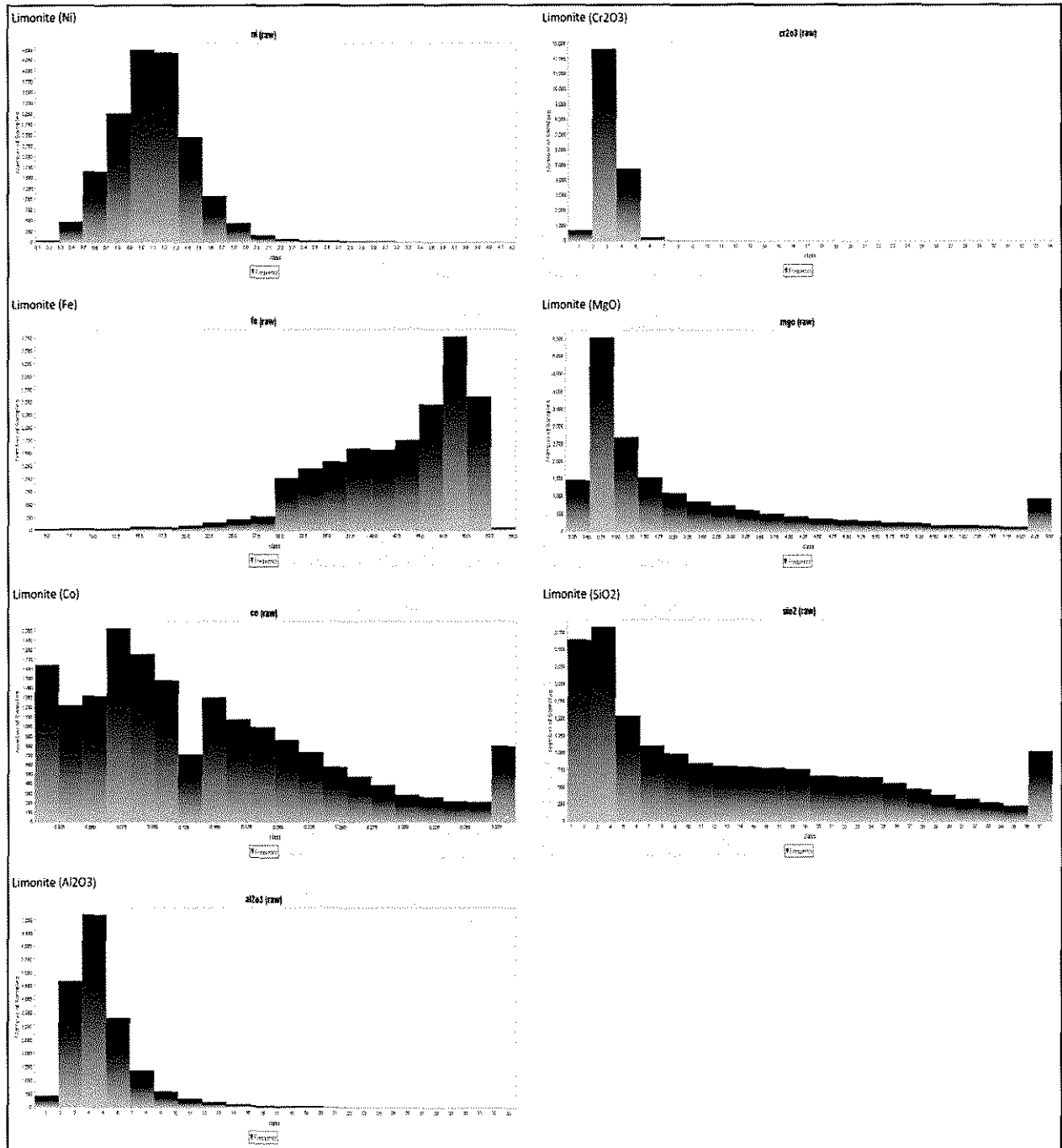


Figure-106. Histogram Plots (Limonite)

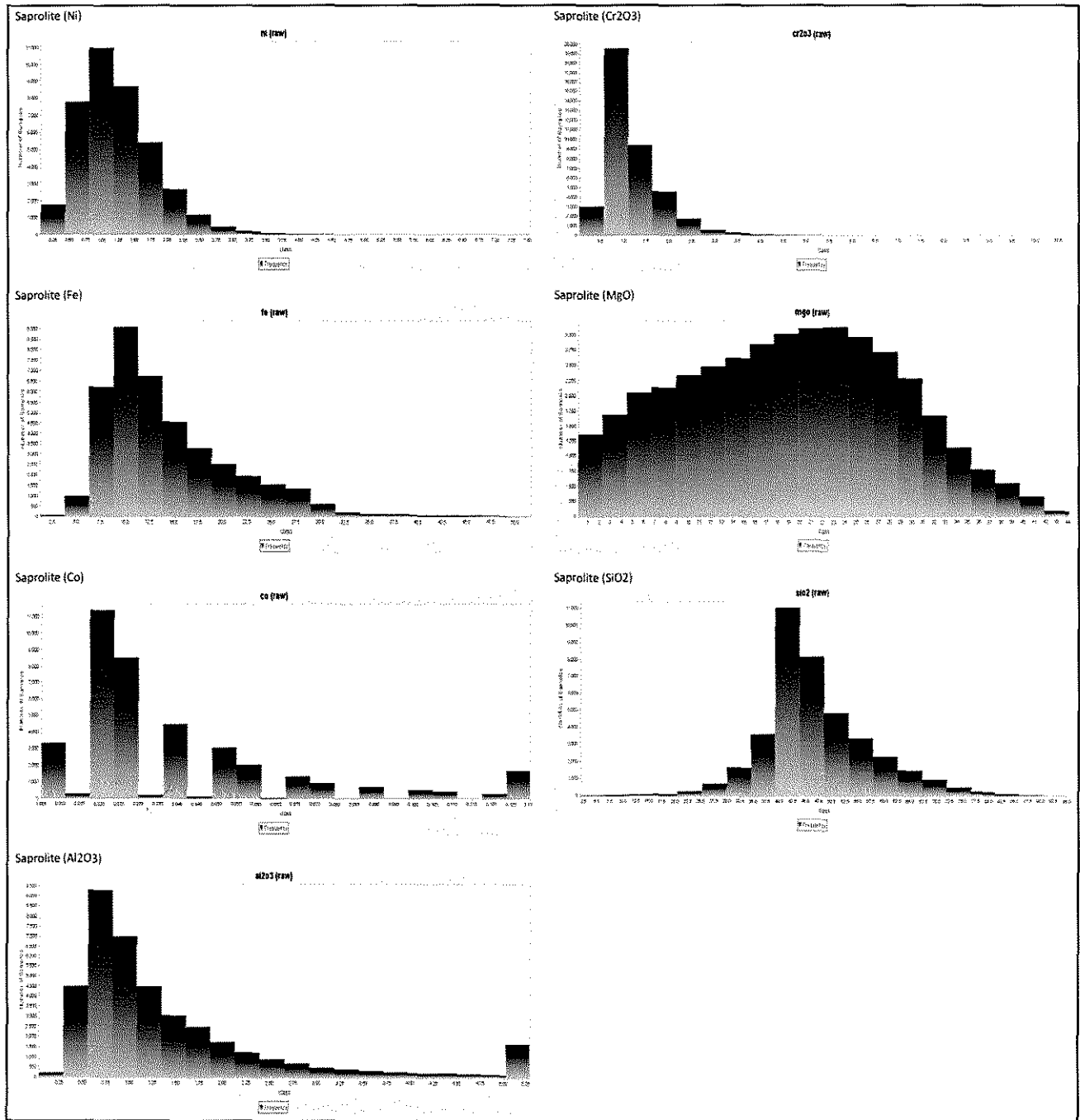


Figure-107. Histogram Plots (Sapolite)

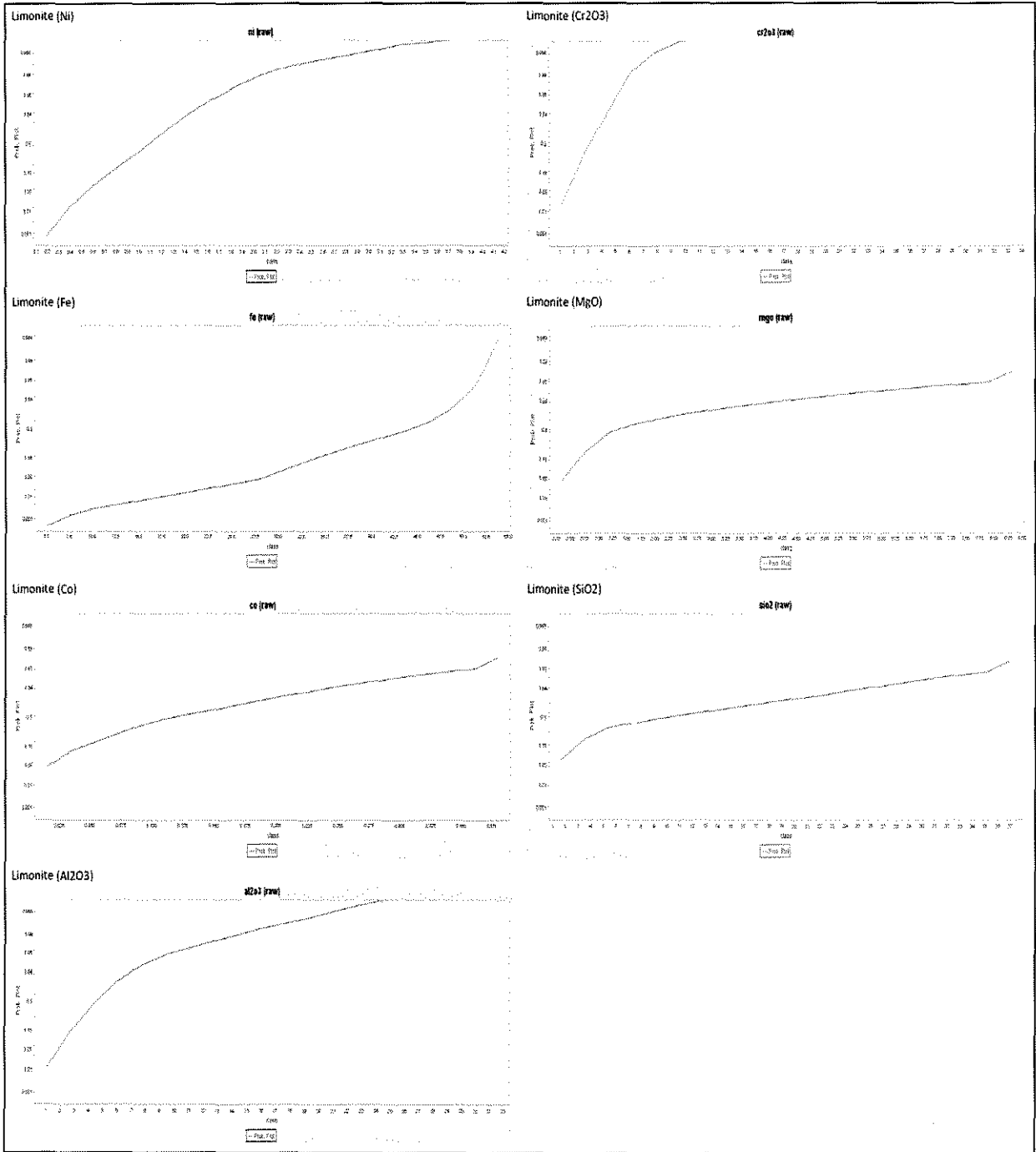


Figure-108. Probability Plots (Limonite)

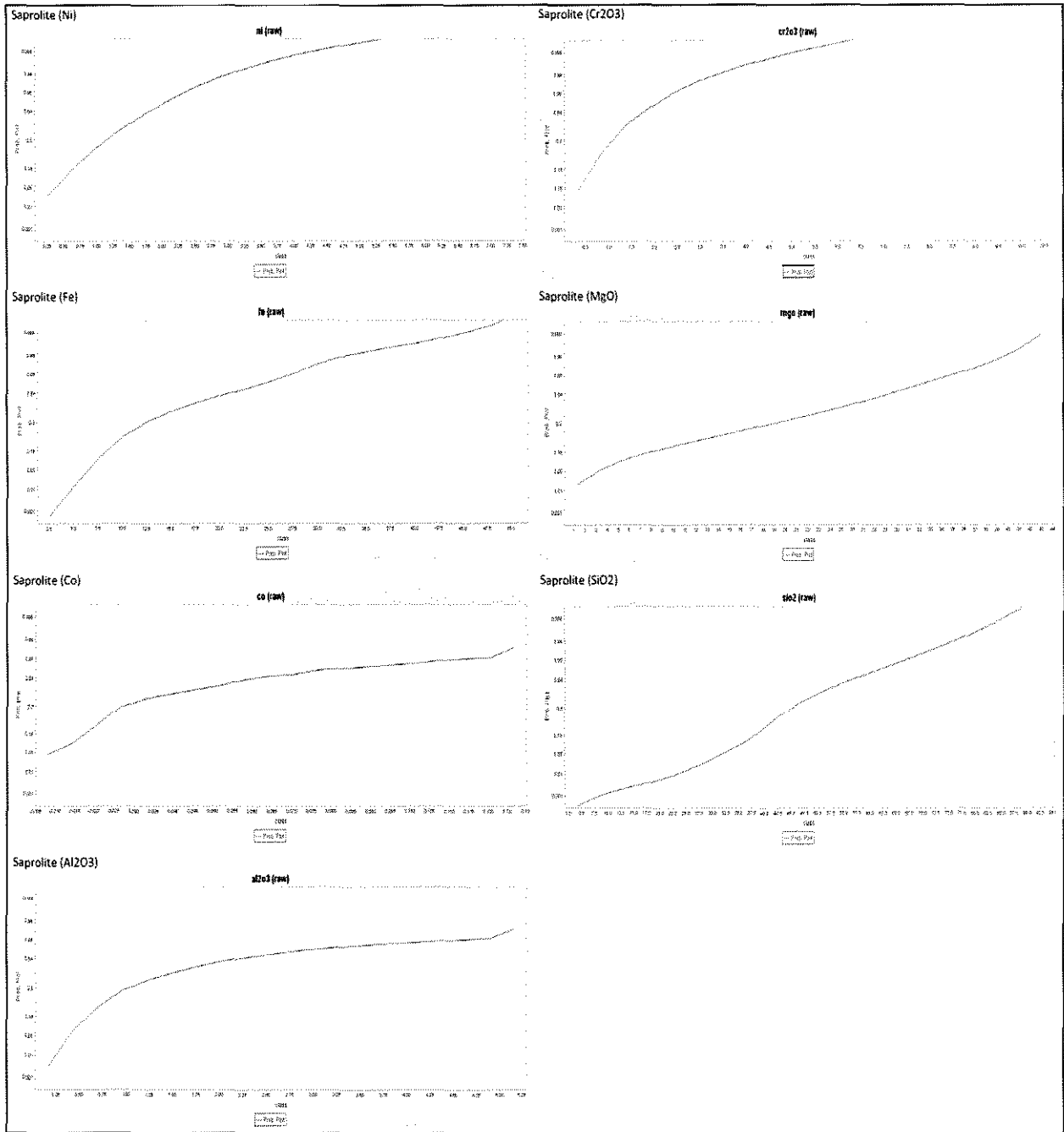


Figure-109. Probability Plots (Sapolite)

10.7 Geostatistical Analysis

After the geological surfaces were generated, samples belonging to their respective lithology were then filtered and a geostatistical analysis performed. Note that the samples according to their lithology had been subjected to prior top cutting to remove the outliers as discussed in the previous sections.

A variogram analyses was done to determine the spatial characteristics of the samples on a per domain basis which indicated a major to semi-major axes having values of 1.0 indicating no horizontal trend variations. The vertical variations (major to minor axes) are however strong indicating strong vertical trend of all elements. The gradual variations and sharp grade discontinuities have been used to subdivide the profile. Variogram interpretations and variogram analyses are shown in **Table-31** and **Figures-110** and **111**.

All assayed elements display some vertical grade trends within the limonite profile. Co, Ni increase gradually with depth within the limonite zone. The base of the limonite is marked primarily by an abrupt increase in MgO, as well as an abrupt decrease in Fe. There is also a significant increase in the Ni grade towards the base of limonite. As observed from the drill hole and test pit samples, Ni increases progressively with depth in limonite and then sharply increases, across the limonite-saprolite boundary. Co also displays progressive enrichment towards the base of the limonite.

Typically Ni grades are <1% at surface and increase with depth at the base of the limonite. The saprolite boundary is typically marked by a sharp increase in Ni grade. The highest Ni grade usually occurs at the top of the saprolite and Ni grade decreases with depth at the base of the saprolite or bedrock. Ni grades are more variable in the saprolite probably due to the occurrence of proportions of less enriched coarse rocks mixed with enriched saprolite fines.

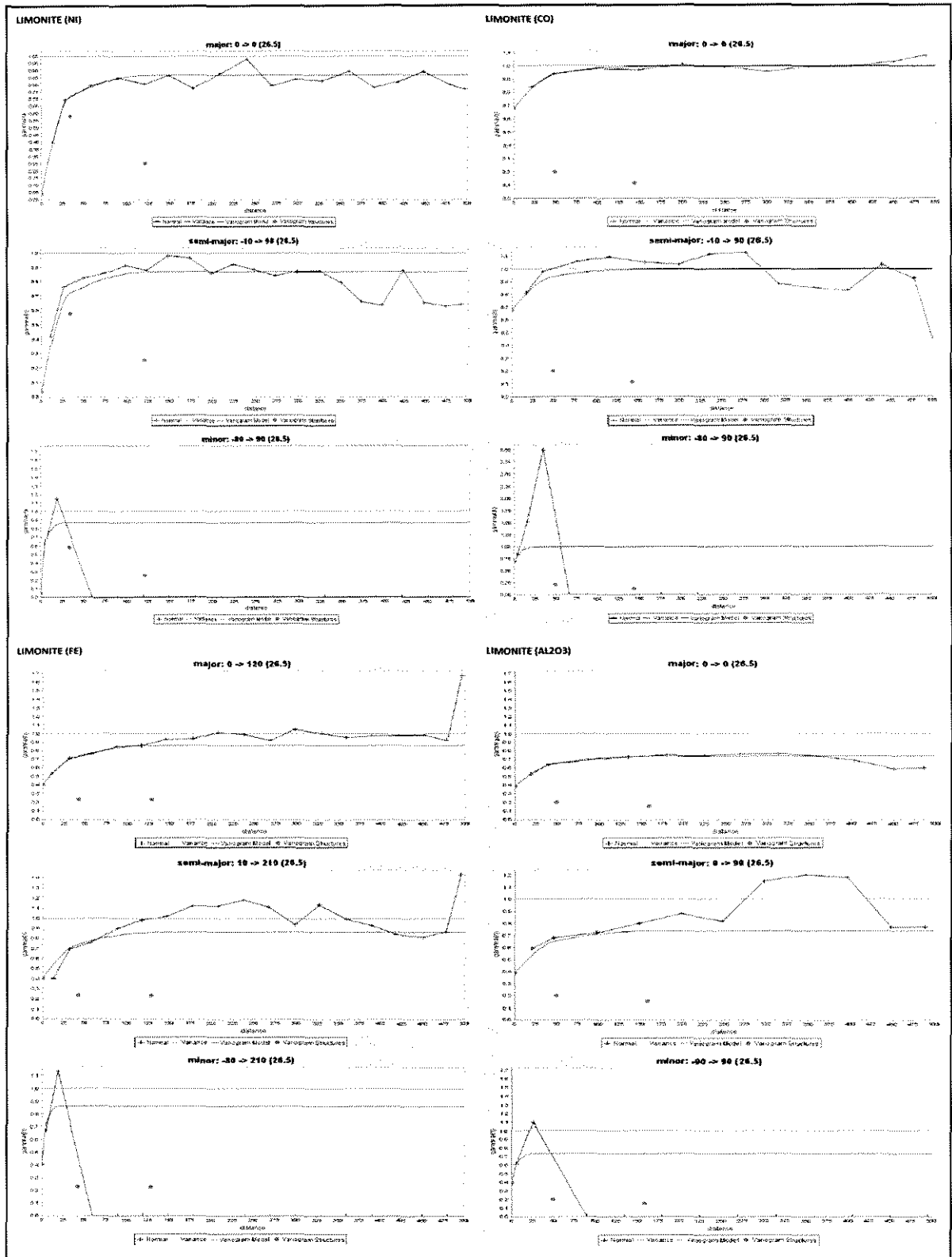
Below this boundary the Ni decreases toward the bedrock interface. Other elements also display some change in average grade with depth as rocks become more common. Ni and MgO display the strongest vertical grade trend in the saprolite. The change in grade with depth for MgO is more pronounced than other elements. SiO₂, MgO could be used to determine saprolite from bedrock.

The samples are too few to indicate the bedrock boundary. Hence, no variogram analysis was conducted.

Domain	Attributes	Spherical Structure									
		Nugget	Sill 1	Sill 2	Range 1	Range 2	Major/Semi	Major/Minor	Azimuth	Dip	Plunge
Limonite	Ni	0.28	0.39	0.17	55	134	1	5.4	30	0	0
	Co	0.68	0.2	0.11	49	143	1	5.1	0	-10	0
	Fe	0.4	0.22	0.22	42	129	1	7.6	120	10	0
	Al ₂ O ₃	0.38	0.19	0.15	50	159	1	6.2	0	0	0
	Cr ₂ O ₃	0.44	0.22	0.12	43	122	1	10.6	30	0	0
	MgO	0.49	0.13	0.18	49	161	1	3.7	120	0	0
	SiO ₂	0.44	0.15	0.21	42	157	1	6.2	20	-20	0
Saprolite	Ni	0.49	0.35	0.14	42	126	1	3.50	10	-10	0
	Co	0.70	0.17	0.26	57	164	1	3.90	60	0	0
	Fe	0.65	0.24	0.11	49	128	1	6.20	0	-10	0
	Al ₂ O ₃	0.42	0.17	0.09	41	125	1	3.10	70	-10	0
	Cr ₂ O ₃	0.45	0.41	0.17	38	141	1	2.10	0	0	0
	MgO	0.47	0.21	0.25	48	144	1	3.15	30	0	0
	SiO ₂	0.66	0.14	0.12	68	160	1	6.20	0	10	0

Table-31. Variogram Interpretation

Figure-110. Variogram Analysis (Limonite)



INC Economic Assessment and Ore Reserves Estimation (PMRC-CPEM Technical Report)

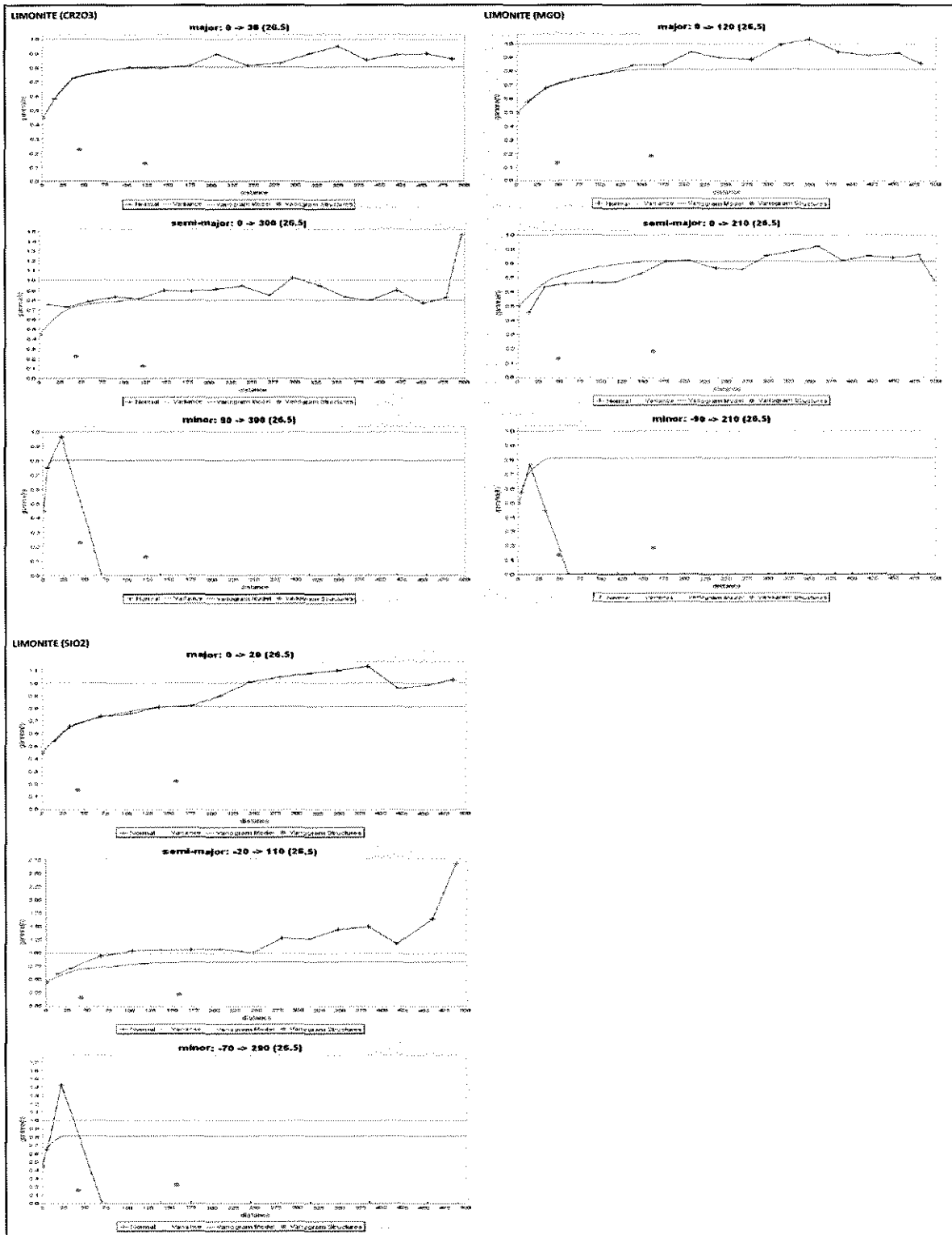
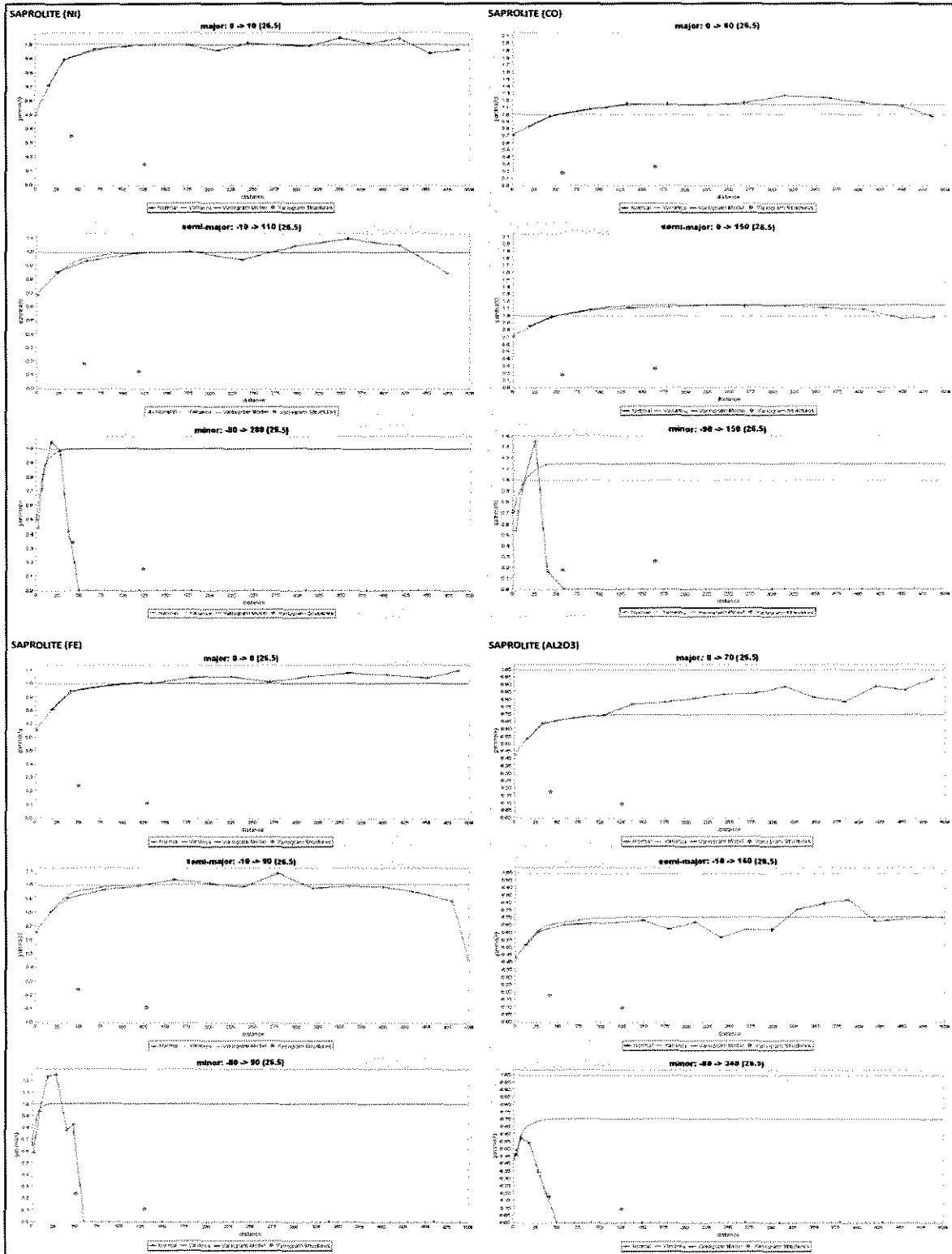
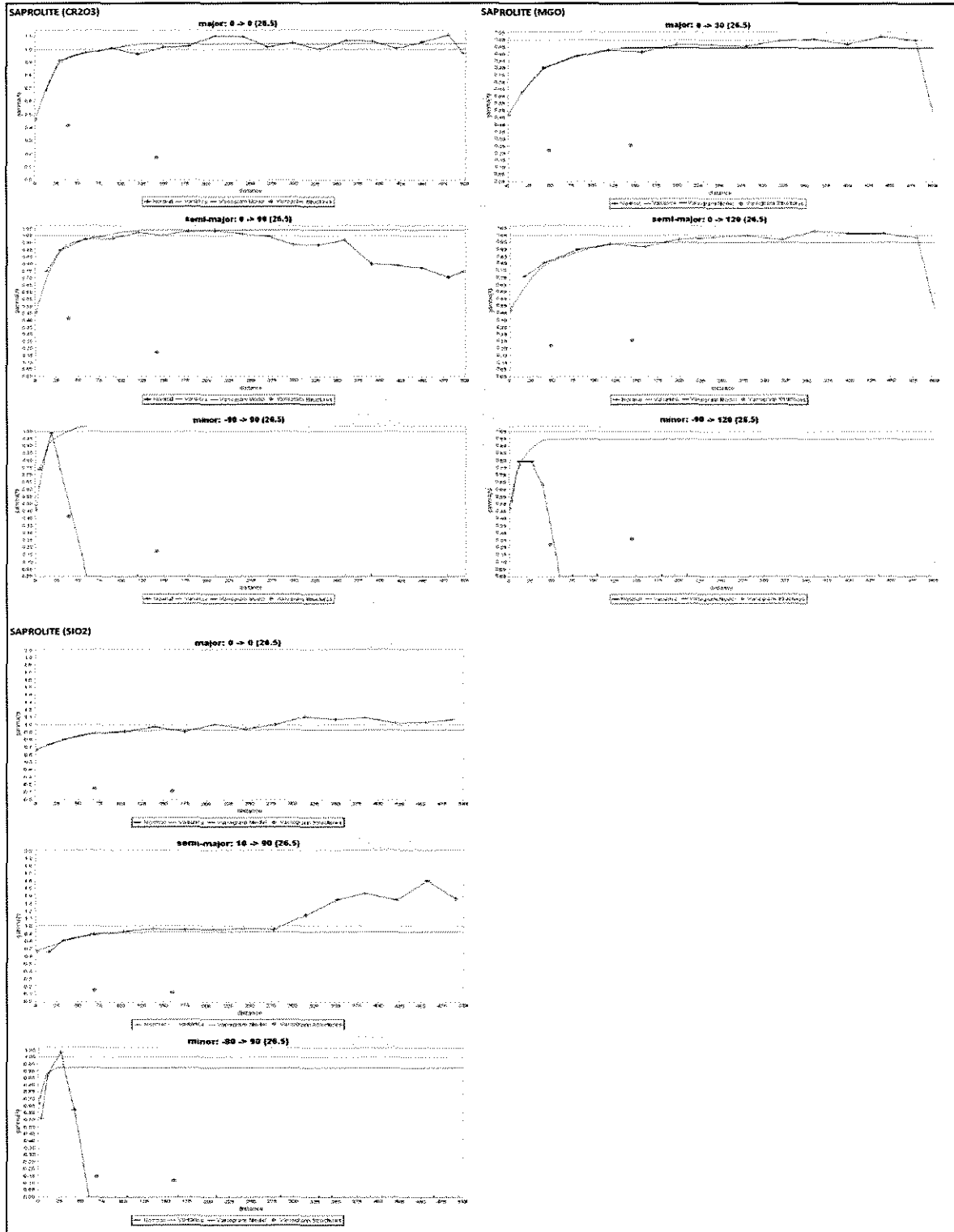


Figure-111. Variogram Analysis (Saprolite)



INC Economic Assessment and Ore Reserves Estimation (PMRC-CPEM Technical Report)



10.8 Geological Surface Generation and Domain Modelling

Major geological zones were interpreted and delineated as surfaces using data from drill hole and test pit assays as shown in **Figure-112**.

The modelling of the geological surfaces involves the following:

- Extraction of the footwall of the domains (Limonite, Saprolite and Bedrock bottoms);
- Digital Terrain Modelling (DTM) of the footwall of the domains;
- Digitizing of geological boundaries to define the horizontal extents of the domain. This boundary was based on the drill hole and test pit edges. Extrapolation to beyond the drill hole and test pit edges was done at a radius of 25m, 50m and 100m generated polygons; and
- Solids modelling of the geological boundaries.

The geologic contact at the bottom of each lithology was extracted into collar points and exported into the Surpac survey and surface generation module. This was triangulated to produce a geological surface. Three (3) bottom surfaces were generated namely limonite, saprolite and bedrock. The geological surfaces were used to delimit the blocks according to lithology.

Geological model boundaries were generated by digitizing a closed string around the periphery of the drilled area and extrapolating by offsetting the string to around 50m distance. A solid was then constructed that would enclose the geological domains, surface topography and exploration boundaries. This became the lateral boundary for the block model.

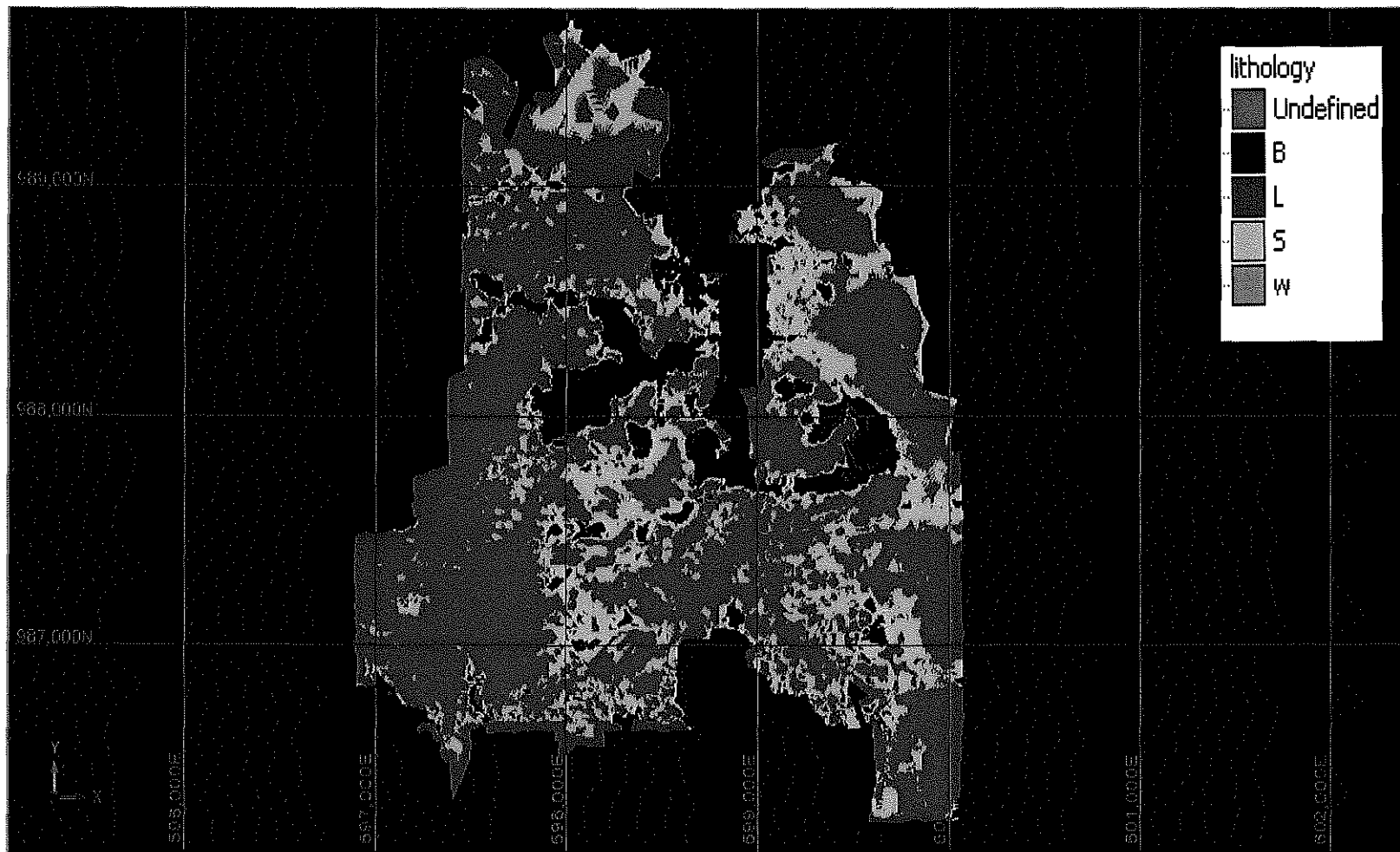


Figure-112. Block Model of Lithological Domains

10.9 Grade Interpolation

The interpreted geological surfaces were used as hard boundaries in the interpolation of the elements and only grades inside each domain were used to interpolate the blocks inside the domain. The grade interpolation was then executed using the Ordinary Kriging (OK) method for the both the limonite and saprolite domains while an Inverse Distance Weighing (IDW) technique as used for bedrock domain.

There was no major horizontal anisotropy identified within the weathering profiles as expected in these types of deposits.

The search ellipse parameters for each element and pass are shown in **Tables-32 to 40**.

Attributes	Pass	Major/Semi	Major/Min	Azimuth	Dip	Plunge	Search Radius	Depth	Min Samples	Max Samples	Descrctization
Ni	1	1	7.5	30	0	0	30	4	3	15	5x5x3
	2	1	7.5	30	0	0	75	10	3	15	5x5x3
	3	1	12	30	0	0	120	10	3	15	5x5x3
Co	1	1	7.5	0	-10	0	30	4	3	15	5x5x3
	2	1	7.5	0	-10	0	75	10	3	15	5x5x3
	3	1	12	0	-10	0	120	10	3	15	5x5x3
Fe	1	1	7.5	120	10	0	30	4	3	15	5x5x3
	2	1	7.5	120	10	0	75	10	3	15	5x5x3
	3	1	12	120	10	0	120	10	3	15	5x5x3
Al ₂ O ₃	1	1	7.5	0	0	0	30	4	3	15	5x5x3
	2	1	7.5	0	0	0	75	10	3	15	5x5x3
	3	1	12	0	0	0	120	10	3	15	5x5x3
Cr ₂ O ₃	1	1	7.5	30	0	0	30	4	3	15	5x5x3
	2	1	7.5	30	0	0	75	10	3	15	5x5x3
	3	1	12	30	0	0	120	10	3	15	5x5x3
MgO	1	1	7.5	120	0	0	30	4	3	15	5x5x3
	2	1	7.5	120	0	0	75	10	3	15	5x5x3
	3	1	12	120	0	0	120	10	3	15	5x5x3
SiO ₂	1	1	7.5	20	-20	0	30	4	3	15	5x5x3
	2	1	7.5	20	-20	0	75	10	3	15	5x5x3
	3	1	12	20	-20	0	120	10	3	15	5x5x3

Table-32. Search Ellipse Parameters for Limonite at 25m Grid

Attributes	Pass	Major/Semi	Major/Min	Azimuth	Dip	Plunge	Search Radius	Depth	Min Samples	Max Samples	Descretization
Ni	1	1	7.5	30	0	0	75	10	3	15	5x5x3
	2	1	12	30	0	0	120	10	3	15	5x5x3
Co	1	1	7.5	0	-10	0	75	10	3	15	5x5x3
	2	1	12	0	-10	0	120	10	3	15	5x5x3
Fe	1	1	7.5	120	10	0	75	10	3	15	5x5x3
	2	1	12	120	10	0	120	10	3	15	5x5x3
Al2O3	1	1	7.5	0	0	0	75	10	3	15	5x5x3
	2	1	12	0	0	0	120	10	3	15	5x5x3
Cr2O3	1	1	7.5	30	0	0	75	10	3	15	5x5x3
	2	1	12	30	0	0	120	10	3	15	5x5x3
MgO	1	1	7.5	120	0	0	75	10	3	15	5x5x3
	2	1	12	120	0	0	120	10	3	15	5x5x3
SiO2	1	1	7.5	20	-20	0	75	10	3	15	5x5x3
	2	1	12	20	-20	0	120	10	3	15	5x5x3

Table-33. Search Ellipse Parameters for Limonite at 50m Grid

Attributes	Pass	Major/Semi	Major/Min	Azimuth	Dip	Plunge	Search Radius	Depth	Min Samples	Max Samples	Descretization
Ni	1	1	12	30	0	0	120	10	3	15	5x5x3
Co	1	1	12	0	-10	0	120	10	3	15	5x5x3
Fe	1	1	12	120	10	0	120	10	3	15	5x5x3
Al2O3	1	1	12	0	0	0	120	10	3	15	5x5x3
Cr2O3	1	1	12	30	0	0	120	10	3	15	5x5x3
MgO	1	1	12	120	0	0	120	10	3	15	5x5x3
SiO2	1	1	12	20	-20	0	120	10	3	15	5x5x3

Table-34. Search Ellipse Parameters for Limonite at 100m Grid

INC Economic Assessment and Ore Reserves Estimation (PMRC-CPEM Technical Report)

Attributes	Pass	Major/Semi	Major/Min	Azimuth	Dip	Plunge	Search Radius	Depth	Min Samples	Max Samples	Descretization
Ni	1	1	5	10	-10	0	35	7	3	15	5x5x3
	2	1	3.75	10	-10	0	75	20	3	15	5x5x3
	3	1	6	10	-10	0	120	20	3	15	5x5x3
Co	1	1	5	60	0	0	35	7	3	15	5x5x3
	2	1	3.75	60	0	0	75	20	3	15	5x5x3
	3	1	6	60	0	0	120	20	3	15	5x5x3
Fe	1	1	5	0	-10	0	35	7	3	15	5x5x3
	2	1	3.75	0	-10	0	75	20	3	15	5x5x3
	3	1	6	0	-10	0	120	20	3	15	5x5x3
Al2O3	1	1	5	70	-10	0	35	7	3	15	5x5x3
	2	1	3.75	70	-10	0	75	20	3	15	5x5x3
	3	1	6	70	-10	0	120	20	3	15	5x5x3
Cr2O3	1	1	5	0	0	0	35	7	3	15	5x5x3
	2	1	3.75	0	0	0	75	20	3	15	5x5x3
	3	1	6	0	0	0	120	20	3	15	5x5x3
MgO	1	1	5	30	0	0	35	7	3	15	5x5x3
	2	1	3.75	30	0	0	75	20	3	15	5x5x3
	3	1	6	30	0	0	120	20	3	15	5x5x3
SiO2	1	1	5	0	10	0	35	7	3	15	5x5x3
	2	1	3.75	0	10	0	75	20	3	15	5x5x3
	3	1	6	0	10	0	120	20	3	15	5x5x3

Table-35. Search Ellipse Parameters for Saprolite at 25m Grid

Attributes	Pass	Major/Semi	Major/Min	Azimuth	Dip	Plunge	Search Radius	Depth	Min Samples	Max Samples	Descretization
Ni	1	1	3.75	10	-10	0	75	20	3	15	5x5x3
	2	1	6	10	-10	0	120	20	3	15	5x5x3
Co	1	1	3.75	60	0	0	75	20	3	15	5x5x3
	2	1	6	60	0	0	120	20	3	15	5x5x3
Fe	1	1	3.75	0	-10	0	75	20	3	15	5x5x3
	2	1	6	0	-10	0	120	20	3	15	5x5x3
Al2O3	1	1	3.75	70	-10	0	75	20	3	15	5x5x3
	2	1	6	70	-10	0	120	20	3	15	5x5x3
Cr2O3	1	1	3.75	0	0	0	75	20	3	15	5x5x3
	2	1	6	0	0	0	120	20	3	15	5x5x3
MgO	1	1	3.75	30	0	0	75	20	3	15	5x5x3
	2	1	6	30	0	0	120	20	3	15	5x5x3
SiO2	1	1	3.75	0	10	0	75	20	3	15	5x5x3
	2	1	6	0	10	0	120	20	3	15	5x5x3

Table-36. Search Ellipse Parameters for Saprolite at 50m Grid

Attributes	Pass	Major/Semi	Major/Min	Azimuth	Dip	Plunge	Search Radius	Depth	Min Samples	Max Samples	Descretization
Ni	1	1	6	10	-10	0	120	20	3	15	5x5x3
Co	1	1	6	60	0	0	120	20	3	15	5x5x3
Fe	1	1	6	0	-10	0	120	20	3	15	5x5x3
Al2O3	1	1	6	70	-10	0	120	20	3	15	5x5x3
Cr2O3	1	1	6	0	0	0	120	20	3	15	5x5x3
MgO	1	1	6	30	0	0	120	20	3	15	5x5x3
SiO2	1	1	6	0	10	0	120	20	3	15	5x5x3

Table-37. Search Ellipse Parameters for Saproilite at 100m Grid

Parameters	Pass 1	Pass 2	Pass 3
Max Search Radius	35	75	120
Max Depth	7	20	20
Min Samples	3	3	3
Max Samples	15	15	15
Descretization	5x3x3	5x3x3	5x3x3
Max/ Semi	1	1	1
Maj/Min	5	3.75	6
Azimuth	0	0	0
Dip	0	0	0
Plunge	0	0	0

Table-38. IDW Search Ellipse Parameters for Bedrock at 25m Grid

Parameters	Pass 1	Pass 2
Max Search Radius	75	120
Max Depth	20	20
Min Samples	3	3
Max Samples	15	15
Descretization	5x3x3	5x3x3
Max/ Semi	1	1
Maj/Min	3.75	6
Azimuth	0	0
Dip	0	0
Plunge	0	0

Table-39. IDW Search Ellipse Parameters for Bedrock at 50m Grid

Parameters	Pass 1
Max Search Radius	120
Max Depth	20
Min Samples	3
Max Samples	15
Descretization	5x3x3
Max/ Semi	1
Maj/Min	6
Azimuth	0
Dip	0
Plunge	0

Table-40. IDW Search Ellipse Parameters for Bedrock at 100m Grid

10.10 Mineral Resource Estimation – Block Modelling

The block model, which was constructed using Gemcom Surpac v6.3.2, was defined using the geological domain constraints to generate volumetrics, block cell sizes, origin, extents, rotation and block cell attributes

Pre-defined values (constants) were assigned in each block cell and these are:

- Lithological Codes – Three (3) lithological codes were assigned namely Limonite (L), Saprolite (S) and Bedrock (B) using the constraint functions as bounded by lithological surfaces (bottom), digital terrain model of the topographic surface and block model boundaries;
- Grid – Three (3) drilling grids namely 25, 50 and 100 were assigned into each block cell based on the domains of drill hole/test pit spacing. This grid was the basis for the assignment of search radius and classification based on the PMRC guidelines;
- Dry Bulk Density - The dry bulk density values were adapted from the previous mineral resource evaluation reports done by Snowden (November 2008) and R. Flores (June 2010) which is given below, **Table-41**.

Domain	Dry bulk density (dmt/cum)
Limonite	1.10
Saprolite	1.30

Table-41. Dry Bulk Density

Topographic map of the deposit area that was used in the block model is based from actual topographic survey. A digital terrain model was constructed to serve as the top constraint of the block model (**Figure-113**).

No Mining depletions were applied to the block model since the area has not yet been mined.

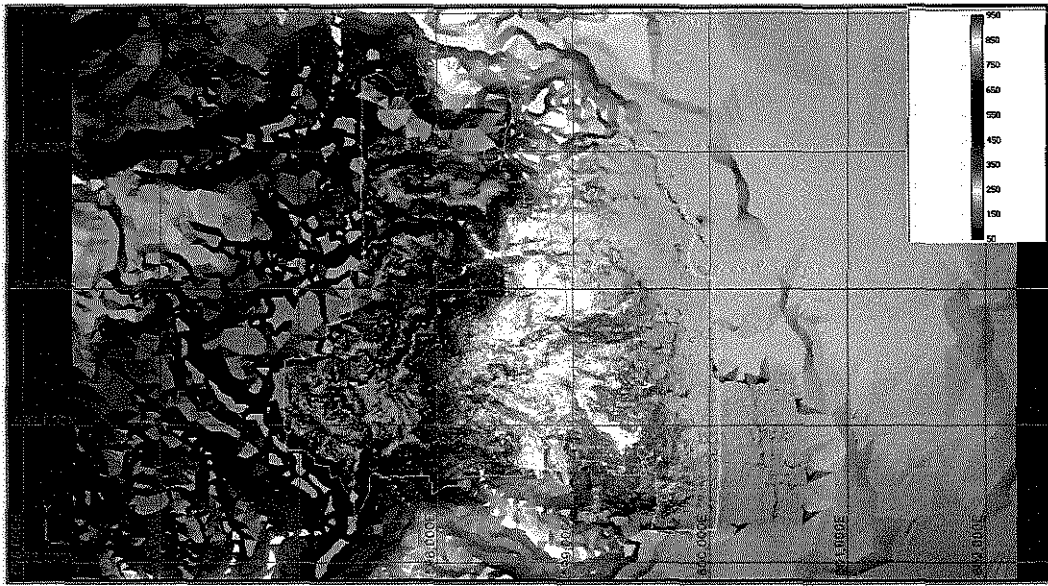


Figure-113. Digital Terrain Model of Topography

Block model parameters and block model attributes are shown in **Table-42** and **Table-43**, respectively.

Type	North (Y)	East (X)	Level (Z)
Minimum Coordinates	986,000	596,000	1.50
Maximum Coordinates	990,000	601,000	661.50
Block Size	25	25	3
Sub-blocks	6.25	6.25	0.75
Rotation	0	0	0

Table-42. Block Model Parameters

Attributes	Description
ni	estimated nickel (D2 Field)
co	estimated cobalt (D3 Field)
fe	estimated iron (D4 Field)
al2o3	estimated aluminum oxide (D5 Field)
cr2o3	estimated chromite (D6 Field)
MgO	estimated magnesium oxide (D7 Field)
sio2	estimated Silica (D8 Field)
num_ni	number of nickel samples used to estimate block grade
num_co	number of cobalt samples used to estimate block grade
num_fe	number of iron samples used to estimated block grade
num_al2o3	number of aluminum oxide samples used to estimate block grade
num_cr2o3	number of chromite samples used to estimate block grade
num_MgO	number of magnesium oxide samples used to estimate block grade
num_sio2	number of silicate samples used to estimate block grade
lithology	lithology (L for Limonite, S for Saprolite and B for Bedrock)
oreclass	INC defined ore classification
material	Marketable ore type (LG, MG, HG, etc.)
classification	PMRC classification of resources (mes - measured, ind - indicated and inf - inferred)
sg	Dry bulk density (in dry tonnes/cum). Default value is 1.1
block_vol	volume of a cell in a block model, cum. Formula: $_{xext} *_{yext} *_{zext}$
mass	Weight in dry tonnes of a cell in a block model. Formula: $block_vol * sg$
pass	Interpolation routine number (1 - first pass, 2 - 2nd pass, etc.)
grid	drilling grid pattern (25x25, 50x50, 100x100m grid)

Table-43. Block Model Attributes

10.11 Model Validation

Upon completion of the grade interpolation, a block model validation was carried out by statistical distribution comparison to check the block model grades as against the sample grades. The details of the observation are as follows:

- The results of the comparison shows that the block grades are consistently lower than the sample grades to within 15%;
- The grades in the block model are smoothed simulating dilution of grades. The smoothing of the grades based on experience is within the allowable range for this particular type of deposit based on the grades derived from the conduct of actual mining in Surigao.

- The review of the analytical comparison indicates that a good correlation exists, as shown in the correlation diagrams. This good correlation of the samples and interpolated block model is further supported when a visual inspection is completed.
- Overall, the model validation confirms that the estimate is representative of the composites and is indicative of the known controls of mineralization and the underlying data used for estimation.

Summary of findings is in **Tables-44 to 45**.

Particular	Ni	Fe
Sample Grade (Mean)	1.11	42.42
Block Grade (Mean)	1.01	37.14
%Variance	9.24%	12.44%
Correlation Coefficient	0.98	0.91

Table-44. Summary of Block Model Validation for Limonite

Particular	Ni	Fe
Sample Grade (Mean)	1.24	14.35
Block Grade (Mean)	1.09	14.62
%Variance	12.06%	-1.86%
Correlation Coefficient	0.99	0.98

Table-45. Summary of Block Model Validation for Saprolite

Correlations of blocks vs. samples for limonite and saprolite are given in **Figures-114 and 115**.

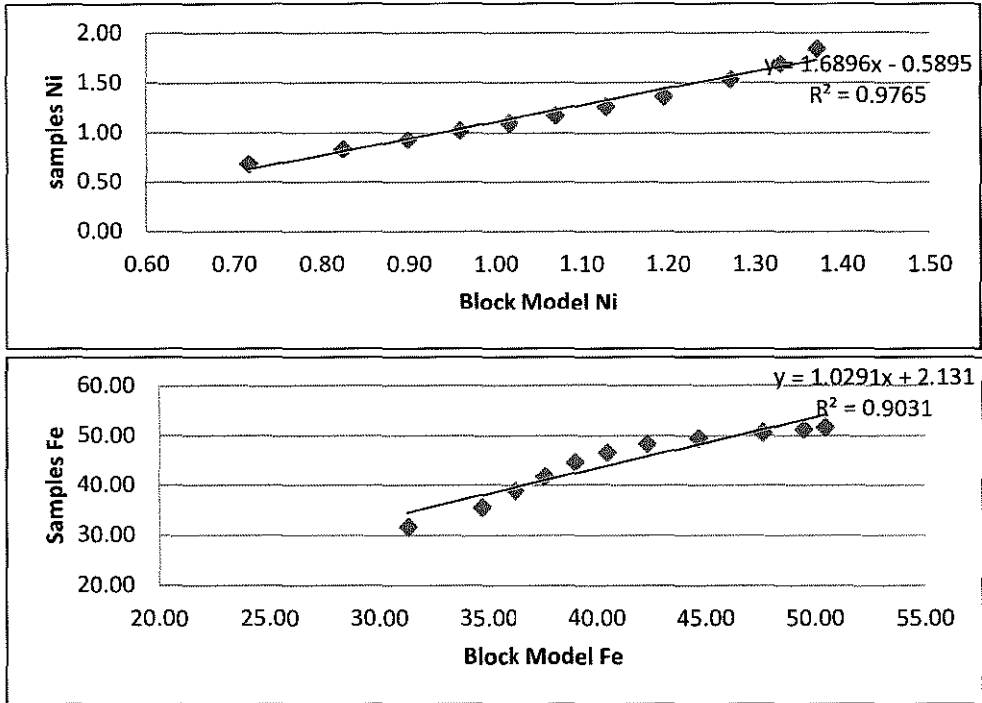


Figure-114. Correlation of Blocks vs Samples (Limonite)

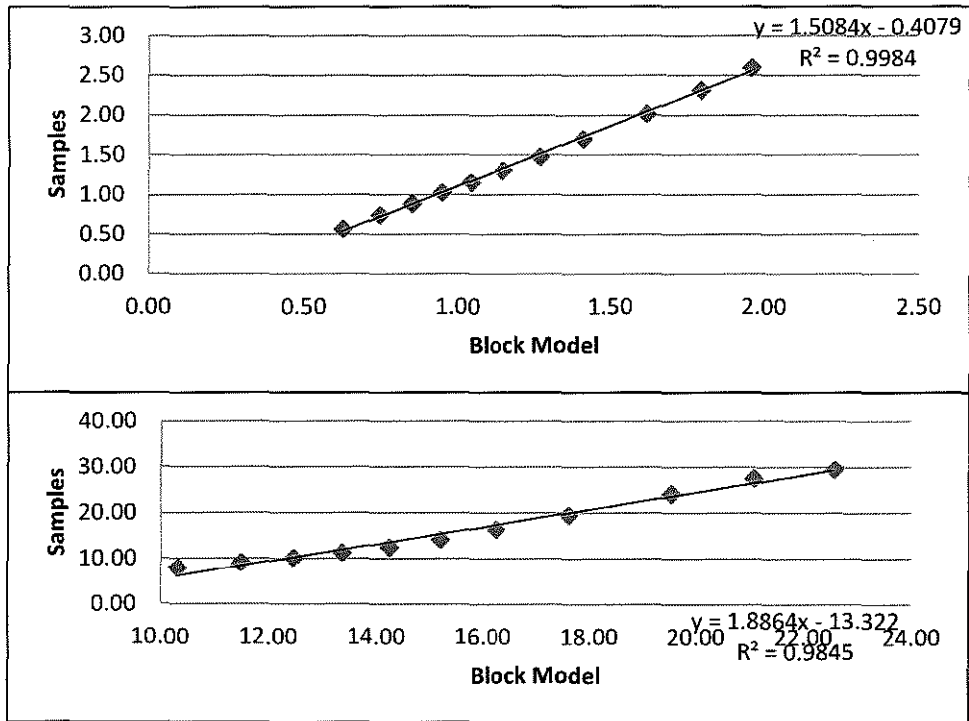


Figure-115. Correlation of Blocks vs Samples (Saprolite)

10.12 Mineral Resource Categories Used

The mineral resource categories used by the Geologist- CP are based on the 2007 edition of the Philippine Mineral Reporting Council (PMRC) Code and its implementing rules and regulations.

Resources for this deposit were estimated to PMRC standards and involve resource categories of measured, indicated or inferred status. These resource categories as outlined in "The 2007 Philippine Mineral Reporting Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (The PMRC Code)" include:

- A **'Mineral Resource'** refers to the concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and sampling. Mineral Resources are subdivided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

In this report, the term Mineral Resource refers to the mineral resource that has been blocked by the Company by means of either test pitting and/or core drilling that was properly located and the samples systematically analyzed in order to determine the vertical extent of the limonite/saprolite development. The horizontal limits were defined by means of geological mapping and incorporation of a surface topographic survey. The cut-off thickness is based on technological operational constraints and current market specifications.

- A **'Measured Mineral Resource'** is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

In this report, the term Measured Mineral Resource refers to nickel laterite resource that has been drilled to an average grid of 50m x 50m in the case of limonite material which has a more consistent grade trend resulting in high confidence level in estimates and 25m x 25m for saprolite material which has a higher variability in grades due to the unpredictable occurrence of unmineralized rocks within the enriched saprolite profile.

- An **'Indicated Mineral Resource'** is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource, but has a higher level of confidence than that applying to an Inferred Mineral Resource.

In this report, the term Indicated Mineral Resource refers to nickel laterite resource that has been drilled to an average grid of 100m x 100m for limonite material and 50m x 50m for saprolite material.

- An '**Inferred Mineral Resource**' is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, working and drill holes which may be limited or of uncertain quality and reliability. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource.

In this report, the term Inferred Mineral Resource refers to nickel laterite resource that has been drilled to an average grid of 200m x 200m for limonite material and 100m x 100m for saprolite material.

The choice of the appropriate category of Mineral Resource depends upon the quantity, distribution and quality of data available and the level of confidence that attaches to those data.

The appropriate Mineral Resource category must be determined by a Competent Person or Persons.

In summary, the classification of Mineral Resources according to confidence categories (i.e. Measured, Indicated or Inferred) for PMRC Standards (**Table-46**) is dependent on the average spacing of data points from which reliable laterite thickness and laterite quality can be obtained. The geological complexity, deposit continuity and quality of the limonite/saprolite deposits being evaluated dictate the level of drilling density required to meet the PMRC Standards.

Domain	Grid	Pass 1	Pass 2	Pass 3
Limonite	25	Measured	Measured	Indicated
	50	Measured	Indicated	-
	100	Indicated	-	-
Saprolite	25	Measured	Indicated	Inferred
	50	Indicated	Inferred	-
	100	Inferred	-	-

Table-46. PMRC Classification Based on Grade Interpolation

The block model showing PMRC Classification is shown in **Figure-116**.

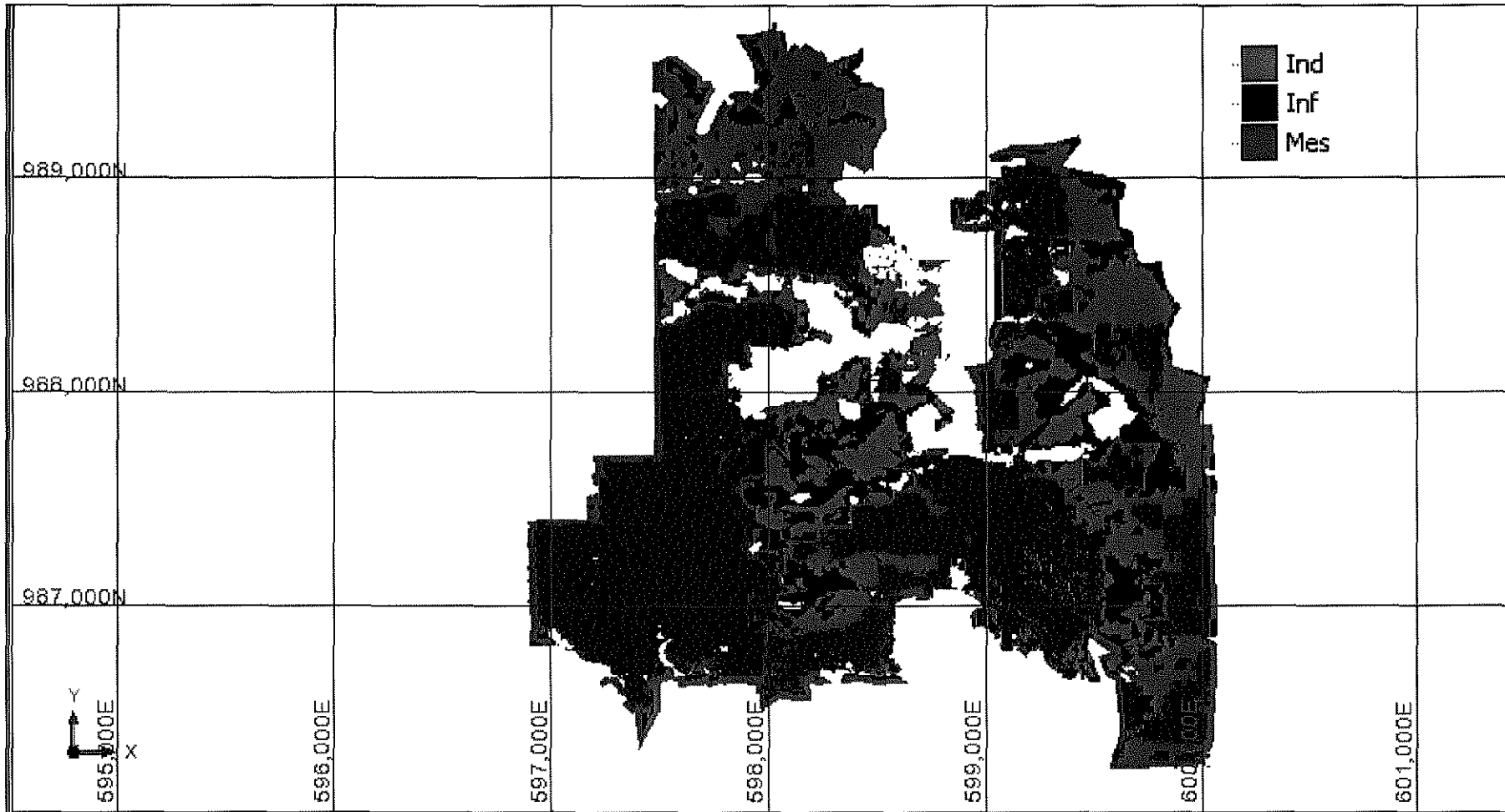


Figure-116. Block Model Showing PMRC Classification

10.13 Statement of Mineral Resources

Resource classification was thoroughly evaluated and also correlated with previous resource reports.

Saprolite material is highly variable due to the unpredictable occurrence of poorly mineralized rocks within the Ni enriched weathered/saprolite profile. The lower resource classification applied for saprolite reflects the lower confidence in the prediction of saprolite grades and volumes.

Based on the above resource categories, the estimated mineral resources are given in **Table-47**.

Material	Classification	DMT	Ni	Fe	Sg
Low Grade Ni>=0.70%; Fe>=48%	Measured	2,218,000	1.07	49.6	1.1
	Indicated	293,000	1.01	49.7	1.1
	Subtotal	2,511,000	1.06	49.6	1.1
Medium Grade Ni>=0.80% <1.50%; Fe<48%	Measured	28,233,000	1.15	23.6	1.2
	Indicated	10,193,000	1.05	25.2	1.2
	Subtotal	38,426,000	1.12	24.0	1.2
High Grade Ni>=1.5%; Fe<48%	Measured	8,363,000	1.75	16.5	1.3
	Indicated	706,000	1.69	16.1	1.3
	Subtotal	9,069,000	1.75	16.5	1.3
Combined	Measured	38,814,000	1.27	23.6	1.2
	Indicated	11,192,000	1.09	25.3	1.2
	Total	50,006,000	1.23	24.0	1.2

Table-47. Statement of Measured and Indicated Mineral Resources as at 03 October 2014

The grade tonnage data for the measured and indicated mineral resources are given in **Table-48** and the corresponding grade tonnage curves are shown in **Figures-117** to **119**.

INC Economic Assessment and Ore Reserves Estimation (PMRC-CPEM Technical Report)

Domain	Limonite				Saprolite				Total				
	Ni Cut-off	DMT	Ni	Fe	Sg	DMT	Ni	Fe	Sg	DMT	Ni	Fe	Sg
0.0													
0.1													
0.2													
0.3	23,345,700	1.05	39.2	1.1	36,808,600	1.21	14.4	1.3	60,154,300	1.15	24.1	1.2	
0.4	23,332,300	1.05	39.2	1.1	36,673,400	1.21	14.4	1.3	60,005,700	1.15	24.1	1.2	
0.5	23,138,700	1.05	39.3	1.1	36,183,300	1.22	14.4	1.3	59,322,000	1.16	24.1	1.2	
0.6	22,571,600	1.06	39.5	1.1	35,088,500	1.24	14.5	1.3	57,660,100	1.17	24.3	1.2	
0.7	21,486,600	1.08	39.7	1.1	33,398,200	1.27	14.5	1.3	54,884,800	1.20	24.3	1.2	
0.8	19,923,000	1.11	39.8	1.1	31,142,500	1.31	14.5	1.3	51,065,500	1.23	24.4	1.2	
0.9	17,210,300	1.15	40.2	1.1	28,374,300	1.36	14.4	1.3	45,584,600	1.28	24.1	1.2	
1.0	13,731,100	1.20	40.5	1.1	25,163,100	1.41	14.4	1.3	38,894,200	1.34	23.6	1.2	
1.1	9,646,900	1.27	40.9	1.1	21,522,100	1.47	14.4	1.3	31,169,000	1.41	22.6	1.2	
1.2	5,916,200	1.34	40.6	1.1	17,860,200	1.54	14.4	1.3	23,776,400	1.49	20.9	1.3	
1.3	3,024,100	1.43	40.5	1.1	14,347,300	1.61	14.4	1.3	17,371,400	1.58	19.0	1.3	
1.4	1,504,900	1.53	40.3	1.1	10,978,700	1.69	14.4	1.3	12,483,600	1.67	17.5	1.3	
1.5	715,400	1.63	40.0	1.1	8,207,100	1.77	14.4	1.3	8,922,500	1.75	16.5	1.3	
1.6	332,900	1.72	39.2	1.1	5,988,800	1.84	14.4	1.3	6,321,700	1.84	15.7	1.3	
1.7	150,600	1.82	37.3	1.1	4,184,000	1.93	14.5	1.3	4,334,600	1.93	15.3	1.3	
1.8	69,300	1.92	35.3	1.1	2,791,500	2.02	14.5	1.3	2,860,800	2.02	15.0	1.3	
1.9	30,500	2.03	33.8	1.1	1,760,400	2.12	14.5	1.3	1,790,900	2.11	14.8	1.3	
2.0	13,700	2.12	35.6	1.1	1,113,500	2.21	14.4	1.3	1,127,200	2.21	14.6	1.3	
2.1	4,600	2.25	35.3	1.1	698,500	2.31	14.3	1.3	703,100	2.31	14.4	1.3	
2.2	3,000	2.28	33.5	1.1	422,800	2.42	14.2	1.3	425,800	2.41	14.3	1.3	
2.3	2,900	2.29	33.5	1.1	248,200	2.54	14.3	1.3	251,100	2.54	14.6	1.3	
2.4	500	2.40	39.4	1.1	152,200	2.66	14.5	1.3	152,700	2.66	14.6	1.3	

Table-48. Statement of Measured and Indicated Mineral Resources by Nickel Cut-off Grade

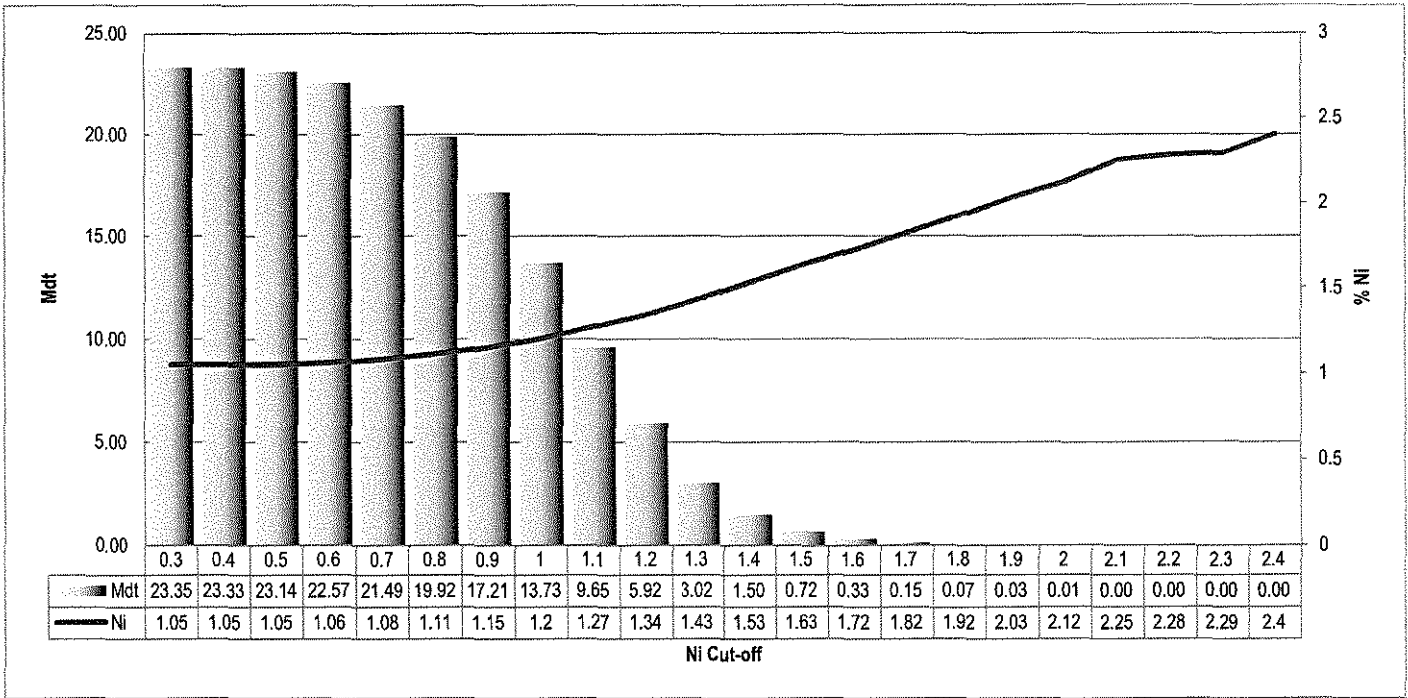


Figure-117. Limonite Grade-Tonnage Distribution (Measured and Indicated Mineral Resource)

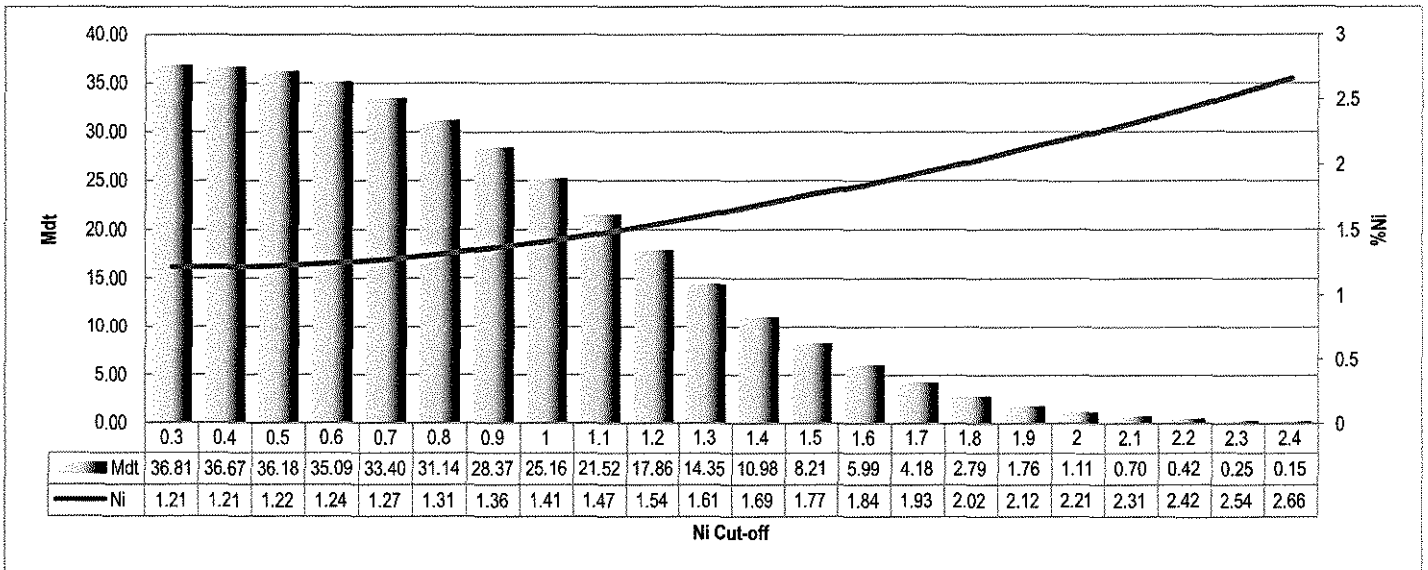


Figure-118. Saprolite Grade-Tonnage Distribution (Measured and Indicated Mineral Resource)

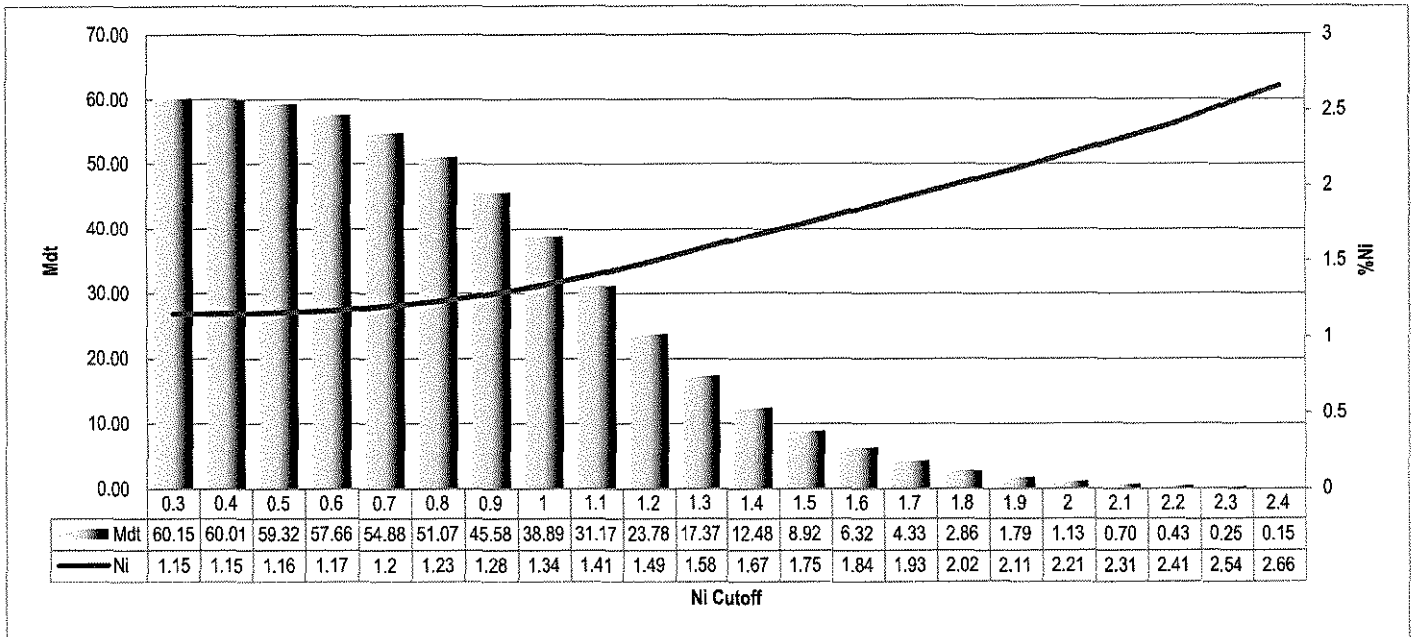


Figure-119. Limonite and Saprolite Grade-Tonnage Distribution (Measured + Indicated Mineral Resource)

10.14 Resource Estimates Including Inferred Resources

PMRC regulations do not allow inclusion of Inferred Resources in Statement of Mineral Resources. However, with additional drilling, these resources may be upgraded into Indicated or Measured Resources. These Inferred Resources are presented in **Tables-49** and **50** and grade tonnage curves are shown in **Figures-120** to **122**.

Material	Classification	DMT	Ni	Fe	Sg
Low Grade Ni>=0.70%; Fe>=48%	Inferred	13,000	0.88	49.7	1.1
Medium Grade Ni>=0.80% <1.50%; Fe<48%	Inferred	6,394,000	1.04	17.3	1.3
High Grade Ni>=1.5%; Fe<48%	Inferred	571,000	1.70	14.2	1.3
Total		6,978,000	1.09	17.1	1.3

Table-49. Statement of Inferred Mineral Resources

INC Economic Assessment and Ore Reserves Estimation (PMRC-CPEM Technical Report)

Domain	Limonite				Saprolite				Total				
	Ni Cut-off	DMT	Ni	Fe	Sg	DMT	Ni	Fe	Sg	DMT	Ni	Fe	Sg
0.0													
0.1													
0.2													
0.3													
0.4	1,038,200	1.03	37.5	1.1	11,137,800	0.91	14.3	1.3	12,176,000	0.92	16.3	1.3	
0.5	1,037,700	1.03	37.5	1.1	10,844,400	0.92	14.4	1.3	11,882,100	0.93	16.4	1.3	
0.6	1,020,800	1.04	37.5	1.1	9,686,700	0.96	14.5	1.3	10,707,500	0.97	16.7	1.3	
0.7	929,900	1.08	37.6	1.1	7,985,200	1.03	14.6	1.3	8,915,100	1.04	17.0	1.3	
0.8	846,500	1.11	37.6	1.1	6,314,000	1.11	14.4	1.3	7,160,500	1.11	17.1	1.3	
0.9	755,200	1.14	37.5	1.1	4,816,000	1.18	14.1	1.3	5,571,200	1.18	17.3	1.3	
1.0	590,200	1.20	37.5	1.1	3,543,900	1.27	14.0	1.3	4,134,100	1.26	17.4	1.3	
1.1	437,400	1.25	37.5	1.1	2,419,700	1.37	13.8	1.3	2,857,100	1.35	17.5	1.3	
1.2	273,300	1.31	37.7	1.1	1,728,600	1.46	13.7	1.3	2,001,900	1.44	17.0	1.3	
1.3	112,300	1.41	37.5	1.1	1,253,900	1.54	13.7	1.3	1,366,200	1.53	15.7	1.3	
1.4	49,800	1.48	37.3	1.1	899,900	1.62	13.8	1.3	949,700	1.61	15.0	1.3	
1.5	13,600	1.57	36.7	1.1	596,300	1.71	13.8	1.3	609,900	1.71	14.3	1.3	
1.6	2,700	1.73	37.4	1.1	376,400	1.81	14.1	1.3	379,100	1.81	14.2	1.3	
1.7	1,200	1.85	38.3	1.1	237,900	1.90	14.3	1.3	239,100	1.90	14.4	1.3	
1.8	1,200	1.85	38.3	1.1	130,200	2.03	14.4	1.3	131,400	2.03	14.6	1.3	
1.9	1,200	1.85	38.3	1.1	82,100	2.14	14.0	1.3	83,300	2.13	14.4	1.3	
2.0					61,500	2.20	14.0	1.3	61,500	2.20	14.0	1.3	
2.1					36,600	2.31	13.8	1.3	36,600	2.31	13.8	1.3	
2.2					27,100	2.37	14.1	1.3	27,100	2.37	14.1	1.3	
2.3					15,700	2.46	14.6	1.3	15,700	2.46	14.6	1.3	
2.4					12,800	2.48	14.2	1.3	12,800	2.48	14.2	1.3	

Table-50. Statement of Inferred Mineral Resources by Nickel Cut-off Grade

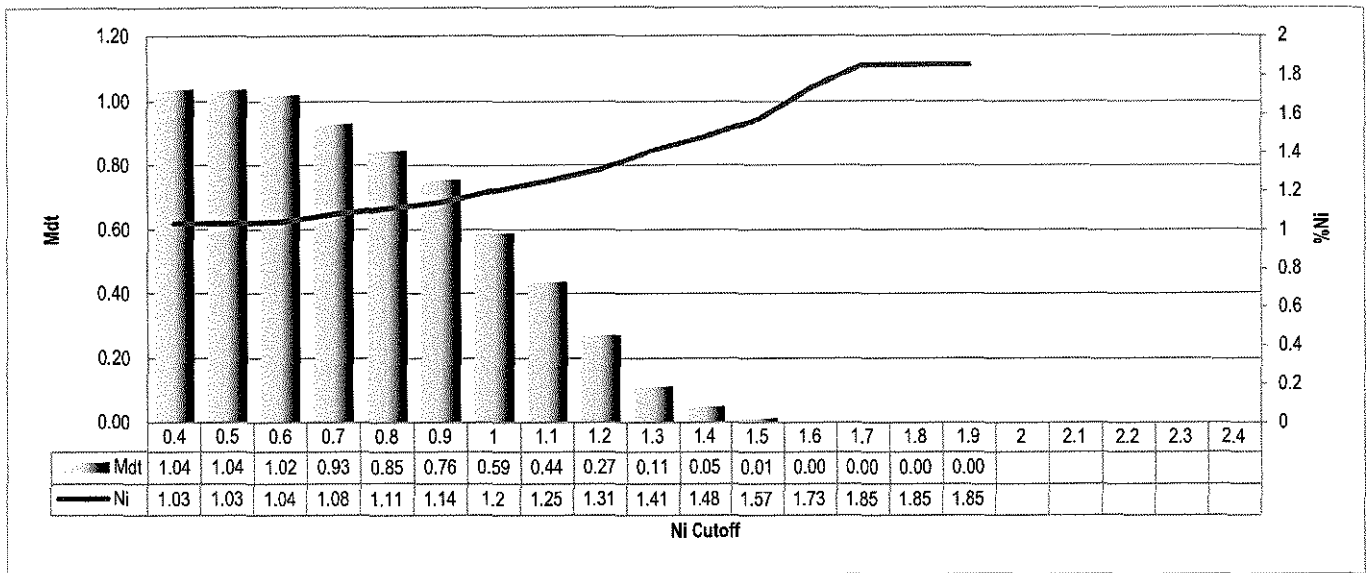


Figure-120. Limonite Grade-Tonnage Distribution (Inferred Mineral Resource)

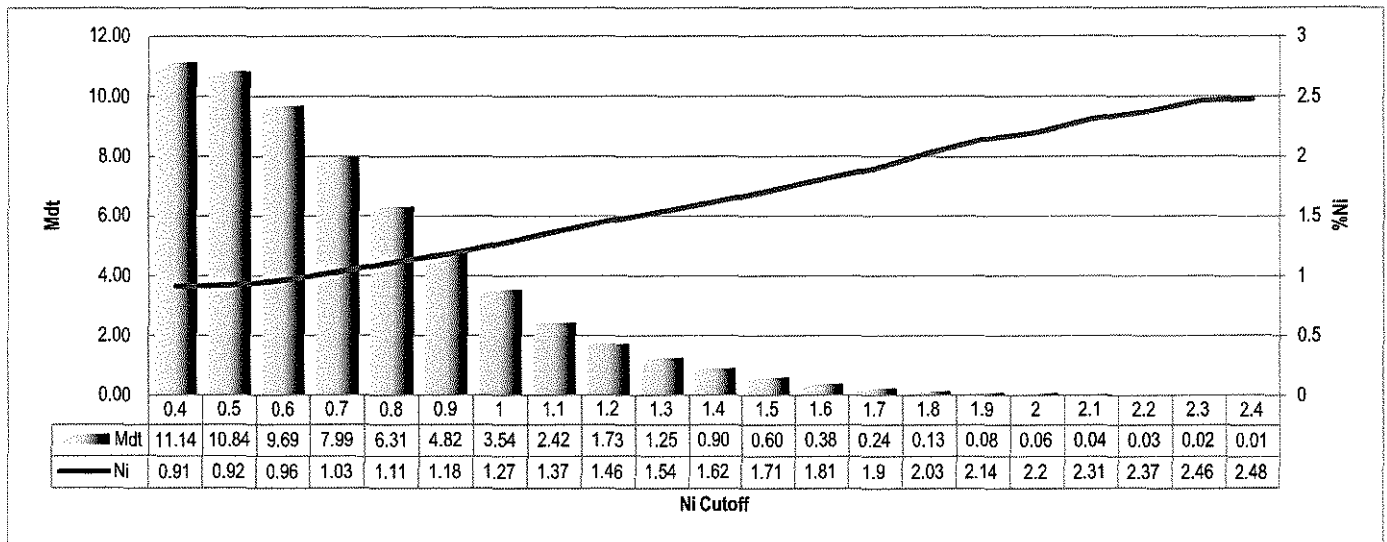


Figure-121. Saprolite Grade-Tonnage Distribution (Inferred Mineral Resource)

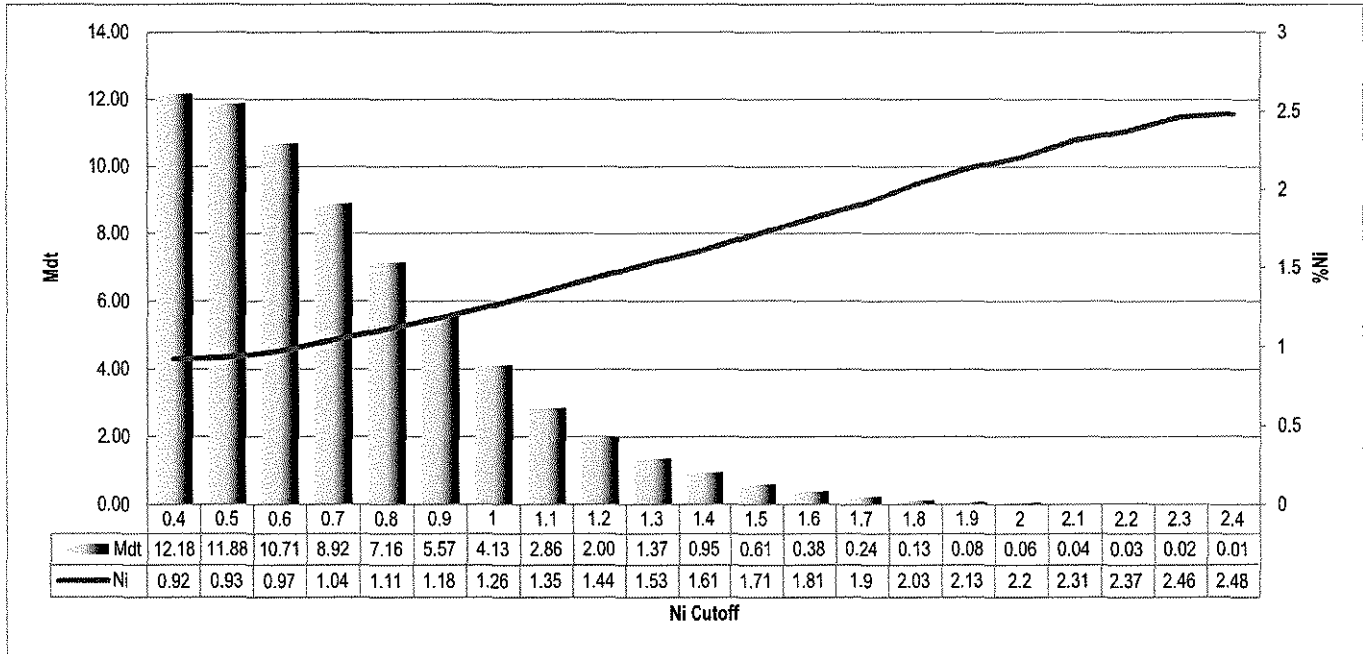


Figure-122. Limonite and Saprolite Grade-Tonnage Distribution (Inferred Mineral Resource)

10.15 Current PMRC Estimate vs. Previous Resource Estimates

The resource estimates used identical data with the exception of excluded data in the current PMRC Resource Estimate presented in this Technical Report. The current estimate also has different cut-off grades compared to the previous estimates.

No direct comparison was made between the current and previous estimates.

10.16 Exploration Potential

Possible potential areas are interpreted at the northern side of the tenement, at peripheral areas and at inferred resource areas where about 7,000,000 DMT have been estimated.

With the objective of possibly increasing the resource inventory, INC will consider implementing an exploration program to delineate and assess these other potential areas.

11.0 ECONOMIC ASSESSMENT OF THE MINING PROJECT

11.1. Description of Mineral Resources estimates used as basis for conversion to Ore Reserves

The mineral resources has been modeled and reported by the Geologist-CP Edgardo G. Garcia in his Technical Report "PMRC-Competent Person's Technical Report Mineral Resource Evaluation of Ipilan Nickel Corporation Ipilan Nickel Project (MPSA No. 017-93-IV) Barangays Maasain, Ipilan, Mambalot and Calasaguen, Municipality of Brooke's Point, Palawan, Philippines dated 14 October, 2014.

The block model which was the basis for the Geologist-CP Mineral Resource Evaluation covered the Ipilan deposit. This block model was used as the basis for the Pre-Feasibility Study conducted by the INC Mine Engineering Team in May 2015. The Pre-Feasibility Study aims to produce within the 3rd year of the planned mining operation approximately 3.0 Million wet metric tonnes ore marketable ore. This ramping up of mine production from the 1.0 Million dry metric tonnes per annum would require an amendment of the existing Environmental Compliance Certificate (ECC) under ECC No. 1006-0017 which is currently being pursued by INC.

The Author notes that the Pre-Feasibility Study at a peak mine production of 3.0 Million Wet metric tonnes per annum based its proven and probable ore reserves on 30.24 Million Wet metric tonnes at 1.41%Ni and 24.01% Fe (as of ending 31st December 2014) as calculated by the INC Mine Engineering Team. The mine life was estimated to be twelve (12) years.

11.2. Type and Level of Feasibility Study

The level of economic study done by the INC Mine Engineering Team on the Ipilan Nickel Project is a Pre-Feasibility Level Study since some engineering designs cost estimates on the facilities and mining contractor quotes were in place. The Author's level of assessment done on this project is only at a scoping level and further refinement will be necessary as more detailed specific factors are known. This economic assessment primarily determined the economic viability of the project based on the estimated ore reserves and not for purposes of mine valuation.

11.3. Brief Description of the Project

11.3.1. Planned Mining and Operations

The INC Ipilan Nickel Project will be a Direct Shipping Operations (DSO) mine which is located in Barangays Ipilan, Mambalot, Maasin and Calasaguen, all within the Municipality of Brooke's Point, Island of Palawan, Philippines.

Mining operations will solely employ an open pit (contour) mining method using conventional backhoes (1.0 cum) and rear dump trucks (20-Tons). The ore will be delivered into the stockyards and shipped to its buyers in China and Australia through Super-handimax bulk carrier vessels. The mining season will coincide with the dry season starting from November to July and will cease to operate starting August and ends on October due to heavy rains and swells.

The planned mining program is to produce an annual ore of initially 0.50 Million Wet Metric Tonnes (WMT) in the first year and then ramp up to 3.0 Million WMT on the third year until the end of mine life.

Based on the proven and probable ore reserves of 30.24 Million WMT as estimated by the INC mine engineering team, the estimated mine life of the project at an annual production rate of 3.0 Million WMT is pegged at approximately twelve (12) years.

The INC management plans to do further peripheral exploration at the northern part of the tenement in order to delineate additional mineral resource that has the potential to become an ore reserve.

11.3.2. Mining Method and capacity

The mining operations will solely employ an open pit (contour) block mining method using conventional backhoes (1.0 cum) and rear dump trucks (20-Tons). Benches three (3) meters high and at least 5 to 20 meters wide will be established to provide greater flexibility and ore selectivity of mining equipment after the topsoil and overburden materials have been removed and dumped into designated waste dumps adjacent to the active mining blocks. All the material within the laterite zone that will be mined will be free-digging or will not require rock fragmentation through blasting. The Run-of-mine (ROM) ore will be mined by one (1) meter flitches and loaded into rear dump trucks and delivered either directly into barges/LCTS or to the designated stockyards.

There will be no processing of the ore. Ore preparation however is necessary which consists of ore sorting, drying, segregation and size reduction (removal of boulders) to meet the size and moisture specifications of the buyers.

The prepared ore will then be loaded into 2000-3000DWT capacity barges or LCTs and trans-shipped into Super-Handimax bulk carrier vessels with a capacity of approximately 55,000WMT where they will be shipped to different buyers in China and Australia.

Auxiliary equipment such as dozers, graders, compactors, water trucks will support the operations in terms of construction and maintenance of stockyards, roads, causeways and environmental structures.

11.3.3. Processing Method and capacity

There are no mineral processing involved as the operation is a Direct Shipping Operation (DSO) mine.

11.3.4. Ore to be Mined / Product to be produced

The ore to be mined and shipped are divided into six (6) marketable ore products as tabulated below.

Table 51. Marketable ore specifications

Material	%Ni	%Fe
LGHF	< 1.20	>= 47
LGMF	>=1.20, <1.40	>=40
LGLF	>=1.20, <1.40	<30
MGMF	>=1.40, <1.70	>=30
MGLF	>1.40, <1.70	<30
HG	< 1.70	Regardless

11.3.5. Prospective Markets or Buyers

The marketable ores will be shipped to buyers in China and Australia.

11.3.6. Estimated Mine Life

Based on an annual production of 3.0 Million WMT of ore, the estimated mine life of the project is approximately twelve (12) years.

11.3.7. Total Project Cost/Financing

The Total Project Cost for the Ipilan Nickel Project is PhP2.13 Billion or US\$48.45 Million at an exchange rate of 44PhP/US\$.

INC has various options which may be used to finance the project aside from stockholder's equity. It will be sourcing its funds for the development and resumption of operations of the mine thru advances from buyers for the sale of ore to China and Australia.

Table 52. Capital expenses for the INC Ipilan Nickel Project

CAPEX SUMMARY	Amount (PhP)
Office of the RMM Equipment & Fixtures	5,022,000
Land Acquisition	30,000,000
Permitting & Compliance	85,780,000
A&F Equipment & Fixtures	37,866,000
Mine Technical Services Equipment & Fixtures	132,479,148
Buildings:	
<i>Mine Camp Complex</i>	14,500,000
<i>Mine Office Complex</i>	11,000,000
<i>Mine Mechanical Complex</i>	11,000,000
<i>QA & Control Complex</i>	4,500,000
<i>Environmental Management Complex</i>	2,758,702
<i>Mine Operations Support Facilities Complex</i>	11,928,842
<i>Port Operation Building</i>	1,701,000
<i>Equipment Mobilization & Demobilization</i>	10,000,000
<i>Engineering Studies & Design (EPCM)</i>	54,574,637
Site Preparation:	
<i>Assay Compound</i>	632,392
<i>Mine Camp & Office Complex</i>	2,861,664
<i>Mine Yard</i>	11,373,695
<i>Nursery</i>	11,184,040
<i>Pier Yard</i>	5,724,515
<i>Contractor's Camp</i>	2,839,483
<i>Bridge</i>	45,000,000
Road Development & Construction	
<i>South 1</i>	57,300,000
<i>North 1</i>	18,500,000
<i>North 2</i>	12,900,000
<i>North 3</i>	16,300,000
<i>Central 1</i>	46,700,000
<i>Central 2</i>	9,250,000
<i>Haul Road 1</i>	8,750,000
<i>Mine Camp to Haul Road 1</i>	5,500,000
<i>Main Haul Road (MY to PY)</i>	37,600,000
<i>PY to Causeway</i>	4,000,000
Causeway Construction	99,369,637
Pit Development	91,572,400
Mine Geology & QAQC Equipment & Fixtures	53,540,000
Mine Operations Equipment & Fixtures	4,688,000

INC Economic Assessment and Ore Reserves Estimation (PMRC-CPEM Technical Report)

HSE Equipment & Fixtures	173,110,000
Environmental Protection	46,800,000
CIC Equipment & Fixtures	5,444,000
Community Development Program	12,000,000
Mechanical Equipment & Fixtures	18,096,000
Port Operation Equipment & Fixtures	13,044,000
Security Equipment & Fixtures	34,830,000
Exploration	116,702,824
Subtotal	1,378,722,980
Working Capital	192,200,000
Sustaining Capital	561,000,000
Total	2,131,922,980

11.3.8. Direct Mining and Processing Cost / Production Schedule

The annual ore production schedule of the INC Ipilan Nickel Project is 3.0 Million WMT with a minimal average waste to ore stripping ratio of 0.47:1. Tabulated below is the details of the annual mine production schedule.

Table 53. Life-of-Mine (LOM) Mine Production Schedule

Year	Ore			Waste	Total	W:O
	Limonite	Saprolite	Subtotal			
1	148,500	351,500	500,000	650,000	1,150,000	1.30
2	596,500	903,501	1,500,000	877,000	2,377,000	0.58
3	1,185,000	1,815,001	3,000,000	1,631,000	4,631,000	0.54
4	1,046,000	1,954,000	3,000,000	1,700,000	4,700,000	0.57
5	1,198,500	1,801,500	3,000,000	1,657,000	4,657,000	0.55
6	1,133,500	1,866,500	3,000,000	1,652,000	4,652,000	0.55
7	1,398,500	1,601,500	3,000,000	1,670,000	4,670,000	0.56
8	1,419,000	1,581,000	3,000,000	1,653,000	4,653,000	0.55
9	1,460,499	1,539,500	3,000,000	884,000	3,884,000	0.29
10	1,224,000	1,776,000	3,000,000	1,034,000	4,034,000	0.34
11	1,162,999	1,837,000	3,000,000	844,000	3,844,000	0.28
12	648,585	600,210	1,248,800	69,132	1,317,932	0.06
Total	12,621,583	17,627,212	30,248,795	14,321,132	44,569,927	0.47

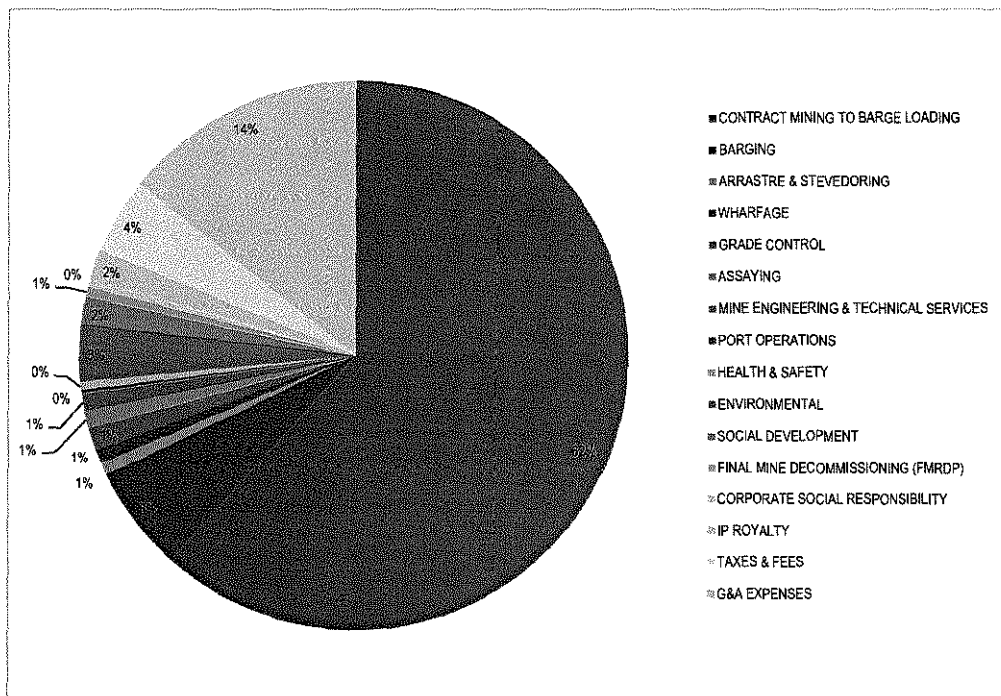
The direct mining and processing cost was estimated at US\$17.22/WMT which is broken down as follows:

Table 54. Detailed breakdown of direct mining and processing costs

COST CENTER	PhP/WMT	US\$
CONTRACT MINING TO BARGE LOADING	639.84	14.54
BARGING	64.29	1.46
ARRASTRE & STEVEDORING	8.00	0.18
WHARFAGE	8.00	0.18
GRADE CONTROL	14.48	0.33
ASSAYING	11.18	0.25
MINE ENGINEERING & TECHNICAL SERVICES	10.17	0.23
PORT OPERATIONS	1.76	0.04
TOTAL	757.72	17.22

Further, as can be seen on the **Figure 123**, the contract costs is the highest which accounts for 62% of the total cost followed by the G&A expenses at 14%.

Figure 123. Distribution of operating costs



11.4. Marketing Aspects

11.4.1. World Supply and Demand Situation

Nickel ore is consumed in the production of finished nickel products, which in turn are mainly consumed in the production of stainless steel. Based on CRU reports, Global consumption of primary nickel (i.e. excluding nickel consumed as scrap) in stainless steel accounted for 68% of all nickel consumed in 2013. A major change in the market in recent years has been the rise in production of a low grade ferronickel referred to as nickel pig iron (NPI) in China. By 2013 NPI production accounted for 25% of global nickel production on a contained nickel basis, up from just 4% in 2008 - during this period NPI production increased by 740%, demonstrating an annual average growth rate of 49%.

China's unprecedented economic boom has led to rapid growth in stainless steel consumption and production, and therefore demand for primary nickel. Chinese primary nickel demand grew at an average annual rate of more than 15% from 2009 to 2014, and as a result China now accounts for more than 50% of global primary nickel demand. It is forecasted that the Chinese primary nickel demand growth rate to moderate from these levels over the forecast period, but nonetheless remain strong at an average annual rate of 5.4% between 2014 and 2018, driven by underlying annual growth in stainless production of 6.9% over the same period.

As traditional sulphide processors have been unable to keep up with such a rapid growth in demand for nickel units, the demand for nickel has therefore become increasingly dependent on laterite ore processing, and this trend is expected to continue over a medium term period.

The rapid rise in NPI production in China has been based on imports of laterite nickel ores from the Philippines and Indonesia. Generally, the Indonesian mine production has been of a higher grade ore than the Philippines. The largest proportion of increases in NPI capacity in most recent years came in the form of rotary kiln electric furnaces (RKEF) plants, which demonstrated lower processing costs than the blast furnaces (BF) and electric arc furnaces (EAF) that had been used previously.

In 2014, RKEF plants accounted for more than half of Chinese NPI output. RKEF and EAF plants typically require higher grade ore, which had been primarily sourced from Indonesia. The ban on exports of unprocessed ores – including nickel – introduced by Indonesia at the start of 2014 was therefore of critical importance to these producers. The export ban on unprocessed ore is not expected to be repealed over the five year forecast horizon. However, this has dramatically reduced the availability of higher grade ores to Chinese NPI producers, and caused their prices to increase significantly, pushing up the costs of production at RKEF and EAF producers by as much as 25% in 2014 alone. The increased costs at these producers, and the reduced availability of higher grade ore on which to sustain their output, are expected to bring about NPI production cutbacks.

The NPI production levels are expected to fall to 320,000 tonnes of contained nickel – a significant drop from the 2013 peak of more than 500,000 tonnes of contained nickel. The Philippine producers have shown a shift in output to produce a greater proportion of medium grade ore, which will sustain NPI production in China at a higher level for longer than had initially been anticipated. NPI producers using BF technology – historically the highest cost form of NPI production, though this is offset partially by credits paid for the higher iron content of their output – have been able to maintain production levels as the lower grade ore they process is

still available from miners in the Philippines. Their costs have not increased to the same extent as RKEF and EAF producers.

The Indonesian ore ban has also precipitated investment in NPI production projects within the country, many of which are funded by Chinese backers – often stainless mills looking to secure a source of nickel units in the face of a possible decline in domestic output. Indonesian NPI production is expected to be lower cost than equivalent plants in China. It is expected that Indonesian projects will displace Chinese production. However, little NPI production in Indonesia is expected before 2016. By 2018, Indonesian NPI production is predicted to reach 120,000 tonnes of contained nickel, meaning that total nickel output by the NPI sector in China and Indonesia combined at the end of our forecast will still be less than the levels from 2012-2014.

Therefore, the nickel market will show a deficit (i.e. global consumption will exceed production) each year from 2015 to 2018. This will be largest in 2016 – some 47,000 tonnes of contained nickel – as Chinese NPI production declines and is yet to be offset by new Indonesian NPI output. It is estimated that the global stocks of primary nickel which were equivalent to approximately 19 weeks of consumption at the start of 2014, will drop below 16 weeks by 2018.

11.4.2. Prospective Markets or Buyers

INC will be supplying its ore to China and Australia.

11.4.3. Product Specifications

The current product specifications from INC which will be marketed to China and Australia are as follows:

- Low Grade Nickel-High Iron Ore: 0.90-1.19%Ni and 48-50%Fe. This type of ore is marketed to China;
- Low Grade Nickel-Medium Iron Ore: 1.20-1.30%Ni and 40-45%Fe. This type of ore is marketed to Australia;
- Medium Grade Nickel-High Iron Ore: 1.40-1.60%Ni and 25-35%Fe. This type of ore is marketed to either China or Australia;
- Medium Grade Nickel-Low Iron Ore: 1.40-1.60%Ni and below 25%Fe. This type of ore is marketed to China; and
- High Grade Nickel Ore: 1.70-1.80%Ni and regardless of Fe. This type of ore is marketed to China

11.4.4. Price and Volume Forecasts

The nickel price is forecasted to rise strongly until 2018. In 2013, the LME cash nickel price averaged closed to \$15,000/tonne. For 2014 we expect this to have increased to over \$16,800/tonne, driven up by the Indonesian ore export ban. The deficits predicted

for 2015 and 2016 are expected to push prices up further, to \$17,500/tonne and \$20,400/tonne respectively and will continue to increase steadily, approaching \$23,600/tonne by 2018.

INC ore prices will be negotiated to arrive at spot contracts which will reflect to the true prices in the market. The historical price analysis using a combination of spot contract prices and monitoring taken from the www.nieba.cn, shows in **Table 55** and **Figure 124** the price movements from Year 2012 to ending February 2015. The High grade nickel ore (>1.7%Ni) has been on the rally with prices soaring to US\$122/ton FOB followed by the Medium grade nickel ore also at its all-time high at US\$69/ton FOB. The Low nickel-high iron ore however have slowed down its pace to an average of only US\$33/ton FOB with lowest prices registering at US\$24/ton FOB. The QNI Ore, which is another form of Low grade nickel ore has also seen the average prices tapering down to only US\$22/ton FOB. In view of these, the following were considered in arriving at an appropriate price forecast:

- High and Medium Grade Nickel Ore – A positive short term outlook is anticipated for these type of ore as the Indonesian export ban on unprocessed minerals/metals have placed the Philippines as the only sole supplier to the Chinese and Australian smelters/refineries. A stronger demand for these types of ore will be for Nickel Pig Iron (NPI) industry which uses the Rotary Kiln Electric Arc Furnace (RKEF) as the cost of production is much lower as against the BF and EAF. However, this condition will likely change as some smelters in Indonesia will become on line by the Year 2018. Price assumptions was therefore put on the average side;
- Low Grade Nickel-High Iron Ore – A negative short to medium term outlook is anticipated for these types of ore as the Carbon Steel industry will lower down its demand due to low iron ore prices. The QNI ore however will continue to be in demand as a feed stock to the Yabulu Refinery as these types of ore are an alternative cheap source of blend ore aside from the very expensive higher grade New Caledonian Ore. Price assumptions was therefore put on the low average side;

Table 55. Year 2012 to ending February 2015 Nickel Ore Prices

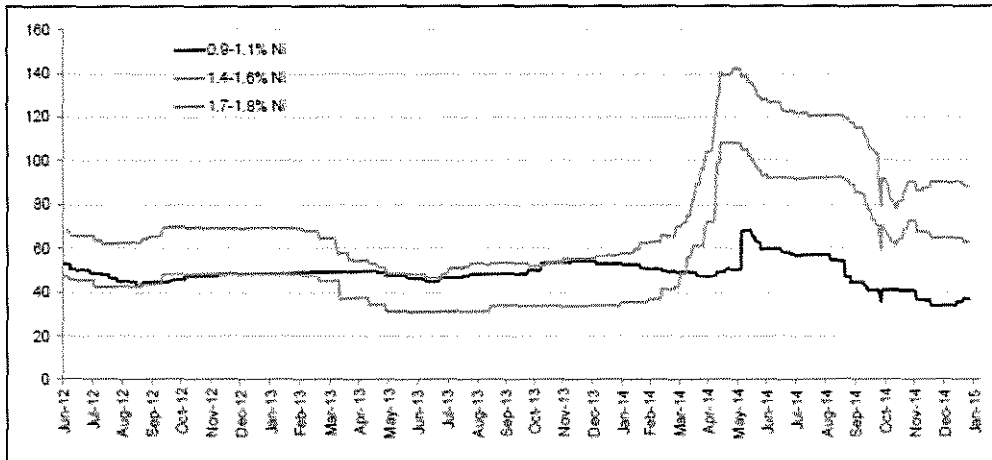
Market Specs	Discharging Port	Price (US\$/ton FOB)		
		Average	Low	High
1.50%Ni/20%Fe	Tianjin Port	55	50	68
1.50%Ni/20%Fe	Rizhao Port	57	51	69
1.60%Ni/20%Fe	Tianjin Port	50	24	103
1.60%Ni/20%Fe	Rizhao Port	49	23	106
1.80%Ni/20%Fe	Tianjin Port	69	39	122
1.90%Ni/20%Fe	Tianjin Port	77	47	130
2.0%Ni/20%Fe	Tianjin Port	87	56	138

INC Economic Assessment and Ore Reserves Estimation (PMRC-CPEM Technical Report)

0.90-1.1%Ni/48%Fe	Rizhao Port	33	23	46
0.90-1.1%Ni/49%Fe	Rizhao Port	33	24	48
0.90-1.1%Ni/50%Fe	Rizhao Port	34	26	50
1.20%Ni/45%Fe	Townsville Port*	25	22	35
1.30%Ni/40%Fe	Townsville Port*	26	23	37

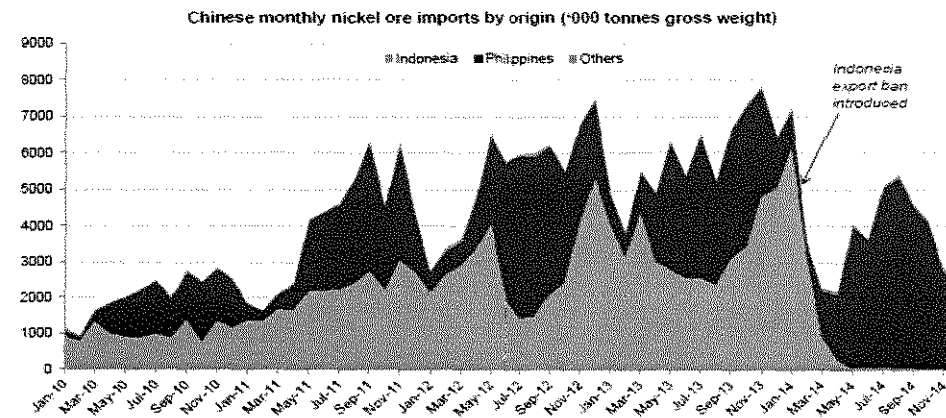
(Source: GFNI-PGMC Data and nieba.cn)

Figure 124. Nickel Ore Prices at China Ports (cfr)



(Source: nieba.cn)

Figure 125. Effects of Indonesian export ban on supply of ore to China



ES

11.4.5. Sales Contract

INC will market its ore based on spot contracts which it enters into with Chinese and Australian buyers to within a period of one month from the actual date of the shipment. The author has sighted numerous GFNI-PGMC sales contact agreements with the buyers in Year 2014 which will likely be the same contract templates that INC will use to negotiate with its potential buyers.

11.5. Technical Aspects

11.5.1. Mining Plans

11.5.1.1. Mining method

The INC pits are shallow deposits of lateritic nickel ore which are composed of both limonite and saprolite. The mining method used is a conventional open pit (contour) mining method which uses backhoes and trucks. No drilling and blasting is required as the material is very soft and friable which makes it a free-digging operation.

Typically, vegetation are removed by clearing and grubbing followed by topsoil removal which are stored in a designated topsoil dump area for future use in the rehabilitation of mined-out areas. Overburden which is about 0.50m thick is removed while simultaneously developing the pit benches which are 3 meters in height and 5-20 meters in width.

Excavators load the ore into trucks for transport to the designated stockyards. Generally, excavators mine the ore by digging in 1 meter flitches to allow for higher ore selectivity in terms of grade. The roads are generally 12-15 meters wide and fully sheeted with safety berms along the crest and a drainage canal along the toe line to prevent any run-off water from seeping into the road ways.

The run-of-mine (ROM) ore will then be delivered to the designated stockpiles where it will be sampled, analyzed and classified according to the ore classification designed by the grade control engineer. The classified ore is then dumped into its designated stockpile for future blending according to the specifications of the buyer. Prior to the shipment, ore preparation needs to be done on the stockpile to remove the rocks and lower the moisture content in such a way that it will be safe for transport by the vessels. When the ore is ready for export, it will be loaded and hauled to the barges for delivery and loading into Super Handimax bulk carrier vessels with a capacity of approximately 55,000 WMT.

Figure 126. Removal of vegetation thru clearing and grubbing



(Source: PGMC Data)

Figure 127. Bench forming and mining of ore



(Source: PGMC Data)

Figure 128. Ore stockpiling



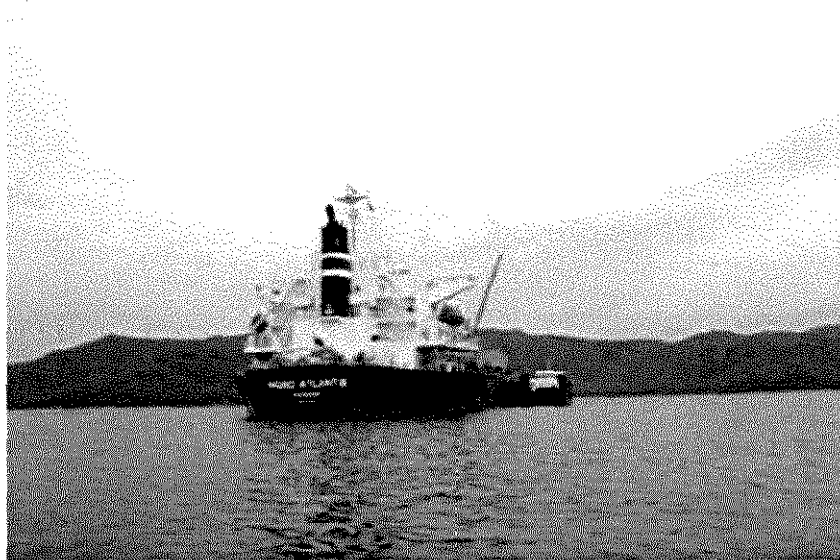
(Source: PGMC Data)

Figure 129. Loading of ore to Barges/LCTs during shipment



(Source: PGMC Data)

Figure 130. Loading of ore to vessel during shipment



(Source: PGMC Data)

11.5.1.2. Mine Design/Mining Parameters/Geotechnical Parameters

The mine design parameters used in the economic assessment are:

- Annual mine production rate of 3.0 Million WMT;
- Waste to Ore Stripping ratio of 0.47 : 1;
- Ore extraction based on marketable ore;
- Maximum designed haul road gradient is 12%;
- Design road width is 12-15 meters;
- Pit Slope is 45 degrees;
- Bench Slope is 80 degrees;
- Design Bench width is 5 meters;
- Design Production Bench width is 20 meters;
- Design Robbed-out Bench width is 2.5 meters;
- Safety Berm height is 1-1.50 meters;
- Safety Berm width is 1-2 meters; and
- Design Bench Height is 3.0 meters

Geotechnical parameters considered are:

- Cut slope in haul roads is maintained at 38 degrees;

- Main haul road sub grade to sub base thickness is 1 meter;
- Topsoil dump height is limited to 5-7 meters;
- Cliff dump height is limited to 10 meters with a slope of 45-50 degrees;
- Wastedumps and dikes are compacted with a minimum of 3-4 passes of 10-15 ton capacity drum compactors; and
- Earthfill dikes should have a horizontal/vertical slope ratio of 2.5:1 for downstream and 2.0:1 for upstream.

11.5.1.3. Mining Recovery, Dilution and Losses

Based on the Pre-Feasibility Study, the following definitions apply:

- Ore Loss – that portion of ore that has been mined and misclassified as waste. In the pre-feasibility study, the value for this is 10%;
- Dilution – That portion of ore that has been lost and replaced with waste material in such a way that the quality of the material in terms of grade of nickel will be lowered down. The value of dilution for nickel is 3%. No dilution was applied to Iron.

11.5.1.4. Planned Capacity/Production Schedule/Estimated Life of mine

The planned capacity and production schedule is as follows:

- Year 1 to 2 – 0.50 and 1.50 Million WMT ore, and
- Year 3 onwards – 3.0 Million WMT ore.

The estimated mine life of the project is twelve (12) years based on the production rate of 3.0 Million WMT per year.

11.5.1.5. Working Schedule

The work schedule is as follows:

- No. of working hours/shift – 12 hours;
- No. of shifts per day – 2 shifts;
- No. of mining days per year – 160 days;
- No. of shipment days per year – 200 days

11.5.1.6. List of Mining Equipment and Auxiliary Machinery

For the 3.0Mwt per year mine production to be attained, the following list of equipment is required:

Table 56. List of the equipment required for the project

Activity	Unit Type	Model	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Y11	Y12
Loading (Pit)	Backhoe	KOM PC200LC-8	9	13	20	19	20	20	21	21	19	19	6	10
Loading (SAP Shipment)	Backhoe	KOM PC200LC-8	2	3	4	4	4	4	4	4	4	4	4	2
Loading (LIM Shipment)	Backhoe	KOM PC200LC-8	2	3	4	3	4	4	4	4	4	4	4	3
Loading (Shipment)	Payloader	CAT 950H	6	9	15	15	15	15	16	16	16	16	15	9
Dozing	Dozer	KOM D65EX-15R	7	9	10	12	12	12	10	10	11	11	6	9
Hauling (Pit)	Dump Truck	HOWO 370	38	87	155	129	199	198	199	181	183	163	171	75
Hauling (Shipment)	Dump Truck	HOWO 370	26	26	26	26	26	26	26	26	26	26	26	27
Compacting	Compactor	BOMAG-BW211D-40	2	2	2	2	2	2	2	2	2	2	6	6
Grading	Grader	CAT-12H	3	3	3	3	3	3	3	3	3	3	6	6
Dust Suppression	Water Truck 12,000L	Isuzu - Converted	3	3	3	3	3	3	3	3	3	3	8	8
Trans Shipment	Barge/LCT	2000T Cap	2	4	8	8	8	8	7	8	8	8	8	4
Fuel Truck	Fuel Truck 6,000L	Isuzu - Converted	4	4	4	4	4	4	4	4	4	4	4	4
Support Equipment (Maint.)	Tool Carrier	Isuzu - Converted	1	1	1	1	1	1	1	1	1	1	4	4
Service Vehicles	4x4 Pickup	Toyota	4	4	4	4	4	4	4	4	4	4	8	4
Personnel Carrier	Bus	Hino-Assembled	2	2	2	2	2	2	2	2	2	2	2	1
Logistics/Warehousing	4x2 Pickup	Isuzu Elf	1	1	1	1	1	1	1	1	1	1	2	1
Power Generation	125KV Diesel Genset	Komatsu	2	2	2	2	2	2	2	2	2	2	2	2
	25KV Diesel Genset	Komatsu	2	2	2	2	2	2	2	2	2	2	2	2
Rock Breaking	Breaker Assembly	Furukawa F19-XP	1	1	1	1	1	1	1	1	1	1	1	0
Flood Lights	Flood lights (Mobile)	1,000V - Diesel Genset	4	4	4	4	4	4	4	4	4	4	4	4
Total			121	183	271	245	317	316	316	299	300	280	287	179

11.5.1.7. Mine Development Plans and Production Schedule

The author sighted plans relating to the mine development and production schedule of the project. The major mine facilities are listed as follows:

- Mine pits – there are fourteen (14) pits with two (2) major pits all with a total area of 229 hectares;
- Haul roads – approximately 27 kms with a total area of 62 hectares are needed to be constructed which will traverse from the mine pit to the causeway. This road will be 12 to 15 meters wide and fully ballasted and sheeted;
- Ore Stockyards – the mine and pier yards are approximately 10 and 20 hectares respectively;
- Mine Camp and Office complex – this will have an area of 5 hectares;
- Contractors camp area – located adjacent to the INC camp with an area of 5 hectares;
- Causeway – approximately 500 meters long is located within Barangay Mambalot;
- Starter Wastedump – approximately 2 hectares with a capacity to contain approximately 1.0 Million WMT;

- Nursery – a 2-hectare tree nursery area; and
- Assay Laboratory and Sample Preparation – approximately 1 hectare lot will be allocated.

Figure 131. General mine layout

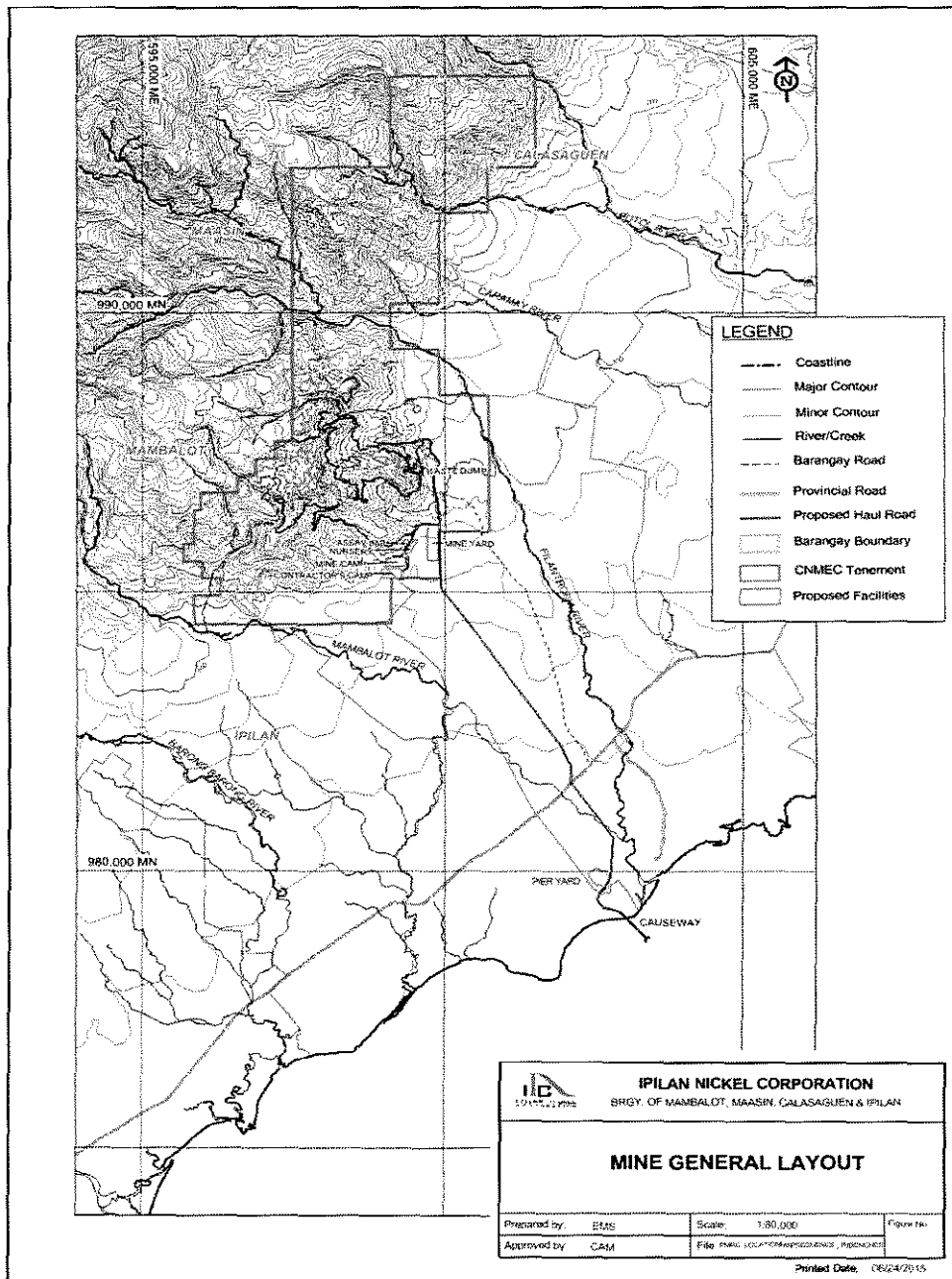


Figure 132. Mine production sequence

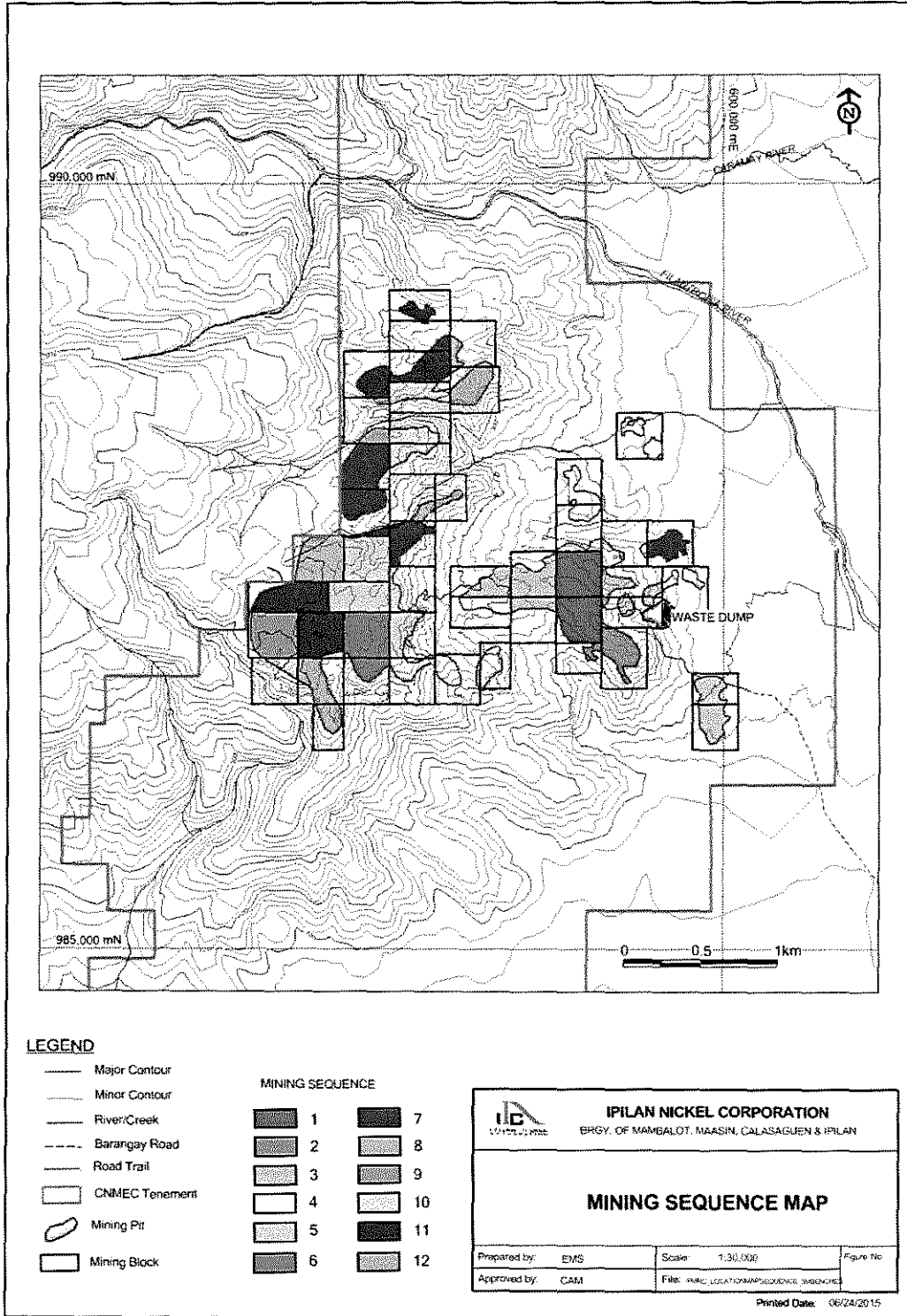


Table 57. Detailed annual mine production schedule

Material	YEAR 1			YEAR 2			YEAR 3			YEAR 4		
	WMT	% Ni	%Fe	WMT	% Ni	%Fe	WMT	% Ni	%Fe	WMT	% Ni	%Fe
HG	220,000	1.85	14.89	330,000	1.86	14.72	660,000	1.85	13.93	660,000	1.86	13.91
LGHF	17,500	1.00	47.59	4,500	0.97	48.19	103,500	0.89	48.65	109,500	0.90	48.29
LGLF	63,000	1.26	13.89	564,000	1.26	13.38	1,075,000	1.25	12.86	843,500	1.26	13.95
LGMF	61,500	1.25	43.82	21,000	1.27	43.66	17,000	1.23	43.26	111,500	1.24	42.98
MGLF	70,000	1.49	13.22	552,500	1.50	13.57	1,138,000	1.49	13.30	1,182,500	1.49	13.60
MGMF	68,000	1.48	39.20	28,000	1.49	39.65	6,500	1.45	38.22	93,000	1.47	36.41
ORE	500,000	1.57	22.54	1,500,000	1.48	14.76	3,000,000	1.46	14.73	3,000,000	1.47	16.83
WASTE	650,000	0.76	20.87	877,000	0.31	6.45	1,480,607	0.06	1.84	1,601,940	0.06	1.44
W:O	1.30			0.58			0.49			0.53		
Material	YEAR 5			YEAR 6			YEAR 7			YEAR 8		
	WMT	% Ni	%Fe	WMT	% Ni	%Fe	WMT	% Ni	%Fe	WMT	% Ni	%Fe
HG	660,000	1.85	14.51	550,000	1.84	18.27	550,000	1.82	15.77	495,000	1.91	15.12
LGHF	294,000	0.96	49.34	315,000	0.94	48.59	562,500	1.01	48.89	467,500	0.99	49.57
LGLF	721,500	1.26	15.27	681,000	1.26	15.72	465,000	1.26	15.53	618,000	1.26	14.22
LGMF	433,500	1.24	45.53	498,500	1.24	45.41	521,000	1.24	45.37	374,000	1.24	44.98
MGLF	708,000	1.48	14.74	818,000	1.47	15.34	530,500	1.49	14.17	712,000	1.49	15.17
MGMF	183,000	1.48	39.98	137,500	1.45	41.81	371,000	1.46	42.95	333,500	1.44	43.82
ORE	3,000,000	1.42	24.20	3,000,000	1.40	25.77	3,000,000	1.38	30.16	3,000,000	1.40	27.23
WASTE	1,657,000	0.36	12.40	1,652,000	0.49	15.15	1,670,000	0.17	5.13	1,653,000	0.00	0.00
W:O	0.55			0.55			0.56			0.55		
Material	YEAR 9			YEAR 10			YEAR 11			YEAR 12		
	WMT	% Ni	%Fe	WMT	% Ni	%Fe	WMT	% Ni	%Fe	WMT	% Ni	%Fe
HG	440,000	1.66	14.34	440,000	1.86	16.85	400,000	1.95	16.49	336,330	1.87	16.55
LGHF	537,000	0.98	49.53	408,000	0.98	49.21	474,000	0.98	49.35	219,415	1.01	48.65
LGLF	617,000	1.25	12.93	680,000	1.26	14.22	551,000	1.25	15.12	413,401	1.26	14.55
LGMF	657,000	1.25	36.93	550,000	1.24	44.96	427,000	1.23	44.79	105,909	1.23	45.52
MGLF	442,500	1.40	25.20	786,000	1.47	15.07	1,010,000	1.49	15.12	157,972	1.48	13.31
MGMF	306,500	1.44	40.33	136,000	1.46	41.08	138,000	1.45	41.24	15,769	1.43	41.28
ORE	3,000,000	1.30	29.55	3,000,000	1.37	26.44	3,000,000	1.39	26.14	1,248,796	1.41	23.89
WASTE	884,000	0.71	19.37	1,034,000	0.60	20.64	1,092,452	0.41	13.56	69,132	1.01	31.57
W:O	0.29			0.34			0.36			0.06		

Table 58. Mine production summary

Year	HG	MGLF	MGMF	LGHF	LGLF	LGMF	Ore	Waste
1	220,000	70,000	68,000	17,500	63,000	61,500	500,000	650,000
2	330,000	552,500	28,000	4,500	564,000	21,000	1,500,000	877,000
3	660,000	1,138,000	6,500	103,500	1,075,000	17,000	3,000,000	1,631,000
4	660,000	1,182,500	93,000	109,500	843,500	111,500	3,000,000	1,700,000
5	660,000	708,000	183,000	294,000	721,500	433,500	3,000,000	1,657,000
6	550,000	818,000	137,500	315,000	681,000	498,500	3,000,000	1,652,000
7	550,000	530,500	371,000	562,500	465,000	521,000	3,000,000	1,670,000
8	495,000	712,000	333,500	467,500	618,000	374,000	3,000,000	1,653,000
9	440,000	442,500	306,500	537,000	617,000	657,000	3,000,000	884,000
10	440,000	786,000	136,000	408,000	680,000	550,000	3,000,000	1,034,000
11	400,000	1,010,000	138,000	474,000	551,000	427,000	3,000,000	844,000
12	336,330	157,972	15,769	219,415	413,401	105,909	1,248,800	69,132
Total	5,741,330	8,107,973	1,816,768	3,512,415	7,292,401	3,777,909	30,248,800	14,321,132

11.5.2. Mine Support Services

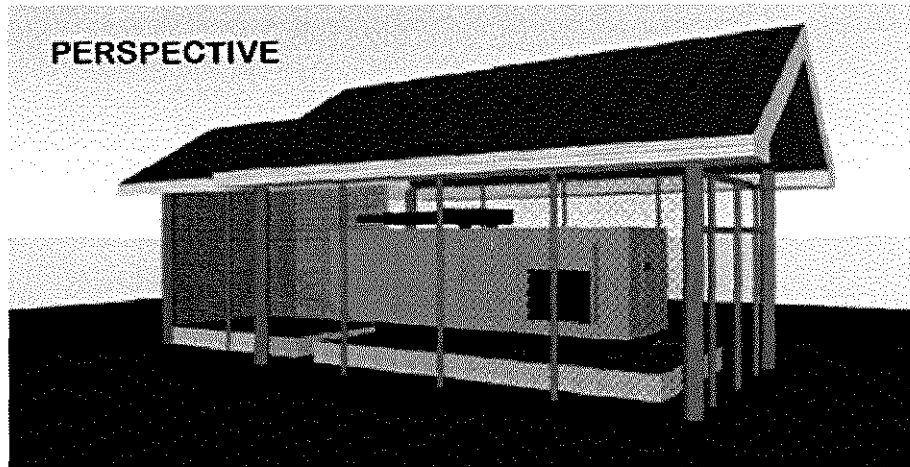
11.5.2.1. Power Source / Power Generation Plant

The mine site is situated in Barangays Maasin and Mambalot whose power requirements are supplied by the local electric company/cooperative PALECO.

The mine power requirement will be used for mine lighting, offices and shops, mine camp and other logistical requirement. The local electric cooperative PALECO will supply most of the power needed for the operation of the mine. In case of power outages, diesel-powered generator sets will be on standby to provide emergency power at the site. The company will provide diesel generator sets distributed throughout the mine:

- Assay Laboratory – 2 units 125 KVA diesel generator sets;
- Port Operations – 2 units 25KVA diesel generator sets;
- Mine Camp and Office Facilities – 2 unit2 200 KVA diesel generator sets;
- Motorpool area – 1 unit 200 KVA diesel generator set;
- Contractors camp – 2 units 125KVA diesel generator sets;

Figure 133. General perspective of the Power House



11.5.2.2. Mechanical Shop

The mechanical shop will be located within the mine camp and office complex with approximately 500 sqm of space for the buildings and maintenance area including provisions for a fuel depot, parking area, oil and water separator and wash bay.

Figure 134. General perspective of the Mechanical Shop



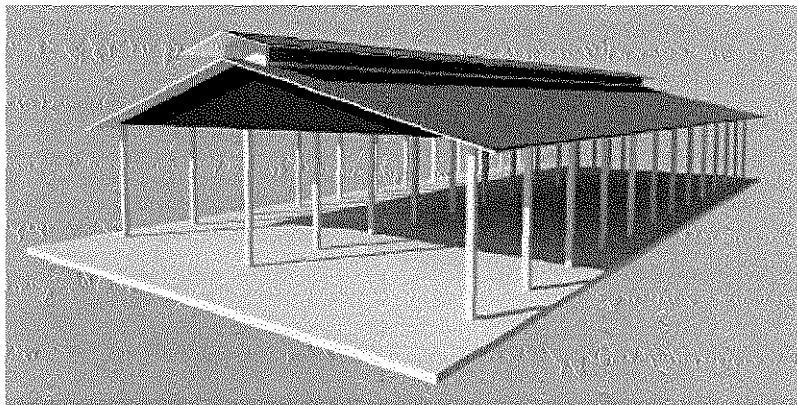
11.5.2.3. Assay Laboratory

The company will operate its own sample preparation and assay laboratory. It will be constructing a 600 sqm-assay laboratory and sample preparation facilities capable of analyzing 1,000 samples a day using an X-ray-Fluorescence (XRF) equipment, as well as an EDTA (wet) titration method.

Figure 135. General perspective of the Assay Laboratory



Figure 136. General perspective of the Sample Preparation Building



11.5.2.4. Industrial Water Supply

A water source that can be used as an industrial water supply to be used for road dust control, equipment washing and supply of water to the LCTs/Barges and Vessels have been identified and will be sourced from nearby creeks and Filantropia river. A water refilling station will be constructed near the creeks and rivers to supply water to water lorries.

Figure 137. General perspective of the Water Refilling Station for Water Lorry



11.5.2.5. Availability of Alternative Sources of Mine Support Services

Whenever the company requires and does not have the resources to do the required activities, it can outsource other mine support services to contractors.

11.5.3. Environmental Protection and Management Plan

The company has engaged the consultancy services of GHD for the preparation of an Environmental Protection and Enhancement Program (EPEP) which covers the whole mine. The succeeding paragraphs are excerpts from the EPEP document.

11.5.3.1. Environmental Impacts

The identified environmental impacts of the project are as follows:

- **Mining areas:**

Identified Activity:

- Clearing and grubbing
- Topsoil recovery
- Overburden stripping (China ore)
- Mining of medium and high-grade ore

Affected Areas:

- Lands, slopes, and gullies surrounding and downslope of the mining areas
- Unnamed creeks traversing the periphery of the mine pits and draining into Filantropia river

- Coastal areas within Barangays Mambalot and Calasaguen

Potential Impacts:

Land Resources

1. Loss of vegetation and wildlife habitats in the mining areas
2. Physical instability of pit slopes and peripheries against erosion and mass wasting
3. Sedimentation of mine drainage channels
4. Change in landform, *i.e.*, slopes and slope lengths, of the mining areas
5. Non-usability and degraded condition of the mining areas after mining.

Water Resources

1. Sedimentation and turbidity of the unnamed creeks draining to Filantropia river and coastal areas within Barangays Maasin, Mambalot and Calasaguen
2. Burial of sessile aquatic flora and fauna and reduction of suitable habitats
3. For fish in the coastal waters, the deleterious effects are interference by the sediment with the gill function and impairment of fish vision, degradation of the quality of substrata for egg laying, effects on fish growth and survival, and migration of fish farther seaward
4. Demise of algae and the symbiotic polyps which exude the calcareous skeleton that forms the coral reefs near the coast.

- **Stockyards (Mine Yard and Pier Yard):**

Identified Activity:

- Construction of Mine Yard and Pier Yard
- Operation and maintenance of the stockyards

Affected Areas:

- Flood plains within Barangay Mambalot and Maasin draining to creeks and Filantropia river and coastline
- Coastline within Barangays Mambalot, Maasin and Calasaguen
- Barangay Maasin and Mambalot residents
- INC's campsite and contractor's accommodation areas

Potential Impacts:

Land Resources

1. Physical instability of stockpiles against erosion
2. Non-usability of the mine yards and pier yards after mining.

Water Resources

1. Sedimentation and turbidity of the western and eastern segments of Filantropia River along the floodplain.

Noise and Air Quality

1. Excessive noise and dust emissions of Project equipment at Barangays Maasin and Mambalot, INC's and contractors' accommodations areas, and National Highway

- **Access Roads:**

Identified Activity:

- Construction of mine main haul roads that connect the mine pits to the stockyards and causeways
- Construction of mine satellite roads within the mine pits
- Operation and maintenance of the main access roads, mine main roads, and mine satellite roads

Affected Areas:

- Alignments of the mine main haul roads
- Lands, slopes, and gullies downslope of the roads
- Unnamed creeks along the road draining towards the coast
- Filantropia river

Potential Impacts:

Land Resources

1. Loss of vegetation and wildlife habitats along the road alignment and eroded sediment path
2. Generation of spoils from the road construction
3. Change in landform, *i.e.*, slopes and slope lengths, of the access roads
4. Physical instability of road fill against erosion and mass wasting and sedimentation along gullies and drainage channels.

Water Resources

1. Sedimentation and turbidity of unnamed creeks

Noise and Air Quality

1. Excessive noise and dust emissions of Project equipment using the roads

- **Buildings and Structures:**

Identified Activity:

- Construction of INC camp and office facilities, contractors camp, port operations office, stockyards, bridges and culvert crossing,
- Use and maintenance of buildings and structures

Affected Areas:

- Building and structure sites at the Filantropia river floodplain
- Unnamed creeks
- Filantropia river
- Coastlines within Barangays Mambalot and Maasin

Potential Impacts:

Land Resources

1. Limited loss of vegetation and wildlife habitats in the building and structure sites
2. Physical instability of stockpiles against erosion
3. Change in landform, *i.e.*, slopes and slope lengths, of the mine yards and pieryards
4. Non-usability of the mine yards and pieryards after mining.

Water Resources

1. Domestic and industrial wastes of the Project leading to elevated coliforms, BOD5, and oil and grease.

- **Causeway:**

Identified Activity:

- Construction of the causeway
- Operation and maintenance of the causeway

Affected Areas:

- Coastlines within Barangays Maasin, Mambalot and Calasaguen

Potential Impacts:

Water Resources

1. Sedimentation and turbidity especially during construction, rehabilitation or expansion
2. Damage to critical resources such as mangroves, corals, and seagrasses
3. Domestic and industrial waste from ships including bilge water

11.5.3.2. Environmental Mitigating Measures

The identified mitigating measures based on the environmental impacts of the projects are:

A. Mining areas:

Mitigating Measures:

Land and Water Resources

1. Minimize ground clearings
2. Schedule the mining area development during the early part of the less wet season, *i.e.*, December to June
3. Recover the topsoil of the mining areas and deposit it on the buffer zone along the road sides and pit peripheries
4. Install and maintain a stormwater and runoff system consisting of rock lined drainage channels, check dams, cross culverts, off-take ditches, and drop structures or energy dissipators
5. Flatten soil-covered slopes and reduce slope lengths by brush layers, palisades, live check dams, fascines, or terrace channeling

6. Cover disturbed slopes and areas with endemic vines, Vetiver grass, cut foliage, geotextile, and rocks
7. Progressively rehabilitate as soon as the ultimate pit limit of a mining area is reached. Plant endemic fast growing species at the concave slopes, swales along the slopes, and surface depressions and Aksam and Vetiver at the convex slopes, crests and interfluvial areas
8. Construct sediment traps along the drainageways and other points of discharge from disturbed areas including the lining of spillway weir inlets and outlets with well graded stone and provision of drop structures
9. Construct mega ponds (large settling ponds) at the flat areas downslope of the mine areas and immediately upslope of Filantropia River. The pond length is 3 to 5 times the width; pond water surface is about 10% of the watershed area; inlet and outlet are widely spaced and protected against scouring by riprap; underwater dams or deeper sediment trapping forebays are placed near the pond inlet to decrease the required dredging areas; at least 1 m of permanent standing water to protect the impounded sediment from scouring, additional depth for sediment storage between cleanout, live storage for water, and adequate emergency spillway above the live storage area are provided.
10. Build additional settling ponds for the new mining areas and sediment traps along the drainage channels for the new mine haul roads.
11. Inspect the erosion and sediment controls and stormwater management facilities once a week and immediately after a major storm. Implement site stabilization and repair works
12. Unload the sediment traps and settling ponds of sediment as soon as they become half-full
13. To minimize sediment brought by Project vehicles to the National Highway, install a rock stabilized pad of coarse aggregates 300 mm thick and 15 m long immediately before the Highway. Residual sediment on the Highway should be removed by shoveling or sweeping. Street washing follows sediment removal.
14. Stabilize the riverbank through a mix of vegetative and structural measures (gabion wall)

B. Stockyards:

Mitigating Measures:

Land and Water Resources

1. Minimize ground clearings
2. Plant along the perimeter of the stockyard areas endemic fast growing species of tree or Agoho (*Casuarina equisetifolia*) and Sayapo (*Trichospermum eriopodum*)
3. Maintain the ore stockpiles at the designated height of 2 to 5 m with a buffer of 10 to 20 m from the stockyard edge. Provide tarpaulin cover once the desired moisture content is achieved.

4. Maintain a grade for drainage of the stockyard surface to prevent ponding or flooding during heavy rains
5. Construct a bund wall with drainage canal traversing the perimeter of the stockyards. The drainage canal shall drain into a sediment pond with a pond surface area between 2-4% of the area of the stockyard
6. At the end of mine life, rehabilitate the stockyards to the land use agreed upon with the community.

Noise and Air Quality

1. Establish vegetated buffer zones around the Project offices, workshops, accommodations, roads, stockyards, and mining areas. For the critical areas, engineered noise barriers should be installed
2. Regulation of vehicle speeds or suspension of heavy noise-emitting works at night
3. Ballasting of the main access roads with 300-mm thick crushed rocks. This will be supported by regular road maintenance works to be discussed subsequently.
4. Regular water spraying of the road during dry days.

C. Access Roads:

Mitigating Measures:

Land and Water Resources

1. Schedule the road construction during the less wet months
2. Reduce ground clearings to the minimum needed for construction
3. Recover and immediately use the topsoil for the buffer zone plantations
4. Do not tip spoils from the road construction down the slope
5. Grade and crown the road surface to shed water and minimize water ponding. Install drainage ditches along the road and culverts on water crossings
6. Place 150-mm thick well-graded gravel with particle size evenly distributed between clay size and 25-mm stones on the mine main roads. As discussed previously, the ballast on the main access roads is 300 mm thick. Maintain drainage by regular inspection, clean out of blocked ditches and culverts, grading to remove ruts, and crowning of the road and pads to shed water.
7. During grading operations, bring back loose materials to the center of the roadway to prevent the creation of berms that channel the runoff down the road and erode the fill slopes
8. Evaluate the best use of the access road at the end of Project life.

D. Buildings and Structures:

Mitigating Measures:

Land Resources

1. Establish buffer zone plantations on the perimeters of new buildings
2. Consult with the community on the most desired use of the buildings and structures and building site at the end of mine life.

Water Resources

1. For the domestic and industrial wastes, regular training of all workers on proper waste management, provision of suitable waste containment and treatment facilities at key areas, regular collection of wastes from the facilities, and strict enforcement of INC's Environment Policy
2. Collection and disposal of non-recyclable and non-biodegradable domestic waste into designated waste storage site
3. Collection and storage of recyclables and hazardous wastes for collection by recyclers and accredited waste transporters and treaters
4. Composting of biodegradable waste for use in revegetation.

E. Causeway:

Mitigating Measures:

Water Resources

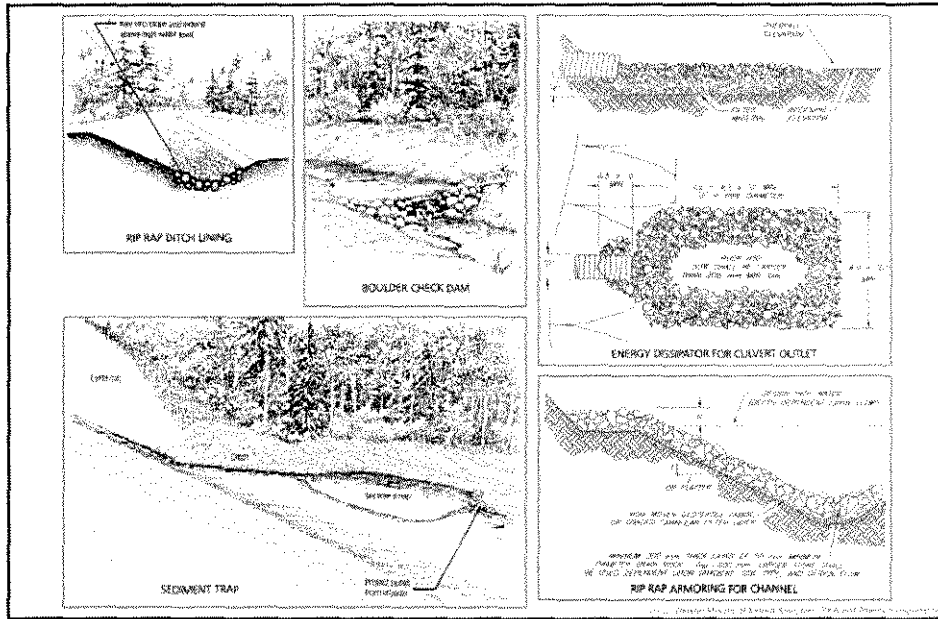
1. Use only clean boulders for building the causeway. To contain residual sediment, install a floating silt barrier or silt curtain around the causeway construction site
2. Contracting only of ships flagged under countries which are signatories to MARPOL.
3. Construct gabion walls along the sides of the causeway with drainage canals;
4. Purchase of a motorized *banca* and assignment of crew to monitor the ships and barges during ore shipment.

11.5.3.3. Environmental Infrastructures

The environmental structures that will be put in place during the development, operational and decommissioning phase of the project are:

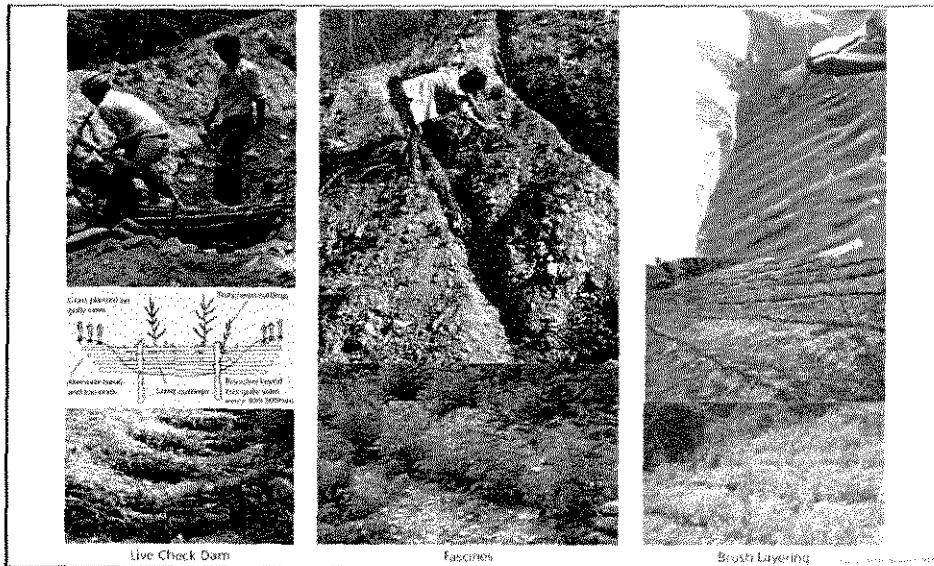
- Sedimentation Ponds – INC will construct more than 50 units of sedimentation ponds some of which are located within the pit, lowest elevation of gullies and beside rivers and creeks to prevent siltation of water bodies;
- Settling Ponds – more than 6 mega ponds (large settling ponds) will be installed to insure protection of the creeks and Filantropia river;
- Silt fences – these structures are used to contain small amount of silts in slopes;
- Gabions – These structures are constructed along river banks, stockyards and causeway to prevent slope degradation, siltation and erosion. Most are fitted with geotextiles to contain the silt;
- Rock (check) dams and sediment basins/traps – installed along drainage ways and road sides to minimize silt and lower velocity of run-off water;
- Coconets, Coco Coirs and Coco logs– are used in slope stabilization as well as to silt containment along slopes;
- Bioengineering structures – these are composed of fascines, log dams and log fences taken from the cut trees and shrubs within the mining areas used to support revegetation particularly along cut and natural slopes;
- Solid waste management structures – garbage bins used to separate different types of waste;
- Nursery operations center – this infrastructure will be constructed and be made operational during the development phase to supply seedlings for the re vegetation program of INC under its approved EPEP, FMRDP and National Greening Program (NGP).

Figure 138. Environmental control measures for small creeks and waterways



(Source: BMP)

Figure 139. Bio engineering techniques for erosion control



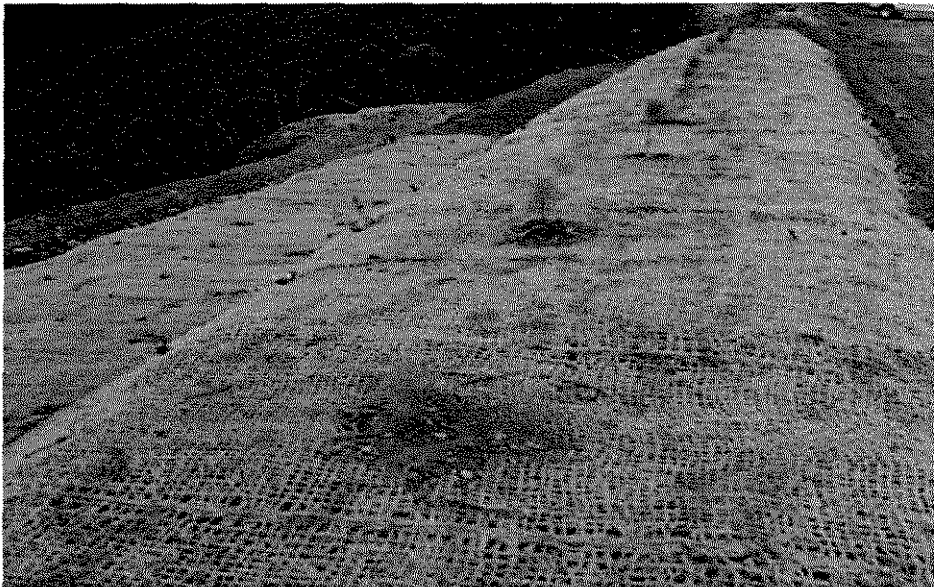
(Source: BMP)

Figure 140. Typical settling ponds



(Source: PGMC)

Figure 141. Typical installed coco coir mats



Source: PGMC data

Figure 142. Example Solid waste management program



(Source: PGMC)

Figure 143. Typical nursery operations center



(Source: PGMC)

Figure 144. Environmental management and monitoring program

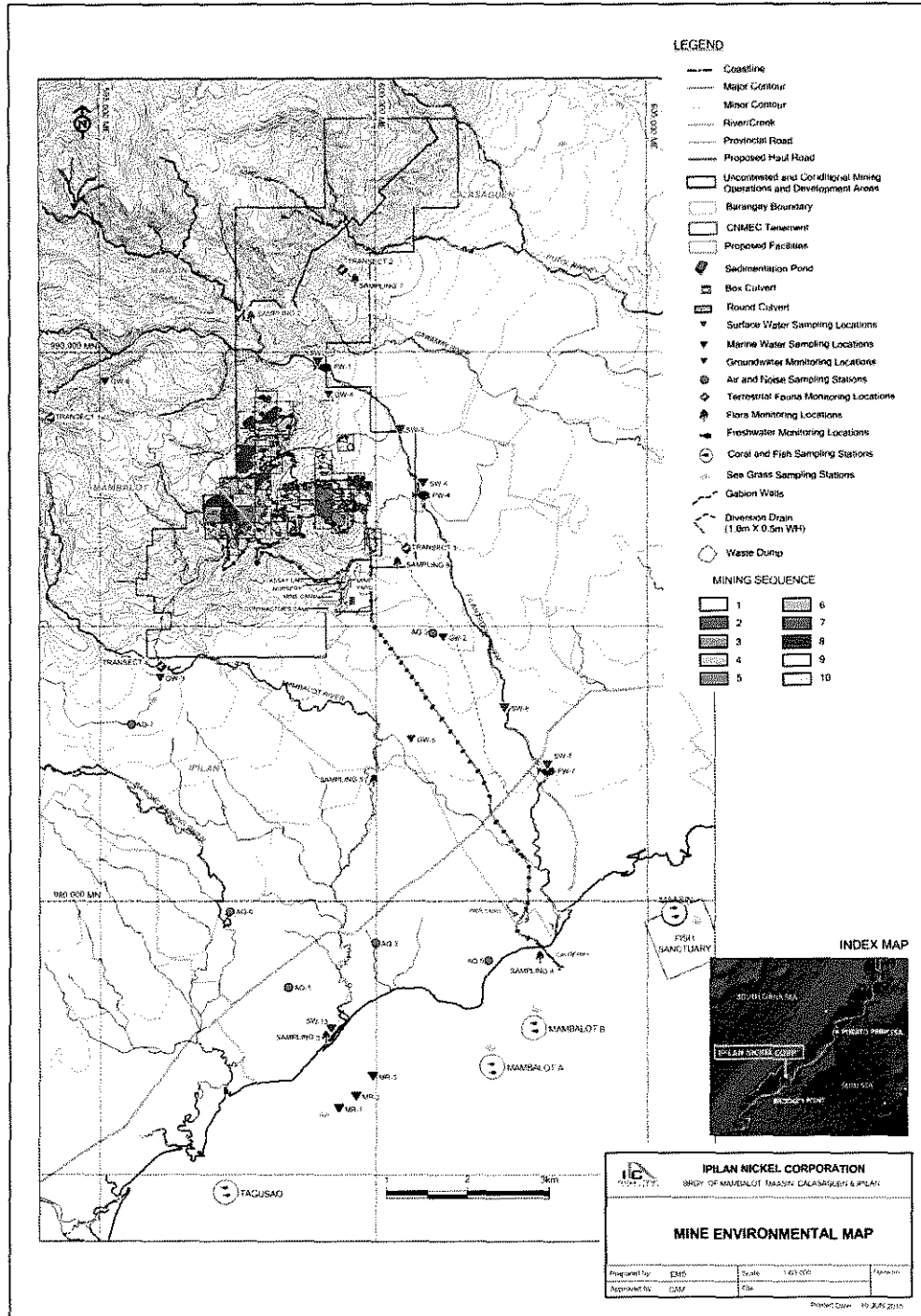


Figure 145. Sediment control plan within the mining area

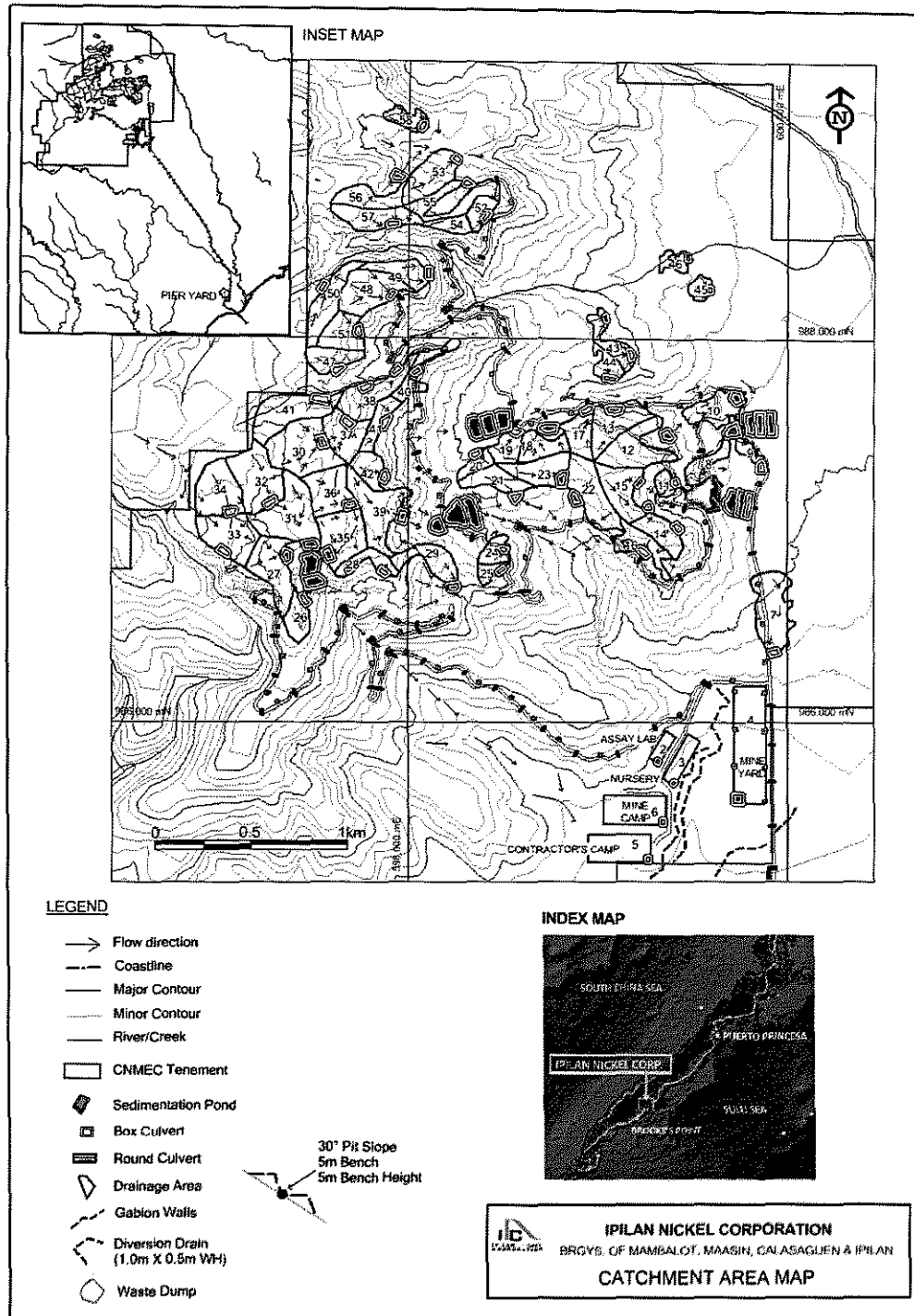
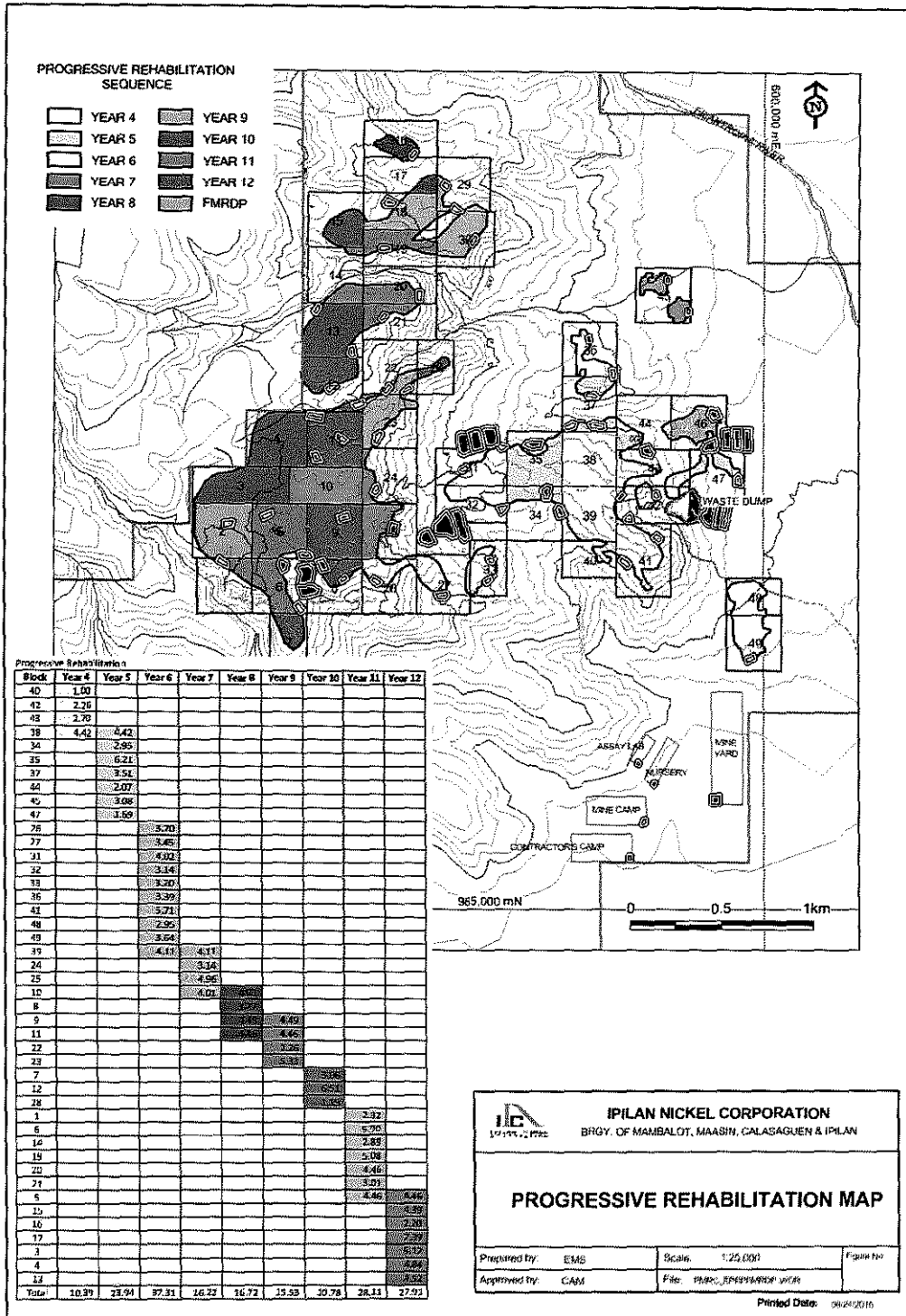


Figure 146. Progressive rehabilitation plan

INC Economic Assessment and Ore Reserves Estimation (PMRC-CPEM Technical Report)



11.5.3.4. Mine Closure Plan

The Author sighted a document prepared by GHD for the comprehensive Final Mine Rehabilitation and Decommissioning Plan (FMRDP) in support of the pre-feasibility study. The following highlights are excerpts from the pre-feasibility study:

INC is preparing for three (3) possible scenarios for closure, these are:

- Planned closure occurs when the Project attained its programmed life due to expiration of permits or attainment of useful life. In this scenario, the FMRDP that has been developed and updated over the life of the Project will be implemented. This FMRDP proposes a project life of ten (10) years.
- Temporary Closure (Care and Maintenance) occurs when project operations temporarily ceases due to predictable economic or operational constraints. Temporary closure is normally planned. The company will immediately prepare and implement a Care and Maintenance Program (CMP) with considerations the possible reopening of the project in the future. If temporary closure is imminent, PGMC will notify all stakeholders three (3) months prior to temporary closure.
- The Sudden or Unplanned Closure occurs when the project suddenly ceases due to financial constraints (or similar economic imperatives) or if the operation is instructed to close due to nonconformance/s with regulatory requirements.

The following are the goals and objectives of the rehabilitation under the FMRDP:

- Rehabilitate/re-vegetate all the disturbed areas within the MPSA areas affected by mining operations by reshaping/re-contouring affected areas prior to re-vegetation;
- Minimize the long-term visual impacts caused by mining through application of innovative measures creating landforms and vegetation compatible with the surrounding landscape;
- Manage and control off-site contamination, including water pollution, siltation and erosion by defining drainage systems, fortifying environmental control structures and enhancing slope stabilization;
- Remove all unnecessary mine facilities and equipment used in operations and rehabilitate the areas prior to abandonment; and
- Conduct post rehabilitation monitoring and implement improvement and enhancement programs.

The company is aiming for a post land use similar or close to the pre-mining state. Hence, re-vegetation thru progressive rehabilitation of the affected areas is proposed and the focus of this FMRDP. Minimum standard includes a stable and revegetated mine area. The provisions by law for the periodic review of the FMRDP every two (2) years will provide the necessary tool to ensure the success of progressive rehabilitation. Most of the equipment used for the Project are mobile and provided by a contractor/s. Decommissioning of the equipment will be the responsibility of the contractor/s subject to INC's safety rules and policies.

The proposed final land uses for each project component will determine the rehabilitation of the Project. The area disturbed area will be cleared and revegetated. Involvement of the host community will be the prime strategy to ensure the success of rehabilitation.

The preparation of the area will be done using heavy equipment such as dump trucks, loaders, bulldozers, etc. The final land configuration will incorporate road network to make as many areas accessible as possible with provisions for drainage system.

The parameters considered in the rehabilitation plan to control erosion and sedimentation prior to revegetation are the following:

- i. Stabilization of the mine pit slope areas.
- ii. Spreading of top soil on the affected areas.
- iii. Introduction of self-sustaining vegetation.
- iv. Construction/maintenance of drainage system.
- v. Maintenance of nursery to meet the rehabilitation requirements.

The material for backfilling will be sources from the stockpiled topsoil during operation. Seedlings will be source from the company nursery and the community. The financial requirement will be provided by the company thru the Final Mine Rehabilitation Fund. Withdrawal from the FMRDF shall be based on a work and financial plan approved by the MRF Committee.

For the social aspects, INC will provide a retrenchment package will be given to company personnel. The enumerations will be based, at the very least, on provisions of law and may be increased depending on the financial considerations of the PGMC during the time of closure. INC will soften the impact of closure to company personnel by providing a broad range of placement services. This will assist the employees to make the transition to alternative jobs or in becoming self-employed. These services can be thru Job Search, Skills Training and Education Programs, Enterprise Awareness, and Counseling.

The transfer of social assets and services will depend on the outcome of the consultation with the stakeholders in the future. Facilities such as staff house, parking area, laundry, water tank, Motorpool area, powerhouse, and nursery can be transferred to the host Barangay after the life of the MPSA.

During the implementation of the FMRDP, the INC Closure Team will oversee the implementation of the maintenance and monitoring plans. It will be guided by the closure criteria and performance standards discussed in the previous paragraphs. The environmental, community relations, safety and health personnel of INC will spearhead the maintenance and monitoring of all activities within the FMRDP.

This will be in addition to the monitoring and/or audit conducted by the Mine Rehabilitation Fund Committee (MRFC) through the Multi-partite Monitoring Team (MMT) and the Contingent Liability Rehabilitation Fund Steering Committee and the Mines and Geosciences Bureau (MGB).

At the end of the FMRDP implementation and based on the assessment of INC that the objectives of project closure, as contained in the approved FMRDP have been achieved, INC will prepare and submit a Final Rehabilitation Report with third party Environmental Audit (FRR with EA) for pre-evaluation by the MRF Committee and final approval by the CLRF Steering Committee.

If residual care is still needed, INC will submit a Site Management Plan detailing how the identified residual rehabilitation commitments are to be managed along with the corresponding funding requirement.

The long term management and maintenance of project site will be passed to the Government after the issuance of Certificate of Final Relinquishment.

The total cost for the implementation of the FMRDP is **PhP 163.5 Million** as reflected in **Table 59**. The schedule of deposition for the FMRDP Fund is shown in

Table 60 below:

Table 59. FMRDP cost breakdown

FMRDP Key Areas	Activity	Total Cost
Mining Area	Rehab/Backfill	14,490,000
Port Stockpile Yards	Rehab/Backfill	1,150,000
Siltation Ponds	Rehab/Backfill	1,840,000
Haul Roads	Rehab/Backfill	2,760,000
Motorpool Area	Disassembly and Rehab	172,500
Drainages	Maintenance/Rehab	6,440,000
Fuel Oil Facilities	Disassembly and Rehab	184,000
Water Tank Facilities	Disassembly and Rehab	115,000
Mine Camp and Offices	Care and Maint./Turnover	575,000
Water and Power lines	Care and Maint./Turnover	575,000
Nursery Area	Rehab/Backfill	345,000
Technical Services	Monitoring and Mgt.	15,120,000
Social Preparation	IEC and Training/Seminars	315,000
Retrenchment	Cost Allocation	52,246,000
Mine Camp and Offices	Dismantling/Rehab	46,000,000
Causeway	Maintenance/Rehab	179,000
National Greening Program	Tree Planting and Maint.	21,000,000
Total Cost		163,506,500

Figure 147. Progressive rehabilitation plan under the decommissioning phase

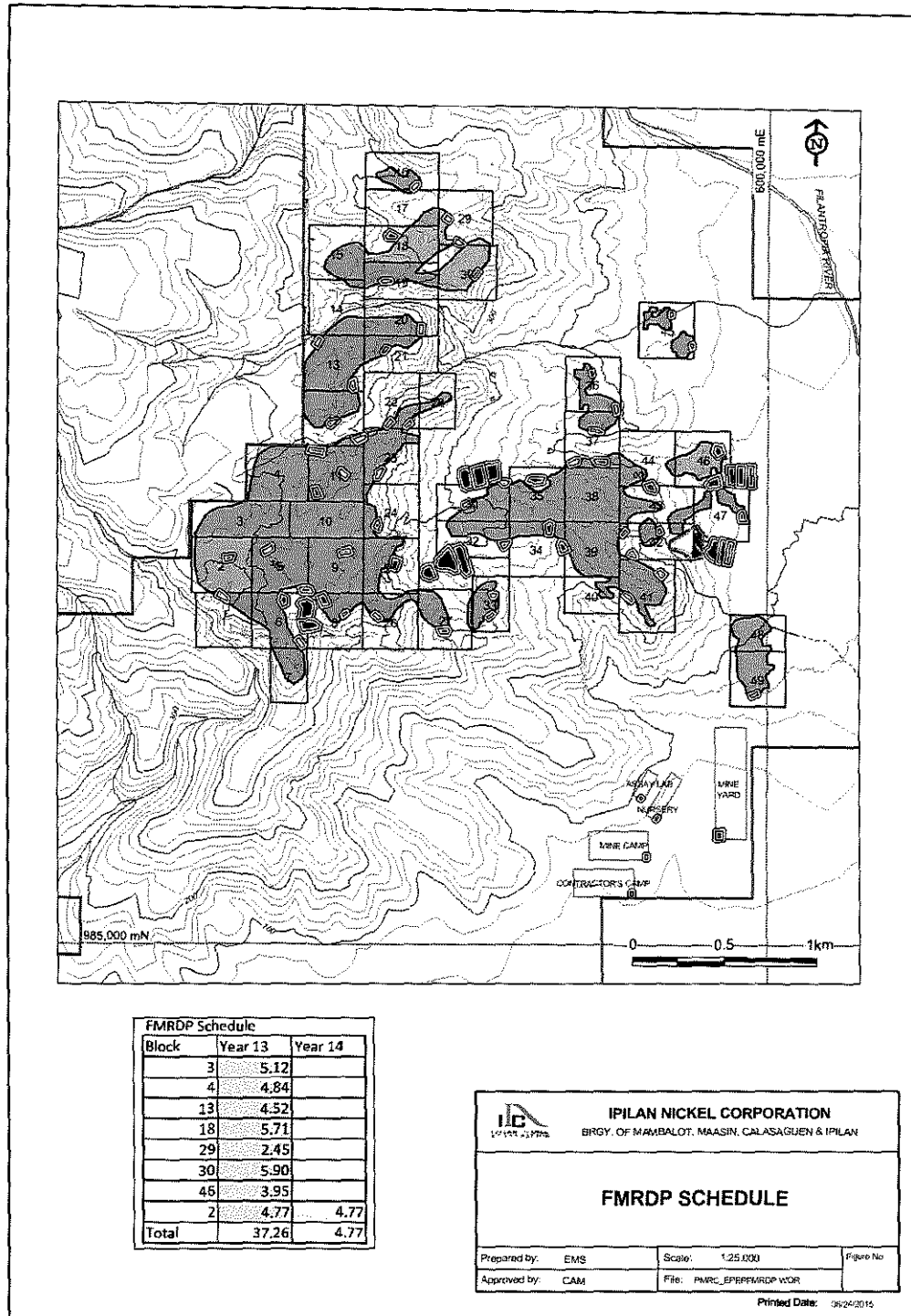


Table 60. Deposit schedule of FMRDP Fund

Year	% Payment per DENR AO7, S 2005	FMRDP Fund, PhP	Cumulative, PhP
Year 1	0.0%	0	0
Year 2	0.0%	0	0
Year 3	26.5%	43,329,223	43,329,223
Year 4	22.5%	36,788,963	80,118,185
Year 5	17.7%	28,940,651	109,058,836
Year 6	16.3%	26,651,560	135,710,395
Year 7	9.5%	15,533,118	151,243,513
Year 8	5.5%	8,992,858	160,236,370
Year 9	2.0%	3,270,130	163,506,500
Year 10	0.0%	0	163,506,500
Total	100.0%	PHP 163,506,500	

11.5.4. Mine Safety and Health Plans

The Safety and Health Program of INC aims to prevent accidents and occupational related diseases that INC personnel may be exposed to arising from the workplace. In addition, the Annual Safety and Health Program is designed to meet the statutory requirement as mandated under Section 144 of DENR Administrative Order No. 96-40, as amended, the Implementing Rules and Regulations of R. A. 7942, otherwise known as the Philippine Mining Act of 1995.

Safety and Health Policy

INC promotes a policy that promotes safety and health in the workplace as its foremost concern to conduct mining.

INC is committed to:

- Provide appropriate information and/or training to INC personnel on occupational safety and health to encourage safe working practices in the workplace;
- Ensure that all facilities shall be maintained and operated safely and adhere to the norms being widely practice in the mineral industry;
- Introduce continual improvements in policies; and
- Exercise the principle of full accountability on all managers and supervisors to ensure that the promotion of safety and health.

Elements of the Safety and Health Program

Leadership and Administration

INC believes that an effective management's leadership and administration is the cornerstone to the success of the program. The following will be implemented to attain this goal.

- A written policy statement that reflects INC's positive attitude and commitment to safety and health. The policy statement shall, be posted conspicuously in all areas where employees usually congregate.
- Establishment of a safety and health office which is independent to other offices and shall be directly under the Mine Manager. The manager shall appoint a safety and health officer and provide sufficient personnel to ensure that the statutory requirements shall be met for the effective implementation of the program.
- In compliance with Rule 27 of DENR Administrative Order No. 2000-98, a Central Safety and Health Committee (CSHC) will be created within a month after the start of the operation. The composition of the committee members shall be the department heads. In addition, a company nurse will be hired to man the clinic to administer minor emergency medical care to employees.

Organizational Rules and Procedures

The first task of the CSHC will be the preparation of rules and standard operating procedures covering every facet of mining operations to ensure that INC personnel could perform their individual tasks safely and effectively so as not to compromise the safety and health of fellow employees. The rules and regulations will be based on DENR Administrative Order No. 2000-98 and shall be reinforced with rules and standard operating procedures reflective of the mining operations. INC will post bulletin boards signages and tags in strategic areas within the project premises to communicate critical rules and regulations to employees or to assists employees in complying with the safety rules and regulations. Lastly, INC will comply with statutory reportorial requirements religiously.

Meetings

- Central Safety and Health Committee (CSHC) Meeting
Monthly Central Safety and Health Committee meeting will be held to discuss the progress of the implementation of the Annual Safety and

Health Program. Other safety and health concerns that encountered in the mining operations shall also be discussed during the meeting to formulate solutions to reduce or eliminate the identified risks. The Mines and Geosciences Bureau shall be furnished with the minutes of the CSHC meetings.

- **Department/Section Meeting**

All departments/sections managers/supervisors shall be required to conduct meetings after every Central Safety and Health Committee meeting to disseminate strategies arrived at. This will also serve as an opportunity to gather feedback from employees to ensure the success of the program.

- **Tool Box/Pep Talk Meeting**

All employees shall be required to attend tool box meetings/pep talks before they are dispatched to their respective work assignments to remind them of the safety practices to be observed while working.

Management and Employees Training

Department managers, supervisors and employees shall be required to undergo safety and health trainings to equip them the necessary knowledge and skills to recognize, evaluate and introduce remedial measures to any safety and health risks that may arise in their respective areas of responsibility. The knowledge and skills to be learned by the employees will create positive attitudes in instilling a culture of safety.

The following trainings shall be administered by INC or sourced out from other safety training providers:

- Orientation and reorientation of newly hired or old employees;
- Basic occupational safety and health seminar;
- First aid and emergency care seminar; and
- Mine Rescue and Fire Fighting.

Good Housekeeping

Good housekeeping shall be practiced at all times in the INC premises following the 5S principle. The Safety and Health Officers in collaboration with the INC nurse shall conduct regular inspections to maintain proper hygiene and sanitation in all workplaces. This will also ensure that diseases carrying species will be limited, if not eliminated. Proper segregation of both non-biodegradable and biodegradable waste shall be maintained at all times in the INC premises.

Planned Inspection

Planned safety inspection shall ensure that all work practices and standard working conditions are properly observed on the ground thereby reducing and/or controlling potential loss, property damage and physical injury. The safety and health office personnel shall conduct daily inspection of all workplaces.

Accident/Incident Investigation

INC will require employees to report all injuries, related illnesses, and property damage including near misses to their respective superiors for proper investigation.

Line supervisors shall be required to conduct the investigation in collaboration with the Safety and Health Office. The investigation team shall identify the underlying causes including misconducts or substandard conditions to come up with remedial measures to prevent the occurrence of accidents.

INC will comply with the statutory requirements wherein accident resulting to death or serious physical injuries shall be reported to the Mines and Geosciences Bureau within 24 hours.

Accident/Incident Analysis

All accidents and incident cases including occupational related diseases shall be recorded/collated and analyzed by the Safety and Health Office. The accident statistics shall be furnished to all departments and the Central Safety and Health Committee for proper dissemination and discussion during its meetings.

Health Control and Services

INC shall provide medical care to employees who have suffered occupational related injuries/illnesses.

INC shall provide the following:

- Pre-placement physical examination to applicants
- Annual medical examination to employees
- Return to work medical examination for employees who have met an accident

Personal Protective Equipment

INC shall eliminate the identified occupational hazards through the introduction of hierarchy control measures whereby the use of personal

protective equipment shall only be the last recourse if everything fails. INC shall comply, as provided for under the existing Safety and Health Standards, to provide employees free of charge personal protective equipment to ensure that their physical well-being are amply protected while performing their assigned tasks. Employee shall be issued personal protective equipment in accordance with the type of occupational hazards that they may likely be continuously exposed to as determined by the Safety and Health Office.

Environmental Risk Management Including Emergency Response and Preparedness Program

To comply with Rule 637 of DENR Administrative Order 2000-98, INC shall prepare an Emergency Response and Preparedness Program (ERPP) covering its area of operations.

The coverage of the program shall initially cover identified risk inherent to the operation. Scenarios shall be prioritized in its likelihood to occur as well as the mitigation to be introduced to counter it. The persistency of any scenario despite of the mitigating measures to be incorporated shall be the subject of emergency response and preparedness drills that shall be conducted by INC in accordance with the existing statutory requirements.

The ERPP Program shall include the following:

1. Organization of crisis management group.
2. Purchase of appropriate logistics/equipment.
3. Provision for alarm/warning system.
4. Formulation of procedures or protocols to address the perceived threats/scenarios.
5. Selection and training of response teams in emergency procedures.
6. Conduct of emergency response and preparedness drills.

Safety and Health Incentives/Promotions

Incentives shall be given to employees who consistently demonstrated exemplary safety and health practices while performing their jobs.

The safety incentives shall be given which are as follows:

- a. Promotion of employees who have been consistently exhibited commitments in the promotion of safety and health
- b. Certificate of recognition - Safety promotions thru the conduct of safety contest/slogan shall be vigorously pursued by INC.

Monitoring and Reporting

Evaluation and monitoring of the progress of the implementation of the Annual Safety and Health Program shall be taken up during the Central Safety and Health Committee meeting. The Safety and Health Office and concerned Department Managers shall be asked to report their accomplishments in the execution of the said program. Likewise, the Mines and Geosciences Bureau shall be informed of the accomplishment of INC through the minutes of meeting of the Central Safety and Health Committee.

Community Consultation

Consistent with INC's commitment towards corporate social responsibility, INC shall conduct consultation with the Local Government Units (LGU) and community on safety and health concerns and issues that may arise in its mining operations.

Safety and Health Program Budget

The annual cost of **PhP 4.40 Million** is allocated for the Safety and Health Program. The summary and budget of the SHP is shown below.

Table 61. Annual Safety and Health Program Cost Breakdown

Item	Amount
Safety Programs:	
Safety Trainings	1,454,000
Personnel Protective Equipment	1,454,000
Mine Rescue and Fire Fighting	50,000
Safety Meetings and Conferences	50,000
Emergency Preparedness Program	50,000
Community Safety Consultations	50,000
Safety Investigations and Inspections	50,000
Safety Promotions and Signages	50,000
Total Cost for Safety Program	3,208,000
Health Programs:	
Annual Medical Check up	727,000
Medical Mission	50,000
Medical Supplies and Equipment	50,000
Total Cost for Health Programs	827,000
Contingency	403,500
Annual Provisions for Safety and Health	4,438,500

11.6. Financial Aspects

11.6.1. Total Project Cost Estimates and Assumptions

11.6.1.1. Engineering Study Cost

Engineering study cost for the ore reserve estimation and facilities design are PhP1.50 Million and PhP54 Million respectively.

11.6.1.2. Exploration/Development Cost

Exploration cost for the extension drilling at the INC deposit periphery is approximately **PhP 116.7 Million.**

Table 62. Exploration Cost

Activity	Amount
Geological Mapping	150,000
Site survey of drill sites	464,200
Fabrication of core boxes	375,000
Core Drilling @ NQ size	69,630,000
Mobilization 10 lots crew, rig equipment	750,000
Hole to hole transfer	13,082,500
Demobilization	750,000
Core logging, photography and sampling of drill holes	3,481,500
Transport of Samples for Laboratory analysis	1,740,750
Assay of core samples	7,555,000
Topographic survey	3,720,000
Preparation of Geological and Resource Evaluation Report	2,500,000
12% VAT	12,503,874
Total	116,702,824

11.6.1.3. Pre-Operating Overhead

The pre-operating expenses would mean the start-up preparations or the working capital which is approximately PhP 192.2 Million.

Table 63. Pre-operating expenses overhead

Cost Center	Amount, PhP
Office of the Resident Mine Manager	800,000
Administration and Finance	15,500,000
Mine Technical Services	6,400,000
Mine Geology & QAQC	10,100,000
Mine Operations	89,100,000
Health, Safety and Environment	19,800,000
Community relations, IP affairs & CSR	5,100,000
Port Operations	15,300,000
Mine Mechanical Services	2,500,000
Security	10,100,000
Contingency, 10%	17,500,000
Total	192,200,000

11.6.1.4. Capital Equipment, Machinery and Fixtures

The capital equipment and fixtures cost is PhP 478.1 Million which is broken down as follows:

Table 64. Capital expenses for equipment and fixtures

Department	Amount
Office of the RMM	5,022,000
A&F	37,866,000
Mine Technical Services	132,479,148
Mine Geology & QAQC	53,540,000
Mine Operations	4,688,000
HSE	173,110,000
CIC	5,444,000
Mechanical	18,096,000
Port Operation	13,044,000
Security	34,830,000
Total	478,119,148

11.6.1.5. Allied Mine Facilities and Infrastructures

The allied mine facilities cost needed for the operation is PHP 454.1 Million.

Table 65. Mine facilities and infrastructures cost

Buildings and Facilities	Amount
Mine Camp Complex	14,500,000
Mine Office Complex	11,000,000
Mine Mechanical Complex	11,000,000
QA & Control Complex	4,500,000
Environmental Management Complex	2,758,702
Mine Operations Support Facilities Complex	11,928,842
Port Operation Building	1,701,000
South 1 Road	57,300,000
North 1 Road	18,500,000
North 2 Road	12,900,000
North 3 Road	16,300,000
Central 1 Road	46,700,000
Central 2 Road	9,250,000
Haul Road 1	8,750,000
Mine Camp to Haul Road 1	5,500,000
Main Haul Road (MY to PY)	37,600,000
PY to Causeway Road	4,000,000
Causeway	99,369,637
Assay Compound	632,392
Mine Camp & Office Complex	2,861,664
Mine Yard	11,373,695
Nursery	11,184,040
Pier Yard	5,724,515
Contractor's Camp	2,839,483
Starter Wastedump	1,000,000
Bridge	45,000,000
Total	454,173,970

11.6.1.6. Environmental Equipment and Facilities

The additional environmental works needed to support the development of new areas will cost PhP 46.80 Million.

Table 66. Environmental Works Capital Cost

Environmental Protection	Amount
Construction Stormwater drainages, Sediment Traps and Settling Ponds	20,000,000
Earthworks and Covers for Erosion	3,000,000
Waste Rock for Stockyard Stabilization	1,500,000
Environmental Monitoring Equipment	5,000,000
Acquisition of water pumps for dust suppression	3,000,000
Coastal Marine Survey and Study	3,000,000
Oil and water separators	500,000
Nursery Camp Facility Construction	3,400,000
Buffer zone plantation works	200,000
Provision of Personal Protective Equipment (PPEs)	7,200,000
Total	46,800,000

11.6.1.7. Interest During Construction

The funding to support the developments and construction works will come from advances to buyers. Therefore no loans will be made that will entail interest.

11.6.1.8. Working Capital

As mentioned earlier, the working capital to cover the three (3) months start-up operations will be PhP 192.2 Million.

11.6.1.9. Contingencies

A 10% contingency allowance for each item was provided.

11.6.2. List of Capital Equipment and Works

Table 67. Capital Equipment Lists

Equipment	No. of Unit
Hydraulic Excavator (KOM PC200-8)	6
Bulldozer (CAT D6R)	2
Road Grader (Volvo G930)	4
Payloader (Liugong)	4
Vibratory Compactor (SD110 DC)	4
Aggregate Crusher Plant	1
HOWO Sino Truck 371HP	20
Water Truck (HOWO Sino Truck 371HP)	6
Service Vehicle (HILUX)	22
Service Vehicle (Toyota Grandia)	1
Shuttle Bus (50-seater)	2
Ambulance	2
Fire Truck	4
Garbage Truck	4
Saddam-SKW	16
Fuel Truck(5000L Capacity)	2
Fuel Truck(2000L Capacity)	2
200 KVA Diesel GenSet	2
125KVA Diesel GenSet	4
200KVA Diesel GenSet	1
25KVA Diesel GenSet	2
Pump Boat	8
Service Motorcycle	4
Water Truck (5000L Cap)	2
Tower Light (1000W)	4

11.6.3. Financial Plans/Sources of Funds

The company's financing plan for the project will be thru owner's equity and financial advances from buyers after lock-in of the volume commitments.

11.6.4. Production Cost Estimates and Assumptions

11.6.4.1. Mining Cost

As the operation of the mine will be fully contractor operated, the scope of the contractors will include the mining block development works; waste stripping, ore mining, stockpiling and barge loading. The total unit cost of the contractor-operated mining to barge loading is PhP 639.84/WMT or US\$ 14.54/WMT.

11.6.4.2. Marketing Cost

The marketing cost consist of barging cost which is PhP 64.29/WMT or US\$ 1.46/WMT.

11.6.4.3. Mine Overhead Cost

The mine overhead cost covers the mine management and departmental costs which is PhP 201.52/WMT or US\$ 4.78/WMT

11.6.4.4. Environmental Cost

The environmental cost covers the implementation of the conditions stipulated under the Environmental Protection and Enhancement Program (EPEP) which requires mining companies to roughly spend an equivalent of 3-5% of their direct mining and ore preparation cost. This cost based on the pre-feasibility study is PhP 34.6/WMT or US\$ 0.79/WMT. An annual average budget of PHP 70.6 Million is estimated to be allocated for the implementation of the Annual EPEP.

Table 68. EPEP Cost Breakdown

EPEP Cost Item	Budget p.a.	Unit	Unit Cost	Total
Reforestation				
- Buffer zone plantation	115	Has.	200,000	276,000,000
- Mangrove enrichment	2	Has.	60,000	1,440,000
- Plantation maintenance, Has.	annual hectares	Has.		
	Cost		20,000	2,700,000
- Nursery operation	lump sum		1,000,000	12,000,000
Stormwater and Sediment control				
- Maintenance of structures	12000	cu m.	50	7,200,000
- unloading of sediment				
- Sediment traps	8000	cu m.	250	24,000,000

INC Economic Assessment and Ore Reserves Estimation (PMRC-CPEM Technical Report)

- Settling ponds	40000	cu m.	250	120,000,000
- Ground cover measures	5	Has.	125,000	7,500,000
Road Gravelling	9	Km/yr	1,000,000	108,000,000
Road water sprays (@ 200 days)	10	trips/day	1,000	24,000,000
Waste management	lump sum	p.a.	200,000	2,400,000
Marine fish sanctuary	lump sum	p.a.	200,000	2,400,000
Environmental Training Program	lump sum	p.a.	200,000	2,400,000
Environmental Monitoring				
- Water quality	4	quarterly	50,000	2,400,000
- Air quality	1	yearly	50,000	600,000
- Shiploading	1	yearly	500,000	6,000,000
- Terrestrial flora and wildlife	1	yearly	50,000	600,000
- Freshwater and marine biology	1	Once every 2 years	400,000	2,400,002
- MMT Fund	4	quarterly	50,000	2,400,000
Rehabilitation of Mine-out areas				
- Mine pit				
AREA (Has)	187	Has.		187
Volume Backfilled (cum)		cum		3,738,120
Backfill Cost		PhP	60	224,287,200
Revegetation Cost		PhP	100,000	18,690,600
Total Cost (Backfill + Revegetation)		PhP		242,977,800
EPEP Cost		PhP		847,417,802

11.6.4.5. Community Development Cost

The community development cost covers the Social Development Management Program (SDMP) which requires the company to allocate roughly 1.50% of their total operating costs (**Table 69**). This cost is approximately PhP 17.26/WMT or 0.39/WMT. An annual cost of round PhP 37.7 Million will be allocated for the project. The exiting Community Development Program of INC has an allocation distribution to its host Barangays of 40% Mambalot, 30% Maasin, 15% Calasaguen and 15% Ipilan.

Table 69. SDMP Cost Allocation

<i>Item</i>	<i>Average</i>
Social, Mining Technology and Geosciences Development	3,775,000
ICE Program	5,662,500
Community Development	28,312,500
Total	37,750,000

11.6.4.6. Excise Tax

The Excise tax is 2% of the gross sales. The average annual excise tax payments that will be made by the project is estimated at PhP 92.2 Million or a unit cost equivalent of PhP 36.61/WMT or US\$ 0.83/WMT.

11.6.4.7. Head Office Overhead Cost

The head (Makati) office average annual overhead cost is estimated at PhP 104.6 Million or an equivalent unit cost of PhP 41.52/WMT or US\$ 0.94/WMT.

11.6.4.8. Royalty

The project will pay royalty to the Indigenous Peoples (IP) equivalent to 1% of the Gross Sales. The IP Royalty although not mandated as the MPSA was approved prior to the enactment of IPRA Law and Mining Act, INC have pledged to pay the said royalty to the Palawan Indigenous People which amounts to an average of PhP 46.10 Million annually or PhP 18.30/Wmt (US\$0.42/WMT).

11.6.5. Government Financial Incentives, if any

The project is not entitled to a BOI incentive for developing the area but might be entitled to a full income tax holiday since it is an exporter of minerals.

11.6.6. Basis of Revenue Calculation

11.6.6.1. Selling Price

The selling price assumptions used in the pre-feasibility is based on the average price from Year 2012 to 2015 nieba.cn monitoring. The Author believes that this price reflects the average price covering the period of the pre-feasibility study.

Table 70. Ore pricing used in the economic assessment

Material	Nickel and Iron Grade Ranges	Average Price (US\$/WMT FOB)
LG_HF	< 1.20% Ni / >= 47% Fe	20
LG_LF	>= 1.20%, <1.40% Ni / <30% Fe	20
LG_MF	>= 1.20%, <1.40% Ni / >= 40%, <45% Fe	25
MG_MF	>= 1.40%, <1.70% Ni / >=30% Fe	55
MG_LF	>= 1.40%, <1.70% Ni / <30% Fe	55
HG	>= 1.70% Ni / Regardless Fe	70

11.6.6.2. Exchange Rate

The foreign exchange rate assumption used in the pre-feasibility study is PhP 44/1US\$.

11.6.6.3. Smelters/Freight/Treatment Charge Bonuses and Penalties

The bonus penalty for the marketed ore varies on a spot contract basis but is usually focused on the nickel and iron grades as well as the moisture content.

11.6.6.4. Percentage of LME Price Payable

The ore spot pricing does not follow the LME but on the Shanghai Metals Market (SMM), China. The pricing at the SMM is in terms of CFR. The negotiated FOB price is determined by deducting the freight cost which is on average approximately US\$ 14/WMT.

11.6.7. Proforma Financial Statements

The proforma financial statements are tabulated in **Tables 71 to 73**.

11.6.7.1. Balance Sheet

Table 71. Projected Balance Sheet

PERIOD	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Y11	Y12
ASSETS (PhP)												
Cash and Cash Equivalents	489,773,751	1,477,317,160	3,521,914,894	5,723,750,654	7,631,352,960	9,292,048,517	11,051,707,546	12,888,451,910	14,430,755,654	16,156,658,504	18,017,216,474	18,621,118,325
Equipment and Fixtures	227,192,148	227,792,148	265,842,148	269,652,148	270,252,148	436,384,148	440,194,148	445,144,148	478,844,148	482,519,148	483,119,148	488,119,148
Land Acquisition	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
Mine Site Development	667,143,031	671,407,831	681,245,431	706,428,231	717,042,231	724,871,431	796,651,431	837,090,631	847,681,431	855,084,231	860,603,831	860,603,831
Less:												
Acccu.Depreciation	-47,722,124	-96,754,249	-151,976,373	-207,188,497	-262,400,622	-311,082,746	-358,444,871	-400,506,995	-450,844,119	-501,136,244	-518,321,968	-535,507,692
Accu.Amortization	-74,904,086	-154,777,699	-240,675,073	-334,970,535	-436,892,747	-539,213,417	-661,897,419	-802,749,262	-958,848,805	-1,134,215,947	-1,337,542,890	-1,596,415,287
Total Assets	1,291,482,721	2,154,975,192	4,106,351,028	6,187,672,002	7,949,353,971	9,633,007,934	11,298,210,836	12,997,430,433	14,377,588,310	15,888,909,693	17,535,074,596	17,867,918,325
EQUITY (PhP)												
Stockholder's Equity	1,106,223,580	1,106,223,580	1,106,223,580	1,106,223,580	1,106,223,580	1,106,223,580	1,106,223,580	1,106,223,580	1,106,223,580	1,106,223,580	1,106,223,580	1,106,223,580
Retained Earnings	185,259,141	1,048,751,612	3,000,127,448	5,081,448,422	6,843,130,391	8,526,784,354	10,191,987,257	11,891,206,853	13,271,364,731	14,782,686,113	16,428,851,016	16,761,694,745
Total Equity	1,291,482,721	2,154,975,192	4,106,351,028	6,187,672,002	7,949,353,971	9,633,007,934	11,298,210,836	12,997,430,433	14,377,588,310	15,888,909,693	17,535,074,596	17,867,918,325

11.6.7.2. Profit and Loss

Table 72. Projected Income Statement

Cost Center	Unit Cost, US\$/wmt	Total, PhP	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Y11	Y12
PRODUCTION, WMT		30,248,796	600,000	1,500,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	1,248,796
GROSS REVENUE, PhP	41.60	55,365,105,434	1,150,050,457	2,944,590,423	5,858,271,049	6,080,801,049	5,559,512,149	5,431,139,695	5,352,927,749	5,421,349,577	4,905,998,240	5,148,880,118	5,381,858,494	2,129,726,432
		41.60	52.28	44.62	44.38	46.07	42.12	41.14	40.55	41.07	37.17	39.01	40.77	38.76
LESS:														
DIRECT MINING & PROCESSING COST														
CONTRACT MINING TO BARGE LOADING BARGING	14.54	19,354,439,321	352,374,283	994,576,178	1,984,994,513	1,998,216,283	1,935,384,824	1,913,515,722	1,885,223,291	1,894,331,785	1,837,593,398	1,873,607,959	1,889,007,425	795,613,661
ARRASTRE & STEVEDORING WHARFAGE	0.18	241,990,366	4,000,000	12,000,000	24,000,000	24,000,000	24,000,000	24,000,000	24,000,000	24,000,000	24,000,000	24,000,000	24,000,000	9,990,366
GRADE CONTROL	0.33	438,013,346	23,794,833	27,093,463	40,045,377	40,045,377	40,045,377	40,045,377	40,045,377	40,045,377	40,045,377	40,045,377	40,045,377	26,716,657
ASSAYING	0.25	338,206,883	15,101,892	19,684,450	31,571,170	31,571,170	31,571,170	31,571,170	31,571,170	31,571,170	31,571,170	31,571,170	31,571,170	19,280,011
MINE ENGINEERING & TECHNICAL SERVICES	0.23	307,546,939	24,086,323	24,436,323	26,075,099	26,075,099	26,075,099	26,075,099	26,075,099	26,075,099	26,075,099	26,075,099	26,075,099	24,348,402
PORT OPERATIONS	0.04	53,311,556	4,341,593	4,391,593	4,466,593	4,466,593	4,466,593	4,466,593	4,466,593	4,466,593	4,466,593	4,466,593	4,466,593	4,379,033
TOTAL	17.22	22,920,054,775	475,079,564	1,189,043,287	2,324,875,312	2,338,097,082	2,275,265,623	2,253,396,521	2,225,104,090	2,234,212,584	2,177,474,197	2,213,488,758	2,228,888,224	985,129,534
		17.22	21.59	18.02	17.61	17.71	17.24	17.07	16.86	16.93	16.50	16.77	16.89	17.93
GENERAL & ADMINISTRATIVE EXPENSES														
SECURITY	0.36	477,418,670	38,976,596	39,376,596	39,976,596	39,976,596	39,976,596	39,976,596	39,976,596	39,976,596	39,976,596	39,976,596	39,976,596	39,276,114
MECHANICAL SERVICES	0.08	107,338,787	8,641,789	8,791,789	9,016,789	9,016,789	9,016,789	9,016,789	9,016,789	9,016,789	9,016,789	9,016,789	9,016,789	8,754,108
HEALTH & SAFETY	0.12	154,178,801	12,303,693	12,282,853	13,034,378	13,034,378	13,034,378	13,034,378	13,034,378	13,034,378	13,034,378	13,034,378	13,034,378	12,282,853
ENVIRONMENTAL	0.79	1,046,542,719	65,405,046	65,905,046	66,897,196	81,097,711	98,319,211	116,095,661	88,283,861	89,335,161	87,388,161	81,612,511	103,746,061	102,457,093
SOCIAL DEVELOPMENT	0.39	522,120,708	16,575,689	29,625,689	50,700,689	50,700,689	49,700,689	49,700,689	48,700,689	49,700,689	48,700,689	49,700,689	49,700,689	28,613,129
FINAL MINE DECOMMISSIONING (FMRDP)	0.12	163,506,500	-	-	43,329,223	36,788,963	28,940,651	26,651,560	15,533,118	8,992,858	3,270,130	-	-	-

INC Economic Assessment and Ore Reserves Estimation (PMRC-CPEM Technical Report)

CORPORATE SOCIAL RESPONSIBILITY ADMIN & FINANCE	0.11	151,243,979	2,500,000	7,500,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	6,243,979
MANAGEMENT & SUPERVISION TAXES & FEES	0.16	212,959,404	17,625,373	17,685,373	17,775,373	17,775,373	17,775,373	17,775,373	17,775,373	17,775,373	17,775,373	17,775,373	17,775,373	17,670,301
INSURANCE	0.14	183,953,912	15,289,078	15,309,078	15,339,078	15,339,078	15,339,078	15,339,078	15,339,078	15,339,078	15,339,078	15,339,078	15,339,078	15,304,054
PERMITS & LICENSES	1.05	1,403,600,700	29,076,346	74,515,563	148,064,334	153,453,010	140,835,669	137,728,806	135,836,977	137,491,935	124,981,982	130,867,224	136,495,801	54,253,053
IP ROYALTY	0.01	11,607,440	967,287	967,287	967,287	967,287	967,287	967,287	967,287	967,287	967,287	967,287	967,287	967,287
MINE OVERHEAD	0.06	86,028,606	1,474,091	4,292,273	8,519,545	8,519,545	8,519,545	8,519,545	8,519,545	8,519,545	8,519,545	8,519,545	8,519,545	3,584,334
MAKATI OVERHEAD	0.42	553,651,054	11,500,505	29,445,904	58,582,710	60,808,010	55,595,121	54,311,397	53,529,277	54,213,496	49,059,982	51,488,801	53,818,585	21,297,264
TOTAL	4.78	37,673,672	3,099,058	3,119,058	3,149,058	3,149,058	3,149,058	3,149,058	3,149,058	3,149,058	3,149,058	3,149,058	3,149,058	3,114,034
		1,256,026,519	64,254,217	84,254,217	114,254,217	114,254,217	114,254,217	114,254,217	114,254,217	114,254,217	114,254,217	114,254,217	114,254,217	79,230,132
		6,367,849,471	287,688,767	393,070,726	604,606,474	619,880,705	610,423,662	621,520,433	578,916,243	576,766,459	550,433,266	550,701,546	580,793,457	393,047,734
		4.78	13.08	5.96	4.58	4.70	4.62	4.71	4.39	4.37	4.17	4.17	4.40	7.15
CASH COST	22.01	29,287,904,247	762,768,331	1,582,114,013	2,929,481,785	2,957,977,786	2,885,689,285	2,874,916,955	2,804,020,333	2,810,979,043	2,727,907,462	2,764,190,305	2,809,681,680	1,378,177,269
EBITDA	19.59	26,077,201,187	387,282,126	1,362,476,411	2,928,789,264	3,122,823,263	2,673,822,864	2,556,222,741	2,548,907,417	2,610,370,534	2,178,090,778	2,384,689,814	2,572,176,814	751,549,164
DEPRECIATION	0.40	535,507,692	47,722,124	49,042,124	55,212,124	55,212,124	55,212,124	48,682,124	47,362,124	42,062,124	50,337,124	50,292,124	17,185,724	17,185,724
AMORTIZATION	1.20	1,596,415,287	74,904,086	79,873,613	85,897,373	94,295,462	101,922,212	102,320,669	122,684,003	140,851,943	156,099,543	175,357,143	203,326,943	258,872,397
NON-CASH COST	1.60	2,131,922,980	122,626,210	128,915,738	141,109,498	149,507,587	157,134,337	151,002,794	170,046,127	182,913,967	206,436,667	225,659,267	220,512,667	276,058,122
TOTAL OPERATING COST	23.61	31,419,827,228	885,394,541	1,711,029,750	3,070,591,283	3,107,485,373	3,042,823,622	3,025,919,748	2,974,066,460	2,993,893,010	2,934,344,130	2,989,849,572	3,030,194,347	1,654,235,390
EBIT	17.99	23,945,278,208	264,655,916	1,233,560,673	2,787,879,766	2,973,315,677	2,516,688,527	2,405,219,947	2,378,861,290	2,427,456,567	1,971,654,110	2,159,030,547	2,351,664,147	475,491,042
INCOME TAX	30%	7,183,583,462	79,396,775	370,068,202	836,303,930	891,994,703	755,006,558	721,565,984	713,658,387	728,236,970	591,496,233	647,709,164	705,499,244	142,647,313
NPAT	12.59	16,761,694,745	185,259,141	863,492,471	1,951,375,836	2,081,320,974	1,761,681,969	1,683,653,963	1,665,202,903	1,699,219,597	1,380,157,877	1,511,321,383	1,646,164,903	332,843,729
		12.59	8.42	13.08	14.78	15.77	13.35	12.75	12.62	12.87	10.46	11.45	12.47	6.06

11.6.7.3. Cash Flow

Table 73. Projected Cashflow Statement

	Total	Y0	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Y11	Y12
NPAT														
	16,761,694,745		185,259,141	863,492,471	1,951,375,836	2,081,320,974	1,761,681,969	1,683,653,963	1,665,202,903	1,699,219,597	1,380,157,877	1,511,321,383	1,646,164,903	332,843,729
ADD:														
Depreciation	535,507,692		47,722,124	49,042,124	55,212,124	55,212,124	55,212,124	48,682,124	47,362,124	42,062,124	50,337,124	50,292,124	17,185,724	17,185,724
Amortization	1,596,415,287		74,904,086	79,873,613	85,897,373	94,295,462	101,922,212	102,320,669	122,684,003	140,851,843	156,099,543	175,367,143	203,326,943	258,872,397
LESS:														
CAPEX	1,378,722,980	914,023,580	10,311,600	4,864,800	47,887,600	28,992,800	11,214,000	173,961,200	75,590,000	45,389,200	44,290,800	11,077,800	6,119,600	5,000,000
NET OPERATING CASHFLOW	17,514,894,745	(914,023,580)	297,573,751	987,543,409	2,044,597,734	2,201,835,760	1,907,602,306	1,660,695,557	1,759,659,030	1,836,744,304	1,542,303,744	1,725,902,850	1,860,557,970	603,901,851
CUMMULATIVE CASHFLOW		(914,023,580)	(616,449,328)	371,093,580	2,415,691,314	4,617,527,075	6,525,129,380	8,185,824,937	9,945,483,967	11,782,228,330	13,324,532,075	15,050,434,925	16,910,992,894	17,514,894,745

11.6.7.4. Breakeven Analysis

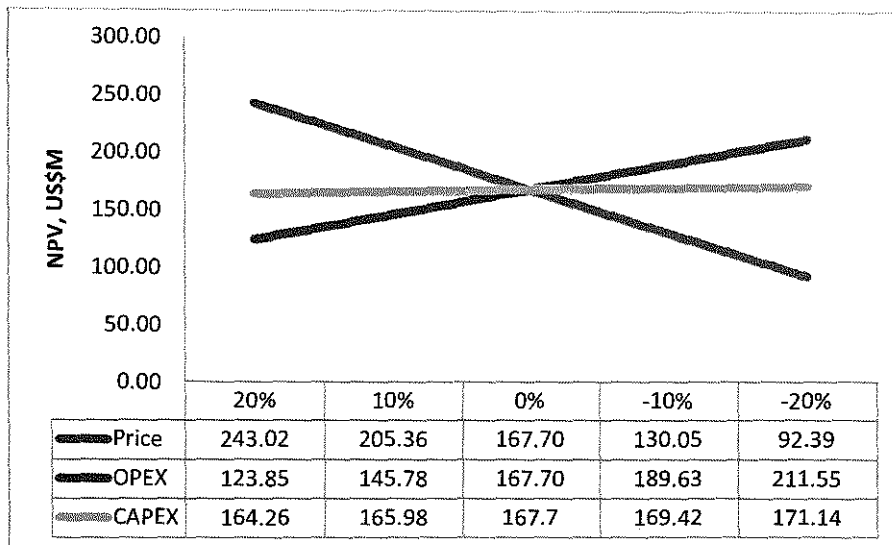
The identified major economic risk for the project is price, operating expenses and capital expense. The breakeven analysis results are as follows:

- Ore Price – US\$ 23.07/WMT;
- Operating Expenses – US\$ 41.64/WMT;
- Capital Expenses – US\$ 337 Million

11.6.7.5. Sensitivity Analysis

The project is most sensitive to the ore price which only a lowering of 45% will set the project to breakeven.

Figure 148. Sensitivity analysis of the project



11.6.7.6. Profitability Analysis

The result of the profitability analysis at 12% Discount Factor is:

- Net Present Value (NPV) – **PhP 7.37 Billion or US\$ 167.5 Million;**
- Internal Rate of Return (IRR) – **99%**
- Payback Period (discounted) – **1.80 Years**

11.7. Socio-Economic Aspects

11.7.1. Employment/management

11.7.1.1. Number, nationality, Position and Annual Payroll

The employment plan for the Ipilan Nickel Project is formed by a number of criteria, such as:

- The laws and regulations of the Republic of the Philippines and the local government of Palawan and Brooke's Point where the Project is located;
- INC policies, such as 'All Philippine workforce' and 'local first policy' with the following order of priority:
 - Local people or those living in the impact barangays;
 - Residents of other barangays in the nearby Municipality;
 - Residents of Palawan ; and
 - Other Philippine Nationals.
- Scale of Philippine's mining industry; and
- International mining operating standards.

The project is projected to create employment opportunity not less than 700 employees both regular and contractual. This does not include the contractual employees from mining and barging contractors. Therefore, as part of the company's agreement with the contractor, the company shall require the contractor to give priority on the hiring of qualified local applicants from Brooke's Point. The permanent workforce for the Project is as follows:

Table 74. Project workforce

Position	Category	No. of Personnel
Mine Manager	SS	1
Department Head	SS	9
Section Head	SS	10
Sr. Supervisor	JS3	17
Jr. Supervisor	JS2	31
Keymen, Foreman	JS1	45
Jr. Foreman, Operators	TS3	50
Sr. Leadman	TS2	24
Jr. Leadman, Drivers	TS1	119
Sr. Skilled Labor	RF3	264
Jr. Skilled Labor	RF2	119
Unskilled Labor	RF1	38
Total		727

The salaries and wages of the above are Tabulated in **Table 75**. The company has formulated an occupational health and safety procedure for the safety of workers. An emergency response plan has also been formulated and implemented.

A roster cycle of 30 days on and 10 days have been employed in the field. Contractor personnel will work the rosters scheduled by their respective employers.

Extended rosters may also be necessary from time to time. Extended roster will be offset by a shorter roster. Experienced personnel in each department at the site could cover absences, due to leave, illness, etc., e.g. the mining superintendent can cover for a mine shift supervisor.

Field operations will have a working schedule of one shift per day, six days per week. This schedule has been selected to ensure that sufficient operating costs are allowed. The total number of shifts per day could vary according to the area of activity:

- Mining and hauling activities will take place over 2 long shifts (12 hours/shift)
- The assay laboratory will work on a 3 shift basis because of the need for rapid turnaround of grade results from pit sampling, and truck sampling during barge loading
- Barge loading and trans-shipment will be a 24-hour operation to ensure the ships are loaded in their allocated time and demurrage costs are not incurred
- Rehabilitation and nursery maintenance will work on a single shift basis

Personnel at the main office follow the normal working hours. Normal working hours, according to the Labor Code of the Philippines, of any employee shall not exceed eight (8) hours a day. Work may be performed beyond eight (8) hours provided that the employee is paid for the overtime work.

Table 75. Salary scale of mine personnel

Position	Category	No. of Personnel	Monthly Gross Salary	Monthly Payroll
Mine Manager	SS	1	200,000	200,000
Department Head	SS	9	100,000	900,000
Section Head	SS	10	75,000	750,000
Sr. Supervisor	JS3	17	26,026	442,442
Jr. Supervisor	JS2	31	22,438	695,578
Keymen, Foreman	JS1	45	19,344	870,480
Jr. Foreman, Operators	TS3	50	14,404	720,200
Sr. Leadman	TS2	24	12,428	298,272
Jr. Leadman, Drivers	TS1	119	10,736	1,277,584
Sr. Skilled Labor	RF3	264	9,256	2,443,584
Jr. Skilled Labor	RF2	119	7,982	949,858
Unskilled Labor	RF1	38	7,150	271,700
Total		727	504,764	9,819,698

11.7.1.2. List of Key personnel and their Qualification

INC has a pool of experienced and well-trained personnel in the field of the minerals industry. The list of key personnel includes the following:

- **Engr. Carlo A. Matilac, BSEM**

Senior Vice President for Technical – Mining (Project Head)

Has over 20 years of experience in open pit mining specifically nickel, gold, copper and coal. Currently oversees the strategic mine management of the whole operation of the PGM CNEP, ZDCMC Acoje and INC Ipilan projects. He previously worked at Verum Terra Geoscience Inc. as Vice President for Operations, LIDD Konstruk Inc. as President, BHPBilliton-Queensland Nickel Pty. Ltd. (Surigao Integrated Resources Corporation) as Technical Services Manager then Sr. Technical Support Engineer-Asia Pacific Region, Manila Mining Corporation as Mine Engineering Superintendent, Mines and Geosciences Bureau as Engineer IV – Head of the Mining Rights and Licensing as well as the Mine Feasibility Evaluation Sections and DMCI-CERI as open pit and underground supervisor.

- **Engr. Richard C. Gimenez, BSEM**

Assistant Vice President for Health, Safety and Environmental (HSE) Management

Has over 20 years of experience in open pit mining specifically nickel mining in Surigao. Has sufficient experience in nickel mining operations and previously worked at Taganito Mining Corporation for more than 7 years as the Mine Production Supervisor. With extensive exposures on administrative works, manual and computerized mine planning, production, quality control and was also an engineer for the Mines and Geosciences Bureau in Region 12. He has been in PGM C for 8 years. Current work involves overseeing the activities in the implementation of the EPEP, health and safety program of the company.

- **Engr. Hilario A. Sale Jr., BSEM**

Resident Mine Manager

Has over 20 years of experience in open pit and underground mining specifically coal, nickel, gold and copper mining in the Philippines. Currently oversees the management of the entire operation of the Ipilan Nickel Project. He previously worked at PGM C as the grade control manager, DMCI as underground mine superintendent, Carmen Copper Corporation as mine superintendent, Citinickel Mines Development as the Grade Control Manager, Filminera Mining Corporation – Leighton Contractors as Blasting Engineer. He also worked as a mine consultant for numerous nickel laterite mines in the Philippines and Indonesia.

- **Engr. May Elaine Cabilao Amora, BSEM**

Technical Services Engineer

Has over 7 years of experience in open pit strategic and tactical mine planning being trained well in the use of Geological and Mining Softwares specifically customized for nickel laterite and copper-gold deposits. She is responsible for the preparation of strategic mine plans, pre-feasibility study and other technical studies for the Ipilan Nickel Project. She previously worked at the Department of Energy as Science Research Specialist, Philsaga Mining Corporation as mine planning engineer, Carmen Copper Corporation as Jr. mine planning engineer and had a

short stint as an instructor in the mining engineering curriculum of St. Paul University in Surigao City.

- **Engr. Felix L. Piala, BSAgr.E.**

HSE Manager

Has over 20 years of experience in open pit mining specifically nickel and cement plants in the Philippines. Currently oversees the Mine Safety, Health and Environment Management of Ipilan Nickel Project. He previously worked at Nickel Asia Corporation – Hinatuan Mining Corporation as Environmental Engineer / Safety Engineer / Pollution Control Officer and Community Relations Officer, Nickel Asia Corporation – Cagdianao Mining Corporation as OIC-Head in Mine Safety, Health, Environment and Community Development Department, Head – Safety and Health Department of Platinum Group Metals Corporation, Head Mine Safety Health and Environment Dep't of ADNAMA Mining Resources Inc., Citinickel Mines and Dev't Corporation and Leyte Iron Sand Mining Corporation, Health and Safety Manager of SR Metals Inc. and IPM Construction and Dev't Corporation. He also worked with the government prior to working in the mining sector as Agricultural Technologist in the Department of Agriculture, Region XIII, Surigao del Norte Province. Eng'r Piala is a Permanent Safety Engineer's Permit Holder from his previous mining employers in different DENR-MGB Regions nationwide. An accredited Occupational Safety and Health Practitioner in Mining and Quarrying from DOLE-BWC, Region XIII and Accredited Pollution Control Officer from DENR-EMB, Regions VIII and XIII.

- **Mr. Edison R. Ranches, BSGeo**

Mine Geology, Grade Control & QAQC Manager

A professional Geologist experienced in Exploration and Mine Operation in Nickel Laterite Deposit. Presently connected as Mine Geology, Grade Control and QAQC Manager of Ipilan Nickel Corporation. Previously worked as Grade Control Officer at PGMC Palawan Project. A Senior Geologist in Yinyi Philippines Mining Inc., and Macro Asia Corporation and also worked as Junior Exploration Geologist in Taganito Mining Corporation. He also worked with the government in DENR-MGB, Region XII.

- **Mr. Ronald R. Navarro, BSN,RN**

Community, IP Affairs and CSR Manager

Has over 20 years of experience in community organizing and development in various organizations in rural and urban growth areas. Currently oversees the planning, implementation, monitoring, and evaluation of the Community Development Program 2014 and 2015 of the Ipilan Nickel Project of Ipilan Nickel Corporation for its impact areas in Brooke's Point, Palawan. Previously worked with the Provincial Governor of Palawan as Information Manager and at the same time OIC for the Leprosy Program of the Provincial Health Office. He also served as Community Relations Manager for the Lucio Tan Group of Companies –MacroAsia Corporation in Brooke's Point, Palawan and MacroAsia Mining Corporation exploration projects in Camarines Norte and Quezon Province.

11.7.1.3. Personnel Policies re Pay Scale

The management grants the following employee benefits and allowances:

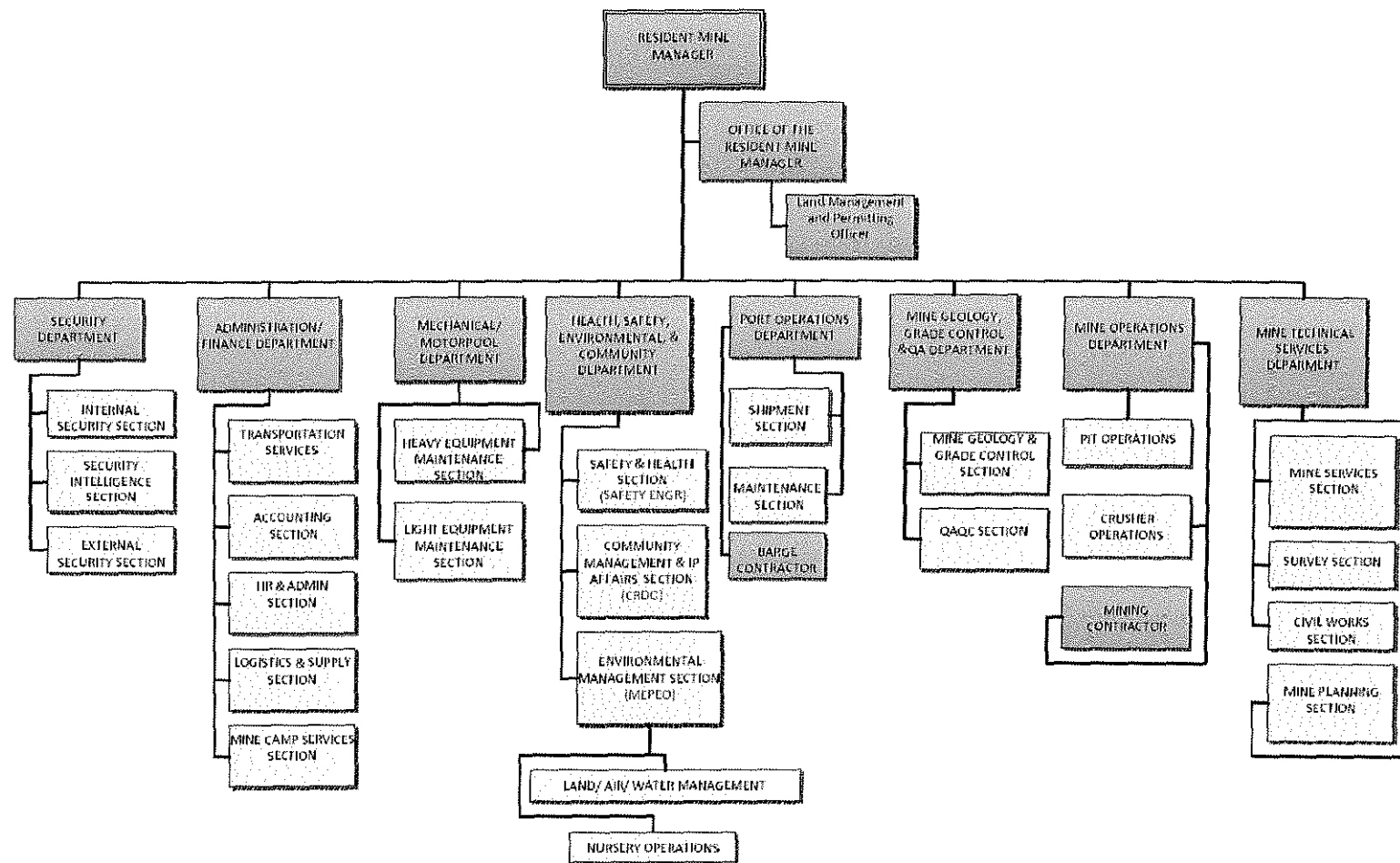
1. 13th month pay;
2. Retirement benefits equivalent to one (1/2) month for every year of service
3. Medical and dental benefits.
4. Vacation leave of 15 days and sick leave of 15 days every year;
5. Compensatory day-off system;
6. Social insurance to take care of state social security and healthcare; and
7. Other welfare and benefits

11.7.1.4. Table of Organization

The organizational structure of the mine is headed by a resident mine manager with nine (9) departments consisting of:

- Office of the Resident Mine Manager – oversees the successful operation of all departments as well as manage the tenements and legal activities;
- Mine operations – oversees the mining and stockpiling operations done by contractors as well as manage the aggregate crusher plant operations to supply aggregate materials used for road maintenance and environmental programs;
- Mine Geology, Grade Control and Quality Assurance – oversees the sampling and analysis of material samples taken from the pit, stockyard and for shipment as well as formulate appropriate mixing ratio according to the specifications of the buyers;
- Port operations – oversees the loading of barges as well as manage the loading of the bulk carrier vessels;
- Mine Technical Services – oversees the mine production sequence, mine survey as well as the preparation of plans and designs of buildings and structures;
- Health, Safety, Environment and Community – oversees the full compliance of Government regulations for the protection of the environment, safety and health of all employees as well as community, CSR and IP affairs;
- Mechanical – oversees the maintenance of all light and heavy equipment;
- Administration and Finance – oversees the supply chain, human resource, camp management, transport services in addition to accounting and finance activities; and
- Security – oversees the internal and external security affairs including intelligence gathering and coordination with Government forces (PNP, NAVY and AFP) in safeguarding the mine as well as adjoining areas within the vicinity of Brooke's point.

Figure 149. Simplified table of organization



11.7.1.5. Availability of Technical and Skilled Labor

Technical and skilled workers are scarce in the town of Brooke's Point. The needed technical and skilled workers which will not be available at the host communities will have to be hired from the nearby towns and from other parts of the country.

The project is a typical open-pit mining operation that requires a small number of highly specialized manpower. There are sufficient available mining engineers and geologists in the country that can be tapped for manpower requirements. Running the laboratory is not a problem as there are superbly trained chemists within the company to perform the laboratory analysis.

The number of needed technical and skilled workers is reduced by the fact that there is no mill or processing plant. Beneficiation is limited to manage crushing-sun drying-sampling operations which require strict supervision of equipment operators. The majority of the work requires few skills. Most of the rank and file positions can be filled up if available locally. There are also available trained heavy equipment operators and truck drivers in the locality. Local laborers may be trained to supply the required skilled labor needed in ore sampling, ore segregation and upgrading, survey and mining pit operation. Reliable and experienced laterite ore mining and earthmoving contractors are available in Palawan and in the country, which will be tapped to augment the production force requirement of the operation.

11.7.1.6. Township/Housing

The company has identified a proposed site for the mine camp and guest house facilities located within the project site. This can accommodate the INC employees as well as the key personnel of the contractors.

11.7.2. Community Development Plan

As mandated by the Mining Act of 1995 and DAO No. 2000-99 or the Guidelines for the Social Development and Management Program (SDMP) as amended under the DAO No. 2010-21, INC shall spend for the development of the host and neighboring communities which are the Barangay of Maasin, Mambalot, Calasaguen and Ipilan. In accordance thereto, an amount equivalent to 1.5% of the total operating costs or an annual average amount of approximately **Php 39.80 Million** will be allotted for this purpose. Projects for this purpose may include assistance to education, peace and order, medical and dental, livelihood, capability building, infrastructures, etc. The company, in coordination with the community, the local government units, and national government agencies have formulated and identified priority projects and activities for the SDMP. Currently the company has an approved Community Development Plan (CDP) and has already submitted the SDMP to the DENR Mines and Geosciences Bureau Region IVB for final evaluation.

11.7.3. Socio-economic Contributions

The project of INC has significantly contributed to the socio-economic development of the local communities as well as to the national government

by the implementation of its Social Development Management Program, Environmental Protection and Enhancement Program aside from the payment of taxes and fees:

11.8. Project Schedule

Table 76. Project Time Table

Major Milestones	1st Mo	2nd Mo	3rd Mo	4th Mo	5th Mo	6th Mo	7th Mo	8th Mo	9th Mo	10th Mo	11th Mo	12th Mo	13th Mo
Approval of DMPF	X	X	X	X									
Tree Cutting Permit	X	X	X	X	X								
Foreshore Lease Permit		X	X	X	X	X							
Other Permits			X	X	X	X							
Land Acquisition			X	X	X	X	X	X					
Detailed Engineering (Facilities)		X	X	X									
Detailed Mine Engineering		X	X	X									
Detailed Feasibility Study			X	X									
Board Approval				X									
Community Engagement			X	X	X	X	X	X	X	X	X	X	X
Organize Management Team				X	X								
Development Equipment Mobilization					X	X							
Mine Camp and Office Construction					X	X	X	X	X	X			
Road Construction						X	X	X	X	X	X	X	X
Stockyard Construction						X	X	X	X	X	X		
Causeway Construction							X	X	X	X	X		
Starter Dump Construction								X	X				
Environmental Structures Construction						X	X	X	X	X	X	X	X
Mining Contractor Tendering and Mobilization							X	X					
Starter Pit Clearing & Grubbing									X	X			
Bench Forming and Topsoil Removal										X	X		
Overburden Stripping										X	X		
Ore Mining and Stockpiling											X	X	X
Ore Shipment												X	X

11.8.1. EPCM Contract

Currently INC has not engaged an EPCM contractor as they are still waiting for the approval of Declaration of Mine Project Feasibility document from the concerned Government agency.

11.8.2. Construction Schedule

The timetable for the construction period will be between 6 to 8 months after the approval of the Declaration of Mine Project Feasibility. Please refer to **Table 76** as indicated above.

12.0 ORE RESERVES ESTIMATION

12.1 Database Used

The database used in the ore reserves estimation consist of a separate Geovia Surpac format block model, which was provided by the Geologist-CP Edgardo G. Garcia, with the following files:

- Inc_5060_bm.mdl – Generated block model of Ipilan deposit;

The block model geometry and attributes are also tabulated below:

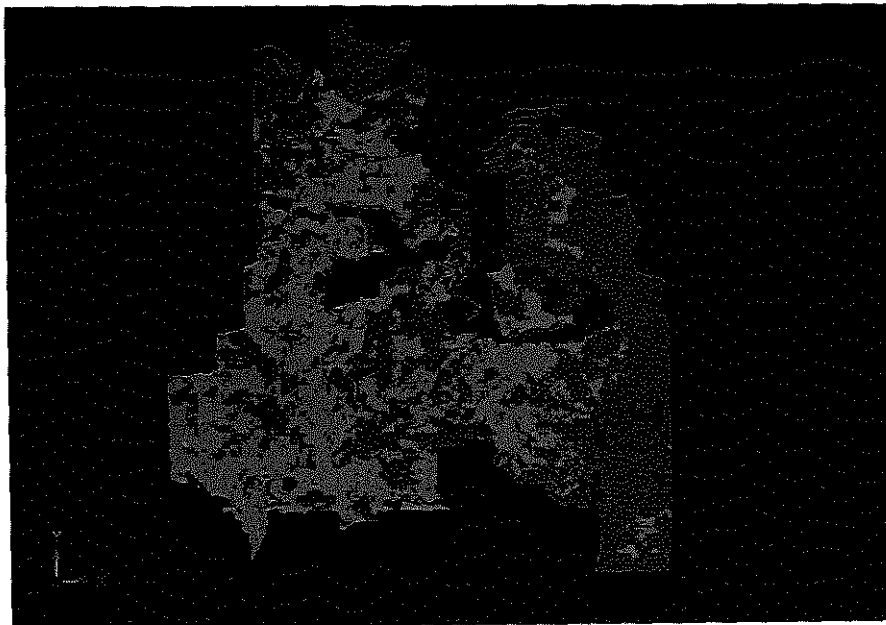
Table 77. Block Model Attributes

Attributes	Description
ni	Ordinary Kriging (OK) estimated nickel grade in %
fe	OK iron grade in %
co	OK cobalt grade in %
cr2o3	OK estimated chromite grade in %
mgo	OK magnesium oxide grade in %
al2o3	OK estimated aluminum oxide grade in %
sio2	OK estimated silica grade in %
num_ni	number of nickel samples used to estimate the block grade
num_fe	number of iron samples used to estimate the block grade
num_co	number of cobalt samples used to estimate the block grade
num_cr2o3	number of chromite samples used to estimate the block grade
num_mgo	number of magnesium oxide samples used to estimate the block grade
num_al2o3	number of aluminum dioxide samples used to estimate the block grade
num_sio2	number of silica samples used to estimate the block grade
lithology	lithology (L- Limonite, S- Saprolite and B- Bedrock)
oreclass	Grade control material classification used in the mining operations
material	Shippable material classification (LGHF, LGMF, LGLF, MGMF, MGLF, H, w)
classification	PMRC classification of mineral resource(mes-measured, ind- indicated and inf- inferred)
sg	dry bulk density of different lithology(in dry tonnes per cubic meter)
block_vol	volume of a cell in a block model in cubic meter
mass	weight in dry tonnes of a cell in a block model
pass	interpolation routine number (1- first pass, 2- second pass and 3- third pass, etc)
grid	drilling grid pattern (25x25, 50x50 and 100x100 grid)

Table 78. Block Model Geometry

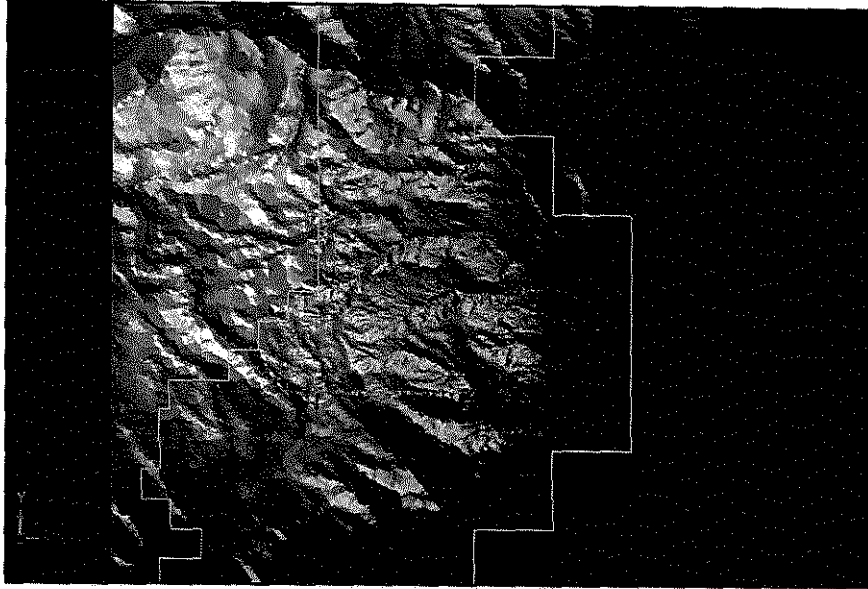
Block Model Particulars		
Minimum Coordinates		
Y		986000
X		596000
Z		1.5
Maximum Coordinates		
Y		990000
X		601000
Z		661.5
User Block Size		25x25x3
Minimum Block Size		6.25x6.25x0.75
Total Number of Blocks		5097724
Storage Efficiency %		98.86%

Figure 150. Block model of Ipilan Deposit



- The upper surface topography used are the surveyed points and the exploration survey shots conducted by the INC survey team during the drilling campaign. The file below is the surface in Geovia Surpac digital terrain model (dtm) format:
 - namria_topo_trim_3m_cntr.dtm – Ipilan deposit digital terrain model surface

Figure 151. Digital Terrain Model of the Surface Topography



12.2 Integrity of the Database

The integrity of the database was carefully scrutinized and was deemed to be in order based on the Geologist-CP report. The Author also conducted a first pass checking of the integrity of the database thru the following:

- Generation of vertical sections and level plans thru the block model with the drillhole data as overlay. The block model grades and lithological domains seem to correlate well with the drillhole assays and logs;
- Random trend analysis of the plans and sections of the block model as against the drillhole assay results. There is a slight smoothing of block model grades as against the drillhole assays but would be immaterial to the resource estimate and ore reserves estimation as these are located at the periphery of the block model;
- Constraining of the block model to the surface topography and plotting against the drillhole runs. The drillhole collar seems to coincide with the surface topography intersections. The block model boundary at the upper limits matched that of the surface topography.
- The block model and the surveyed topography all used the geographical projection Philippine Transverse Mercator Zone I in meters. This geographical projection is still the standard projection used in the area. Plotting of the drillholes, topographic surface and block models in a standard NAMRIA database generated by digitizing of the 1:50,000m scale contours fairly matched the location.

- INC also maintains a system of archiving of its data including the Geologist-CP data. Only the mine planning and GIS team of INC has access to these data.

12.3 Data Verification and Validation

A site visit was conducted from 10 to 13 May 2015 to validate the location of the drillholes in addition to the validation conducted by the Geologist-CP. A total of 10 holes were identified in the entire database taking into consideration the accessibility limitations which dictated a very limited amount of holes have to be located with a GPS instrument. The GPS instrument was set to a geographical projection of PTM-Zone I the same as the one used by INC survey team. The validation team was escorted by the INC geologist. The results of the GPS survey of the holes showed a very slight difference in the North (2.40m) and along the East (1.37m) indicating that protocol in place was acceptable when the survey of the holes were conducted by the INC team. **Table 79** show the holes located by the GPS as against the coordinates reflected in the drillhole database used by the Geologist-CP.

GPS readings were likewise taken with consideration on the elevation for the topographic surface validation and the results showed acceptable difference between the actual surveyed surface elevation and the GPS readings.

Drillhole sample validation was no longer undertaken as this has already been done by the Geologist- CP.

Table 79. Validation of the location of drillholes

Hole ID	INC Data			Validation (GPS)			Difference (m)		
	North	East	Level	North	East	Level	North	East	Level
IDH-0075N/+2100E	986,514.68	599,658.23	104.34	986,517.88	599,655.13	105.64	-3.20	3.10	-1.30
IDH-5075N/+2350E	986,718.30	599,877.53	106.19	986,720.40	599,879.83	108.29	-2.10	-2.30	-2.10
IDH-0475N/+2300E	986,813.86	599,830.29	115.45	986,818.26	599,834.39	116.95	-4.40	-4.10	-1.50
IDH-0100N/+1875E	987,191.94	599,414.27	188.57	987,188.74	599,420.77	190.37	3.20	-6.50	-1.80
IDH+0100N/+1450E	987,370.52	599,976.56	292.65	987,372.92	599,980.76	294.15	-2.40	-4.20	-1.50
IDH+0100N/+1275E	987,379.94	598,798.98	279.51	987,385.14	598,802.08	280.71	-5.20	-3.10	-1.20
IDH+0025N/+0900E	987,305.68	598,423.66	313.24	987,300.88	598,421.06	314.94	4.80	2.60	-1.70
IDH-0100N/+0350E	987,178.64	597,889.73	445.94	987,182.04	597,888.03	448.04	-3.40	1.70	-2.10
IDH+0000N/+0225E	987,279.77	597,766.98	463.78	987,283.37	597,763.78	465.81	-3.60	3.20	-2.03
IDH+0100N/-0200E	987,369.45	597,344.81	501.78	987,373.55	597,348.91	503.65	-4.10	-4.10	-1.87
Average	987,112.28	598,898.10	281.15	987,114.32	598,899.47	282.86	-2.04	-1.37	-1.71

12.4 Ore Reserves Estimation Methodology

12.4.1 Ore Reserve Assumptions

Assumptions used in arriving at the appropriate recoverable ore reserves are as follows:

- Dry Bulk Density - The Geologist-CP report assumed dry bulk densities for limonite, saprolite and bedrock of 1.1, 1.3 and 2.0 DMT per cubic meter respectively are deemed appropriate for the subject type of laterite deposit and are consistent with other deposits located adjacent to INC.
- Ore Loss – 10% of in-situ reserves. The formula for the computation of Recovery is therefore:
 - $\text{Ore Recovery} = 1 - \text{In Situ Ore Reserve} \times (\text{Ore Loss}/100)$;
- Dilution – 3% for nickel. The formula for the factored grade is therefore:
 - $\text{Recoverable Grade} = \text{In-Situ Grade Nickel} \times (1 - \text{Dilution}/100)$;
- Moisture – 35% based on the recommendation of the client. Historical shipments made by PGMC from Year 2011 to 2014 suggest average moisture of between 35-37%. This moisture base is deemed applicable to the type of laterite deposit. The formula in the conversion of dry bulk density to wet bulk density is therefore:
 - $\text{Wet Bulk Density} = \text{Dry Bulk Density} / (1 - \text{moisture}/100)$;
- Mineral Resource Classification – Measured and Indicated Mineral Resource blocks are the only ones considered in the ore reserves estimation following the PMRC guidelines in the reporting of ore reserves;

12.4.2 Price Assumptions

INC Spot contracts are negotiated which will reflect the true prices in the SMM market. The QNI ore pricing will also be negotiated and will be linked to the SMM market. The price assumptions used in the pit optimization were based on the actual price movements of ore from the Philippines as shipped to various Chinese and Australian Ports. The historical price analysis used a combination of spot contract prices and monitoring taken from the www.nieba.cn, shows in **Table 80** and **Figure 152** the price movements from Year 2012 to ending February 2015. The High grade nickel ore (>1.7%Ni) has been on the rally with prices soaring to US\$122/ton FOB followed by the Medium grade nickel ore also at its all-time high at US\$69/ton FOB. The Low nickel-high iron ore however have slowed down its pace to an average of only US\$33/ton FOB with lowest prices registering at US\$24/ton FOB. The QNI Ore, which is another form of Low grade nickel ore has also seen the average prices tapering down to only US\$22/ton FOB.

Despite higher price trends the Author considered the low price trends for each material specification in the pit optimization to ensure low sensitivity of the pit to changing economic conditions such as:

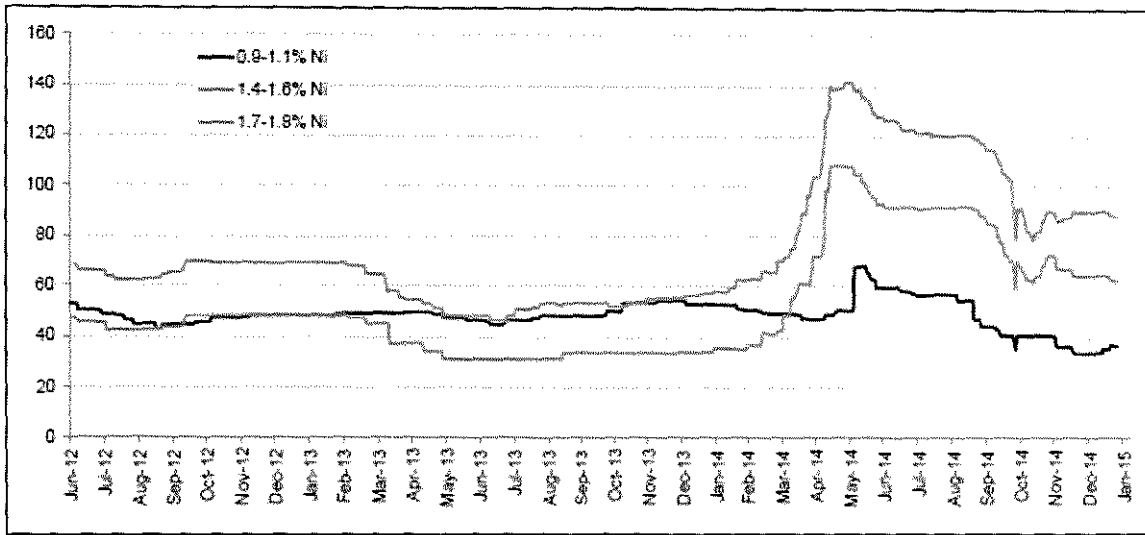
- High and Medium Grade Nickel Ore – A positive short term outlook is anticipated for these type of ore as the Indonesian export ban on unprocessed minerals/metals have placed the Philippines as the only sole supplier to the Chinese and Australian smelters/refineries. A stronger demand for these types of ore will be for Nickel Pig Iron (NPI) industry which uses the Rotary Kiln Electric Arc Furnace (RKEF) as the cost of production is much lower as against the BF and EAF. However, this condition will likely change as some smelters in Indonesia will become on line by the Year 2018. Price assumptions will therefore be put on the low average side;
- Low Grade Nickel-High Iron Ore – A negative short to medium term outlook is anticipated for these type of ore as the Carbon Steel industry will lower down its demand due to low iron ore prices. The QNI ore however will continue to be in demand as a feed stock to the Yabulu Refinery as these types of ore are an alternative cheap source of blend ore aside from the very expensive higher grade New Caledonian Ore. Price assumptions will therefore be put on the low average side;

Table 80. Year 2012 to ending February 2015 Nickel Ore Prices

Market Specs	Discharging Port	Price (US\$/ton FOB)		
		Average	Low	High
1.50%Ni/20%Fe	Tianjin Port	55	50	68
1.50%Ni/20%Fe	Rizhao Port	57	51	69
1.60%Ni/20%Fe	Tianjin Port	50	24	103
1.60%Ni/20%Fe	Rizhao Port	49	23	106
1.80%Ni/20%Fe	Tianjin Port	69	39	122
1.90%Ni/20%Fe	Tianjin Port	77	47	130
2.0%Ni/20%Fe	Tianjin Port	87	56	138
0.90-1.1%Ni/48%Fe	Rizhao Port	33	23	46
0.90-1.1%Ni/49%Fe	Rizhao Port	33	24	48
0.90-1.1%Ni/50%Fe	Rizhao Port	34	26	50
1.20%Ni/45%Fe	Townsville Port*	25	22	35
1.30%Ni/40%Fe	Townsville Port*	26	23	37

(Source: PGMC Data)

Figure 152. Nickel Ore Prices at China Ports (cfr)



(Source: nieba.cn)

The Author has also identified six (6) marketable ore products that will be subject to pit optimization based on material blends with ranges as follows:

Table 81. Marketable ore specifications

Material	Nickel and Iron Grade Ranges
LG_HF	< 1.20% Ni / \geq 47% Fe
LG_MF	\geq 1.20%, <1.40% Ni / \geq 40%, <45% Fe
LG_LF	\geq 1.20%, <1.40% Ni / <30% Fe
MG_MF	\geq 1.40%, <1.70% Ni / \geq 30% Fe
MG_LF	\geq 1.40%, <1.70% Ni / <30% Fe
HG	\geq 1.70% Ni / Regardless Fe
W	Default waste with grade ranges outside of the above.

12.4.3 Cost Model Assumptions

The Author gathered data from the quoted mining, barging contracts and pre-feasibility study. The cost model sole purpose is to technically determine the optimum economic pit outline so that an ore reserve can be estimated and not for financial and/or mine evaluation.

The cost models were constructed based on the following:

- Contract Mining Cost – taken from price quotations with the following scope of works:
 - Clearing and Grubbing
 - Bench Forming and in-pit road construction
 - Topsoil and Overburden Removal
 - Waste Stripping
 - Ore Loading and Hauling
 - Stockpile Receiving and Sorting
 - Ore Transferring (From Mine Yard to Pier Yard)
 - Barge Loading (From Pier Yard to Barge/LCT)
 - Barge Receiving/Trimming
 - Road, Stockpile and Port Maintenance
 - Road Dewatering
- Barging Cost (exclusive of arrastre, stevedoring and port operations)– The cost taken from contractor quotes;
- Grade Control Cost – This covers the sampling (face, truck and shipment), sample preparation and assaying as well as management and supervision. The cost were taken from the pre-feasibility study;
- Sample preparation and analysis – Cost taken from the pre-feasibility study;
- General and Administration Cost – Covers the management as well as the minesite overhead expenses (materials, equipment, supplies, fuel, etc.) taken from the pre-feasibility study;
- Taxes and Fees cover the following:
 - Taxes and Fees – Covers business taxes (2%) which is a portion of the Gross Sales;
 - Indigenous People Royalty - 1% of the Gross Sales as provided for under the IPRA law;
 - Excise Tax – 2% of the Gross Sales as provided for under DENR Administrative Order (DAO) No. 2010-21;
 - Other taxes – cost taken from the pre-feasibility study;
- Manila Overhead – Covers the cost of Management in the Makati Head Office. This cost was taken from the pre-feasibility study;
- Environmental (EPEP) Cost – 5% of the Direct Mining and Processing Cost. A provision under the DAO No. 2010-21;
- Decommissioning (FMRDP) Cost – Cost taken from the pre-feasibility study;
- Safety and Health Cost – Cost taken from the pre-feasibility study;
- Social Development Management Program (SDMP) Cost – 1.5% of the total operating cost. A provision under DAO No. 2010-21;

- Waste Mining – Although already covered under the contract cost. The cost covers the loading, hauling and wastedump maintenance. This cost was identified and separated for the pit optimization algorithm.

Based on the above parameters, a cost model for the different marketable ore products was constructed to determine the net value for each material.

Tabulated below are the cost model and net value for each material.

Table 82. Cost model for INC deposit

Material	Remarks	LGHF	LGLF	LGMF	MGMF	MGLF	HG	W
BASE PRICE	US\$/wmt FOB	20	20	20	35	35	45	0
DIRECT MINING AND PROCESSING:								
Waste Stripping								1.34
Contract Mining	(Pit to Barge)	11.50	12.50	12.50	14.50	15.50	19.00	
Contract Barging		1.46	1.46	1.46	1.46	1.46	1.46	
Arrastre and Stevedoring		0.18	0.18	0.18	0.18	0.18	0.18	
Wharfage		0.18	0.18	0.18	0.18	0.18	0.18	
Grade Control		0.33	0.33	0.33	0.33	0.33	0.33	
Assaying and Sample Preparation		0.25	0.25	0.25	0.25	0.25	0.25	
Mine Engineering Services		0.23	0.23	0.23	0.23	0.23	0.23	
Port Operations		0.04	0.04	0.04	0.04	0.04	0.04	
GENERAL & ADMINISTRATION EXPENSES:								
Security		0.36	0.36	0.36	0.36	0.36	0.36	
Mechanical Services		0.08	0.08	0.08	0.08	0.08	0.08	
Health and Safety		0.12	0.12	0.12	0.12	0.12	0.12	
Environmental	5% DMPC	0.71	0.76	0.76	0.86	0.91	1.08	
Decommissioning		0.12	0.12	0.12	0.12	0.12	0.12	
Corporate Social Responsibility		0.11	0.11	0.11	0.11	0.11	0.11	
Admin. & Finance		0.16	0.16	0.16	0.16	0.16	0.16	
Management and Supervision		0.14	0.14	0.14	0.14	0.14	0.14	
Business Taxes	2% gross	0.40	0.40	0.40	0.70	0.70	0.90	
IP Royalty	1% gross	0.20	0.20	0.20	0.35	0.35	0.45	
Excise Tax	2% gross	0.40	0.40	0.40	0.70	0.70	0.90	
Mine Overhead		0.03	0.03	0.03	0.03	0.03	0.03	
Makati Overhead		0.94	0.94	0.94	0.94	0.94	0.94	
Social Development	1.5% OPEX	0.27	0.28	0.28	0.33	0.34	0.41	
OPEX	US\$/wmt	18.22	19.28	19.28	22.18	23.24	27.48	1.34
NETT	US\$/wmt	1.78	0.72	0.72	12.82	11.76	17.52	-1.34

12.4.4 Pit Optimization

The net value calculations made for each material type was then inputted into the block model by defining an attribute "Nett" which defined an expression to automatically assign net values to each cell. **Figure 153** shows the blocks with positive net values.

Other constraints in relation to the "Nett" attribute were defined and inputted into the block model as follows:

- All blocks above the surface topography were assigned a net value of zero;
- All block below the surface topography but outside of the tenement boundary were assigned a net value of -10000 to ensure that optimized pit will not go beyond the tenement boundary;
- All blocks where the classification is "Inferred" were assigned a net value of -1.34 coincident to waste mining cost;

An attribute "orecode" was also added into the block model with assigned values of 1 to 6 to indicate that these are ore blocks. Waste blocks were assigned an "orecode" value of zero.

The pit optimization process was then executed within the Geovia Surpac using the following parameters.

- Unit Cost Method : \$/mass
- Value Model Attribute : nett
- Default SG : sg (given attribute in the block model)
- Pit Slope : 45°
- Bench Slope : 80°
- Bench Height : 3 meters
- Berm Width : 5 meters
- Upper Vertical Limits : Corresponding surface
- Lower Vertical Limits : Elevation 0 (Sea Level)
- Optimization Method : Floating Cone and Lerchs Grossman 3D Algorithm (100 iterations)

The process of pit optimization generated a digital terrain model (dtm) of the optimized pit shell. This process of pit optimization has been used as the universal standard in determining ore reserves of any form of near surface deposits including laterite deposits. **Figure 154** shows the optimized pit outlines for the Ipilan deposit

The ore reserves inventory was then executed with a series of constraints on the block models such as:

- Upper limit boundary – surface topography of ipilan deposit and
- Lower limit boundary – optimized pit shell.

Figure 153. Positive net value model of Ipilan deposit

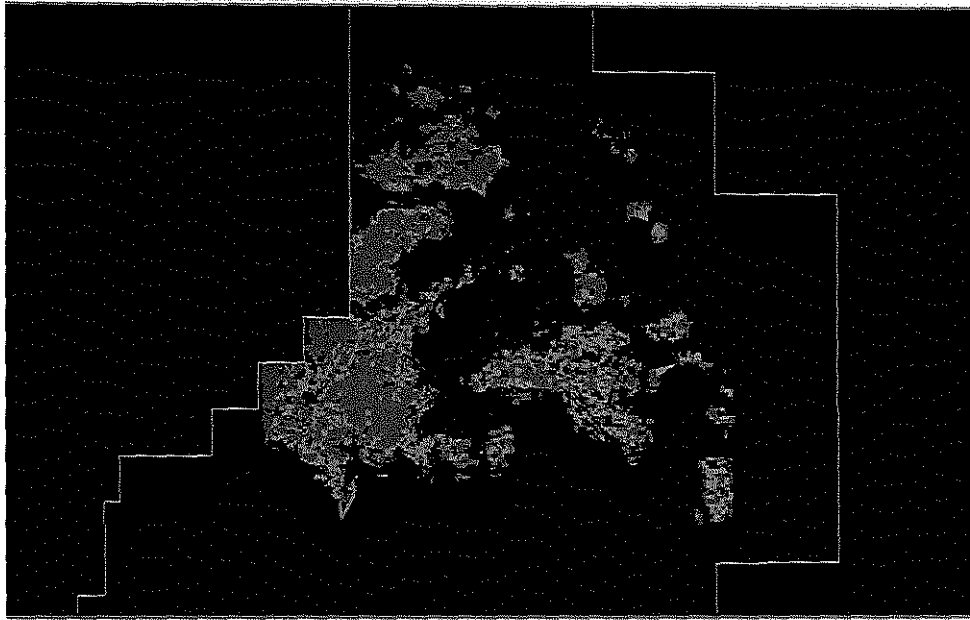
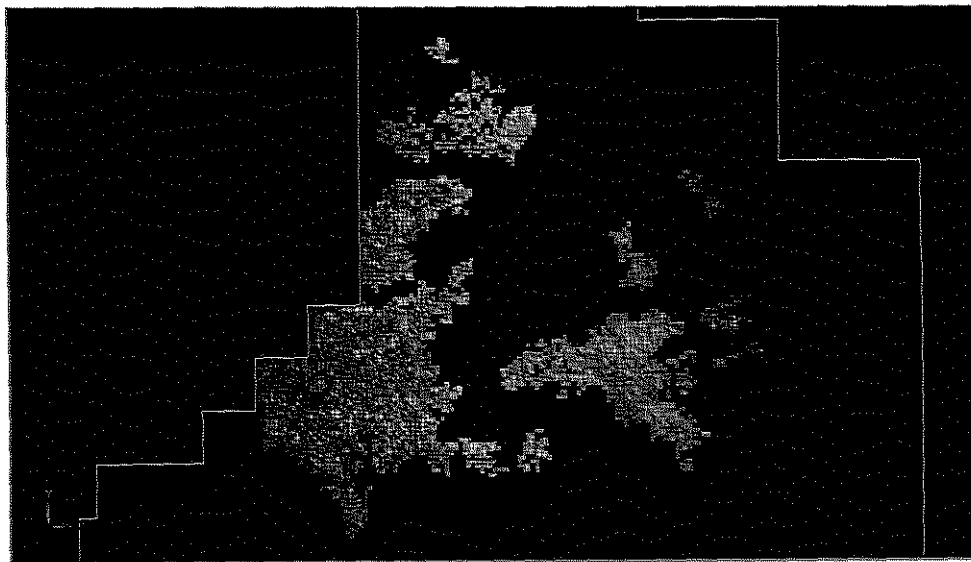


Figure 154. Optimized pits of Ipilan deposit



12.5 Ore Reserves Classification

The ore reserves classification for this particular deposit considering the level of exploration and mineral resource evaluation conducted by the Geologist-CP covers the following in accordance to the standards set forth under the PMRC Code (2007 Edition):

*Under section 3.17 of the PMRC Implementing Rules and Regulations, an **Ore Reserve** is defined as the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments to a minimum of a preliminary feasibility study have been carried out, and include consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. In the case of integrated mining operations, the preliminary feasibility study will have determined an ore treatment plan that is technically and commercially viable and from which the mineral recovery factors are estimated. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.*

- In this report, an **Ore Reserve** pertains to a block model which was classified as either measured and/or indicated mineral resource by the Geologist-CP in which the block cells are assigned a net value based on a cost model which was constructed from costs estimates based on existing cost data, sound judgment and experience, subjected to pit optimization algorithms, constrained to within the surface and generated optimized pit shells with ore loss and dilution allowances applied.

***Proved ore reserve** is the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments to a minimum of pre-feasibility study have been carried out, and include consideration of, and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.*

- In this report, a Proven Ore Reserve pertains to a block model which was classified as a measured mineral resource by the Geologist-CP in which the block cells are assigned a net value based on a cost model which was constructed from costs estimates based on existing cost data, sound judgment and experience, subjected to pit optimization algorithms, constrained to within the surface and generated economically optimized pit shells with ore loss and dilution allowances applied.

Probable ore reserve is the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments to a minimum of preliminary feasibility study have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.

- In this report, a Probable Ore Reserve pertains to a block model which was classified as an indicated mineral resource by the Geologist-CP in which the block cells are assigned a net value based on a cost model which was constructed from costs estimates based on existing cost data, sound judgment and experience, subjected to pit optimization algorithms, constrained to within the surface and generated economically optimized pit shells with ore loss and dilution allowances applied.

Further in this report, the inferred mineral resource which was identified by the Geologist-CP in the resource estimation was treated as waste during the pit optimization process and is not reported as ore.

12.6 Statement of Ore Reserves

As of **10 July 2015**, the Ore Reserves of INC stands at **28.6 Million Wet metric tonnes at 1.43%Ni and 24.01%Fe** and is further distributed as follows:

Table 83. Statement of Ore Reserves of Ipilan Deposit

Material	Proven				Probable				Total			
	WMT	Ni	Fe	Sg	WMT	Ni	Fe	Sg	WMT	Ni	Fe	Sg
LGHF	3,066,000	0.98	49.25	1.10	244,000	0.97	49.17	1.10	3,310,000	0.98	49.24	1.10
LGMF	3,206,000	1.24	45.30	1.10	285,000	1.23	44.49	1.10	3,491,000	1.24	45.23	1.10
LGLF	5,062,000	1.26	14.64	1.30	435,000	1.26	10.21	1.24	5,497,000	1.26	14.29	1.30
MGMF	1,588,000	1.46	41.88	1.10	196,000	1.44	39.64	1.10	1,784,000	1.45	41.63	1.10
MGLF	7,856,000	1.48	14.39	1.30	769,000	1.48	13.38	1.29	8,625,000	1.48	14.30	1.30
HG	5,660,000	1.86	15.35	1.29	320,000	1.81	15.01	1.29	5,980,000	1.86	15.33	1.29
Total/Ave.	26,438,000	1.43	24.09	1.24	2,249,000	1.40	23.11	1.22	28,687,000	1.43	24.01	1.24

13.0 INTERPRETATIONS AND CONCLUSIONS

The Project is located within a mineral-rich area in the Palawan Region in the western part of the Philippines identified as a nickel-iron laterite rich region derived from the weathering of Eocene- Oligocene ultramafic rocks of the Palawan Ophiolite Complex.

The Project is covered by MPSA No. 017-93-IV granted to Celestial Nickel Mining and Exploration Corporation ("CNMEC") on 19 September 1993 covering an area of 2,385.06 hectares which is valid for 25 years (until 2018) and renewable for an additional 25 years. CNMEC then entered into a life of mine Operating Agreement with Ipilan Nickel Corporation ("INC") on 25 August 2005.

INC conducted extensive exploration on the tenement from August 2006 to December 2009 consisting of reconnaissance to detailed mapping, test pitting, layout of traverse lines, test drilling to resource definition drilling and geotechnical drilling. The exploration campaign was concluded with 3,154 drillholes, 5,093 test pits all totaling 81,375.03 meters in depth which resulted into the preparation of a CP Technical Report on the Mineral Resource Evaluation for the INC Nickel Project prepared by TMM Management, Inc. on 30 June 2010.

On 14 October 2014, a recent update of the mineral resource estimate was undertaken by a Geologist-CP Edgardo G. Garcia which took in to account re-validation and re-interpretation, since the initial resource estimation made by TMM. During the updated resource estimation, the review of INC's drilling and sampling procedures indicated that appropriate practices were used during the drilling program and that all exploration activities were accomplished to the PMRC Code standard. The QA/QC process indicated the following: that there is no significant assay bias; that with the significant amount of samples used in the estimation and the normal distribution and small range of sample grades within each estimation domain, the observed scatter of repeat data have no material and adverse impact on the resource estimate especially for nickel and iron. Using the results of QA/QC, considerations were made when assigning PMRC classifications to the resource estimates.

The Geologist-CP mineral resource estimate complied with the recommendations of PMRC (2007) as highlighted by adoption of the guidelines listed on the PMRC "Table-1- Checklist of Assessment and Reporting Criteria". The INC PMRC Statement of Mineral Resources as reported as at 03 October 2014 has a measured and indicated mineral resource of **50.0 Million Dry Metric Tonnes at 1.23%Ni and 24.0%Fe.**

On 20 April 2015, the Author, in his capacity as an independent consulting Mining Engineer-CP was engaged by INC to do an economic assessment and ore reserve evaluation for its Ipilan Nickel Project and subsequently prepare a PMRC CP-Technical report for economic assessment and ore reserve evaluation for purposes of submission to the Philippine Stock Exchange.

Based on the 2015 pre-feasibility study as prepared by the INC mine engineering team and other data provided, the project has been determined to be profitable as reflected in the detailed financial model prepared by the Author. Based on the Financial Analysis, the project with an initial investment of **PhP2.13 Billion or US\$48.4 Million**, has **Net Present Value (NPV) of) PhP7.37 Billion or US\$ 167.5**

Million, Internal Rate of Return (IRR) of 99% and a Payback (discounted) period of 1.80 years.

The proven and probable ore reserves estimate for the INC Ipilan Nickel Project as at 10 July 2015 is **28.6 Million WMT at 1.43%Ni and 24.01%Fe**. The ore reserves estimate was proven to be viable based on the results of the economic assessment done by the Author.

14.0 RECOMMENDATIONS

As the current MPSA is due to expire on 18 September 2018, INC should start documenting and consolidating all mandatory requirements and apply for the renewal to the DENR Mine and Geosciences Bureau as soon as possible.

INC should expedite the amendment of its approved ECC to allow it to increase its annual mine production capacity from 1.0 Million dry tonnes to 3.0 Million wet tonnes within two (2) years as reflected in its 2015 Pre-Feasibility Study.

Further exploration work to the northern part of the deposit as well as areas where the mineral resource was classified as inferred should be done to delineate additional mineral resource with the potential to be converted to ore reserves and extend the life of the mine to beyond its projected twelve (12) years mine life. The area to the north of the deposit has underlying ultramafic rocks mapped as basement lithology and may hold potential for the development of nickel laterite mineralization.

The company should intensify its community relations and development programs to promote transparency and educate the community as well as the concerned local government units in relation to the INC project. Particular attention should be focused on safety and health risks of the community and how these will be mitigated through proper training and information dissemination.

Strategic mine planning should focus on the long term outlook of the Indonesian export ban on unprocessed ore and the falling prices and demand for carbon steel and its effect on the ore reserves of INC. It should determine the optimum production of the mine putting into consideration the future demand of nickel particularly the medium and high grade and the risk of slowing down on the low grade nickel-high iron ore exports as the prices of iron ore have gone down significantly. The strategic mine plan should address the question on the effect of the low grade nickel-high iron if it were to become a non-marketable product with the demise in demand of China.



Mr. Vicente M. Jayme Jr.

Registered Mining Engineer (PRC License No. 1085)

PTR No. 2162674 (Issued at Talisay City, Cebu/Valid till 31 Dec. 2015)

Registered Geologist (PRC License No. 248)

PTR No. 2162675 (Issued at Talisay City, Cebu/Valid till 31 Dec. 2015)

PMRC CP EM No. 1085-13-10 – Competent Person

15.0 REFERENCES

- Philippine Mineral Reporting Code for Reporting of Exploration Results, Mineral Resources, Economic Assessment and Ore Reserves (2007 Edition),
- Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves JORC- December 2004 and 2012,
- Matilac, Carlo A. et al., Project Feasibility Study of INC Ipilan Nickel Project, Barangays Maasin and Mambalot, Brooke's Point, Palawan, Philippines – May 2015,
- Garcia, Edgardo G., Geological and Resource Estimation of Macro Asia Corporation Nickel Project – Ipilan, Brooke's Point, Palawan- May 2007,
- Garcia, Edgardo G., PMRC-Competent Person's Technical Report on Mineral Resource evaluation of Ipilan Nickel Corporation – Cagdianao Nickel Project (MPSA 017-93-IV) – October 2014,
- GHD, Social Development and Management Program for the Ipilan Nickel Project, 2010;
- GHD, Environmental Protection and Enhancement Program for the Ipilan Nickel Project, 2010;
- GHD, Final Mine Rehabilitation and Decommissioning Program and for the Ipilan Nickel Project, 2010;
- Obial, Rudy C., Ph. D., A Primer on the Philippine Mineral Reporting Code for Geologists- December 2009,
- QNI Philippines, Inc., ACT Feasibility Study Report, Surigao, Philippines, Internal Report- 2004,
- QNI Philippines, Inc., ACT Environmental Impact Assessment Report, Surigao, Philippines, Internal Report- 2004,
- Standards of Disclosure for Mineral Projects "NI 43-101", The Companion Policy to NI 43-101 and Form 43-101FI.
- Cuano, Rolando L., Environmental Protection and Enhancement Program of Cagdianao Nickel Expansion Project (Caga1 to 5) – October 2014.
- Website, www.nieba.cn, Nickel Ore Prices Monitoring 2012 to 2015,
- Website, www.lme.com, LME Nickel Price Watch,
- Website, www.kitco.com, Nickel Price Monitoring,
- Website, www.cru.com, Nickel Metal Outlook,

APPENDIX A

PMRC TABLE 1

**(Checklist of Assessment and Reporting
Criteria)**

Criteria	Explanation
Sampling Techniques and Data	
Core Sampling	<ul style="list-style-type: none"> Sampling practice has aimed to consistently keep sample intervals around 1 m, but still sampled lithological zones separately. An Exploration Protocol has been adopted for the exploration programs.
Drilling Type	<ul style="list-style-type: none"> Only NQ/BQ core drilling on regular 200, 100, 50 and 25m grids has been used for resource definition.
Core Logging	<ul style="list-style-type: none"> Geologists have logged all drill cores to consistent standards, detailing color, hardness, recovery and lithology. Logging has been encoded and completed for sampled interval allowing integration of the data with assays and application of logging in interpretation and estimation.
Sample Type	<ul style="list-style-type: none"> Whole NQ/BQ core was used for sampling and assaying except for occasional core duplicate samples.
Core Recovery	<ul style="list-style-type: none"> Minor low recoveries at surface due to compaction and presence of cavities. Limonite recovery is generally excellent at almost 100%. Saprolite recovery is consistently above ~85%. Overall total core recovery is very high at 96.4%. There are only a small number of very low recovery intervals.
Assay QA/QC	<ul style="list-style-type: none"> Assays were conducted by Intertek Testing Services, Inc. in Manila and at the BNC Lab (Intertek operated) in Quezon, Palawan. The Intertek laboratory analyses of samples generally, show acceptable repeatability and bias to be acceptable for use in resource estimation. The data is accurate and of acceptable precision especially for Ni and Fe. The database is of high integrity.
Verification	<ul style="list-style-type: none"> Verification of the limonite and saprolite by twin DHs or test pits was made by Jinchuan on Nov. – Dec. 2011.
DH Locations	<ul style="list-style-type: none"> All drill hole collars have been surveyed by reputable survey groups. The accuracy has been validated by field checks conducted by Jinchuan (Dec. 2011) and CP (July 2014.).
Data Density	<ul style="list-style-type: none"> Good correlation of thickness and grade are evident in the limonite suggesting the regular 50 m drilling grid is adequate to define the resource to a high degree of confidence (measured). Significant variability in the proportion of rock and fines in the saprolite has led to greater variance in the expected grade and hence would require closer-spaced drilling.
Reporting of Exploration Results	
Land Tenure	<ul style="list-style-type: none"> INC has assured and binding legality of tenure rights.
Exploration	<ul style="list-style-type: none"> All resource data used were compiled by INC and TMM. These were then independently validated by the CP.
Data Aggregation	<ul style="list-style-type: none"> Drilling data were composited to an optimized 1 m composite to remove potential bias, which could result from small or uneven sample intervals.
Balanced	<ul style="list-style-type: none"> All core drill hole data with complete assay results was used. Some test

Reporting	<i>pit data were excluded to avoid laterite profile truncation that could lead to distorted resource modelling and estimation.</i>
Estimation and Reporting of Mineral Resources	
Database Integrity	<ul style="list-style-type: none"> Minor drill hole database errors were discovered and these typographical errors were corrected from hard copy drill log sheets.
Geological Interpretation	<ul style="list-style-type: none"> Continuity of the limonite and saprolite thickness was established by core drilling. Interpolation was done conservatively as necessary.
Estimation Method	<ul style="list-style-type: none"> Ordinary Kriging (OK) was used for all grade estimation. Appropriate block sizes were made to allow accurate volume estimation and representation of the topographic undulation. Small blocks have maintained the strong vertical grade trend within the resource.
Cut-off Grades	<ul style="list-style-type: none"> (1) $\geq 0.70\% \text{ Ni}, \geq 48\% \text{ Fe}$; (2) $\geq 0.80\% \text{ Ni}$ to $< 1.5\% \text{ Ni}, < 48\% \text{ Fe}$ and (3) $\geq 1.5\% \text{ Ni}, < 48\% \text{ Fe}$
Mining and Metallurgical Factors	<ul style="list-style-type: none"> None were applied for resource estimation.
Audits	<ul style="list-style-type: none"> Jinchuan Group Limited, Inc. conducted a due diligence on November-December 2011.
Relationships	<ul style="list-style-type: none"> The strong vertical trend is well defined and typical for tropical Ni laterite deposits. Topography and weathering are the dominant geological controls. Both topography and grade trends have been considered by the resource estimation approach.
Tonnage Factors	<ul style="list-style-type: none"> All density and tonnage factors were calculated as dry in-situ tons.
Bulk Density	<ul style="list-style-type: none"> The density values applied were derived from field tests/measurements using the ASTM Bulk Density Sand Cone Technique done on test pit samples of necessary material/matrix type.

Estimation and Reporting of Ore Reserves		
Criteria	Explanation	Comments
Mineral Resource estimate for conversion to Ore Reserves.	<ul style="list-style-type: none"> Description of the Mineral Resource estimate used as a basis for the conversion to an Ore Reserve. 	<i>The independent measured and Indicated mineral Resource estimated by the Geologist-CP Edgardo G. Garcia has been utilized for the ore reserve estimate.</i>
	<ul style="list-style-type: none"> Clear statement as to whether the Mineral Resources are reported additional to, or inclusive of, the Ore Reserves. 	<i>The measured and indicated mineral resource estimated by the Geologist-CP Edgardo G. Garcia is inclusive of and are not additional to the ore reserves estimates reported.</i>
Study status.	<ul style="list-style-type: none"> The type and level of study undertaken to enable Mineral Resources to be converted to 	<i>Ore Reserves were estimated using a specialized open pit mine planning software packages, which includes the pit</i>

	<p>Ore Reserves.</p> <ul style="list-style-type: none"> The Code does not require that a final feasibility study has been undertaken to convert Mineral Resources to Ore Reserves, but it does require that appropriate pre-feasibility studies will have been undertaken that will have determined a mine plan that is technically achievable and economically viable, and that all Modifying Factors have been considered. 	<p><i>optimization program of Geovia Surpac</i></p> <p><i>The input parameters selected by Mining Engineer-CP are based on the review of the 2015 Feasibility study which is considered to be of at least pre- feasibility level geology and mining studies completed by the INC, discussions with site personnel and site visit observations.</i></p> <p><i>From the 2015 Feasibility Study provided for by INC for review, the Mining Engineer-CP has adjusted the cost structure from the FS based on actual costs and fees.</i></p>
<p>Cut-off parameters.</p>	<ul style="list-style-type: none"> The basis of the cut-off grade(s) or quality parameters applied. 	<p><i>The Ore Reserve estimate is determined from the quantity of mineralised rock able to be blended to achieve marketable product specifications:</i></p> <p><i>LG_HF: <1.20%Ni, >=47%Fe;</i> <i>LG_MF: >=1.20% to <1.40%, >=40% to <45%Fe;</i> <i>LG_LF: >=1.20% to <1.40%, <30%Fe;</i> <i>MG_HF: >=1.40% to <1.70%Ni, >=30%Fe;</i> <i>MG_LF: >=1.40% to <1.70%Ni, <30%Fe;</i> <i>HG: >=1.70%Ni, Regardless of Fe</i></p>
<p>Mining factors or assumptions.</p>	<ul style="list-style-type: none"> The method and assumptions used to convert the Mineral Resource to an Ore Reserve (i.e. either by application of appropriate factors by optimization or by preliminary or detailed design). The choice of, the nature and the appropriateness of the selected mining method(s) and other mining parameters including associated design issues such as pre-strip, access, etc. The assumptions made regarding geotechnical 	<p><i>The Ipilan deposit will be mined using open-pit mining method. The Mining Engineer-CP evaluated the block model used to estimate the Mineral Resource, using a pit optimisation software package to identify economic pit limits and starting points for mining.</i></p> <p><i>The operation employs an open pit (contour) mining and due to the soft nature of the ore does not require drilling and blasting. Prior to mining, vegetation must be cleared and grubbed with 0.5m of topsoil removed since this contains tree roots or organic matter that cannot be sold on the market. Overburden is also mined and stockpiled for use in the future when the specifications become marketable. Material is mined using backhoe excavators to load dump trucks that transport the ore to stockyards. The ore is delivered to the causeways where it is loaded to the barges at the piers. The barges transfer the ore to shipping vessels where ore is blended into shipping specifications.</i></p> <p><i>A pit slope of 45 degrees was used taking into account the shallow deposit and current</i></p>

	<p>parameters (eg. pit slopes, stope sizes, etc.), grade control and pre-production drilling.</p>	<p><i>mining faces at the site. A bench slope of 80 degrees as used.</i></p> <p><i>Blending and grade control was considered in the scheduling process by classifying different ore class within the block model and pre-blending them into marketable ore products. These six (6) identified marketable ore products were the basis for the computation of net value which was used for the pit optimization.</i></p>
	<ul style="list-style-type: none"> ▪ The major assumptions made and Mineral Resource model used for pit optimization (if appropriate). 	<p><i>The following major assumptions were used in the pit optimization:</i></p> <p><i>Pit slope – 45 degrees;</i> <i>Ore price – based on price trends analyzed from historical price data;</i> <i>Operating Cost – based on the 2015 Pre-Feasibility Study, Mining Contractor quotes, Barging Contractor quotes;</i> <i>Block Model – Ipilan deposit as prepared by the Geologist-CP Edgardo G. Garcia;</i> <i>Topographic Surface –Actual topographic survey covering the drilling and mine facilities area conducted during exploration;</i></p>
	<ul style="list-style-type: none"> ▪ The mining dilution factors, mining recovery factors, and minimum mining widths used. 	<p><i>Mining Dilution for nickel used was 3% and Ore Loss of 10% and minimum mining width of five (5) meters were taken from the 2015 Pre-Feasibility Study. The Mining Engineer-CP believes that these are appropriate.</i></p>
	<ul style="list-style-type: none"> ▪ The infrastructure requirements of the selected mining methods. 	<p><i>Access/haul roads, stockpiling yards, causeway and piers are necessary for the transport of the ore from mine to ship.</i></p>
<p>Metallurgical factors or assumptions.</p>	<ul style="list-style-type: none"> ▪ The metallurgical process proposed and the appropriateness of that process to the style of mineralization. 	<p><i>This project is a DSO operation with no processing plants on the site and does not assume and form of on-site upgrading.</i></p>
	<ul style="list-style-type: none"> ▪ Whether the metallurgical process is well-tested technology or novel in nature. 	<p><i>Not applicable to this project.</i></p>
	<ul style="list-style-type: none"> ▪ The nature, amount and representativeness of metallurgical testwork undertaken and the metallurgical recovery factors applied. 	<p><i>Not applicable to this project.</i></p>
	<ul style="list-style-type: none"> ▪ Any assumptions or allowances made for deleterious elements. 	<p><i>The topsoil or around 0.5m of the un-mined surface contains tree roots and organic matter that cannot be sold on the markets since it is damaging to the smelter. This has been considered in the “overburden” classification in the model.</i></p>

INC Economic Assessment and Ore Reserves Estimation (PMRC-CPEM Technical Report)

	<ul style="list-style-type: none"> The existence of any bulk sample or pilot scale testwork and the degree to which such samples are representative of the orebody as a whole. 	<i>Not applicable to this project.</i>
Cost and revenue factors.	<ul style="list-style-type: none"> The derivation of, or assumptions made, regarding projected capital and operating costs. 	<i>The projected capital and operating costs were taken from the 2015 Pre-Feasibility Study and mining and barging contractor quotes of which the Mining Engineer-CP finds to be reasonable.</i>
	<ul style="list-style-type: none"> The assumptions made regarding revenue including head grade, metal or commodity price(s) exchange rates, transportation and treatment charges, penalties, etc. 	<i>The ore pricing assumptions were taken from the actual 2012 to February 2015 actual averages of the low, mid and high values taken from the website of www.nieba.cn which monitors actual price movement from the Philippines to China ports. Ore pricing from the independent metals forecasting company Metalytics were also correlated with the price assumptions and was found to be reasonable based on the observation of the Mining Engineer-CP.</i>
	<ul style="list-style-type: none"> The allowances made for royalties payable, both Government and private. 	<i>Royalties and taxes such as claim owner royalty, Indigenous People royalty, mineral reservation royalty, business taxes and fees were also considered in the financial analysis.</i>
Market assessment.	<ul style="list-style-type: none"> The demand, supply and stock situation for the particular commodity, consumption trends and factors likely to affect supply and demand into the future. 	<i>Nickel laterite ore demand from the Philippines is expected to increase due to Indonesia's ban on the exports of unprocessed ores. There is currently a shortage of nickel laterite ore stock and this has increased its ore selling price particularly on the medium and high grade nickel ore.</i>
	<ul style="list-style-type: none"> A customer and competitor analysis along with the identification of likely market windows for the product. 	<i>The main market demand will be from China and its ferronickel smelters and steel mills. There are many nickel laterite producers around the region. Competitors around the region are able to sell products that are currently lower specification than the Clients lowest product specification (0.9 % ≤ Ni < 1.2% & Fe ≥ 48%). The Mining Engineer-CP believes that the ore grades for the RKEF and AEF feed will likely go down as the price of the medium and high grade nickel ore will be expensive. The lower grade nickel (low iron) will likewise serve as a cheap source of blend ore.</i>
	<ul style="list-style-type: none"> Price and volume forecasts and the basis for these forecasts. 	<i>Product specifications for the 6 products to be marketed were considered and reviewed by the Mining Engineer-CP in this study. The Mining Engineer-CP has viewed supply</i>

INC Economic Assessment and Ore Reserves Estimation (PMRC-CPEM Technical Report)

		<i>contracts demonstrating that mining is able to keep up with demand from the market.</i>
	<ul style="list-style-type: none"> ▪ For industrial minerals the customer specification, testing and acceptance requirements prior to a supply contract 	<i>Not applicable.</i>
Other.	<ul style="list-style-type: none"> ▪ The effect, if any, of natural risk, infrastructure, environmental, legal, marketing, social or governmental factors on the likely viability of a project and/or on the estimation and classification of the Ore Reserves. 	<p><i>The MPSA is due to expire in the year 2018. The documents needed for the renewal of the MPSA has been sighted by the Mining Engineer-CP.</i></p> <p><i>Amendment of the ECC to allow for extraction of 3.0 Million WMT of ore is already on progress as INC is now conducting a baseline study to support the amendment.</i></p>
	<ul style="list-style-type: none"> ▪ The status of titles and approvals critical to the viability of the project, such as mining leases, discharge permits, government and statutory approvals. 	<i>All necessary approvals and licenses such as the Mineral Production Sharing Agreement are in place. Renewal of the MPSA should be initiated in 2016 or about 1 year prior to the expiry of the agreement.</i>
Classification.	<ul style="list-style-type: none"> ▪ The basis for the classification of the Ore Reserves into varying confidence categories. 	<i>Proven and Probable Ore Reserves were classified based on the measured and indicated Mineral Resources as declared for by the Geologist- CP Edgardo G. Garcia.</i>
	<ul style="list-style-type: none"> ▪ Whether the result appropriately reflects the Competent Person(s)' view of the deposit. 	<i>The result appropriately reflects the Mining Engineer-CPs view of the deposit.</i>
	<ul style="list-style-type: none"> ▪ The proportion of Probable Ore Reserves which have been derived from Measured Mineral Resources (if any). 	<i>All of the proven and probable Ore Reserves have been derived from the measured and indicated Mineral Resource as estimated by the Geologist-CP Edgardo G. Garcia.</i>
Audits or reviews	<ul style="list-style-type: none"> ▪ The results of any audits or reviews of Ore Reserve Estimates 	<i>INC is currently engaging RPM to do internal review of the Ore Reserves.</i>
Discussion of relative accuracy/ confidence.	<ul style="list-style-type: none"> ▪ Where appropriate a statement of the relative accuracy and/or confidence in the Ore Reserve estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy 	<i>The relative accuracy of the statement of the Ore Reserves was based on the Economic Assessment made on the project applying sensitivity analysis to prove its viability thru the derivation of the NPV.</i>

INC Economic Assessment and Ore Reserves Estimation (PMRC-CPEM Technical Report)

	<p>of the reserve within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors which could affect the relative accuracy and confidence of the estimate.</p>	
	<ul style="list-style-type: none"> ▪ The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages or volumes, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used. 	<p><i>All related confidence level work was undertaken based on the results of global estimates.</i></p>
	<ul style="list-style-type: none"> ▪ These statements of relative accuracy and confidence of the estimate should be compared with production data, where available. 	<p><i>Not applicable as the mine is still not into production.</i></p>

ANNEX D

PMRC- Competent Person's Technical Report

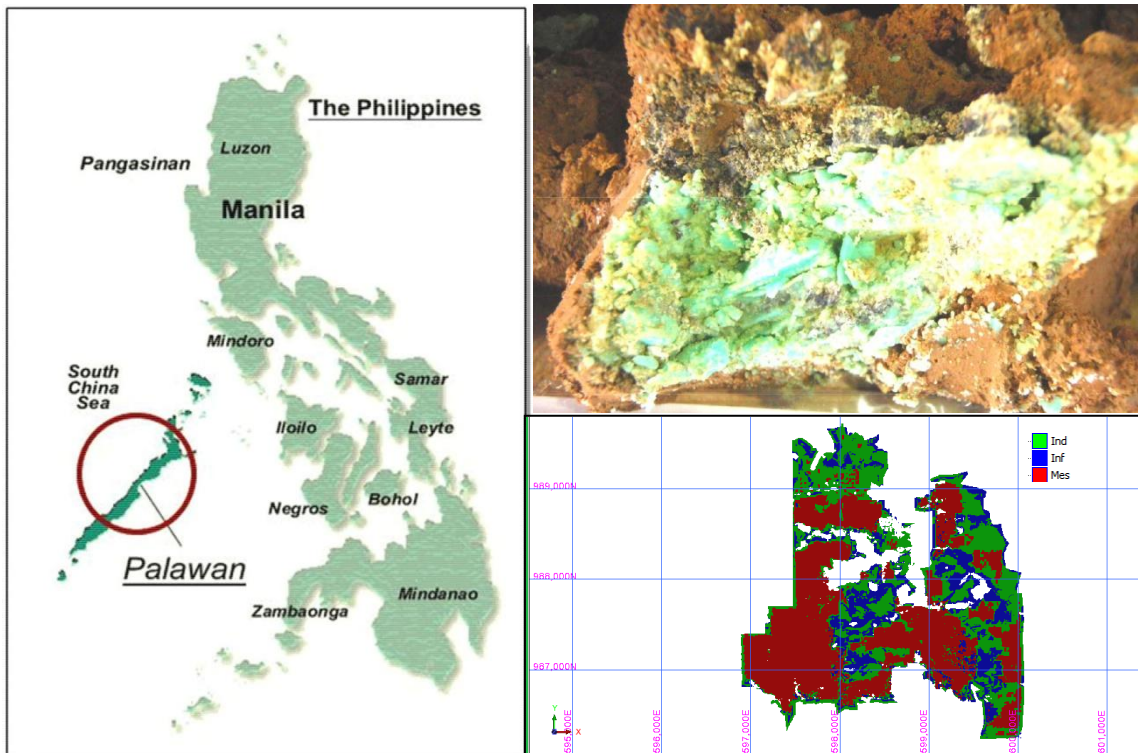
Mineral Resource Evaluation

Ipilan Nickel Corporation

Ipilan Nickel Project (MPSA No. 017-93-IV)

October 14, 2014

**PMRC- COMPETENT PERSON'S TECHNICAL REPORT
MINERAL RESOURCE EVALUATION
IPILAN NICKEL CORPORATION
IPILAN NICKEL PROJECT (MPSA No. 017-93-IV)
BRGYS. MAASIN, IPILAN, MAMBALOT AND CALASAGUEN
MUNICIPALITY OF BROOKE'S POINT, PALAWAN
PHILIPPINES**



**EDGARDO G.GARCIA
PMRC- CP (100904)
MAusIMM (224215)
14 OCTOBER 2014**

TABLE OF CONTENTS

Title	
IMPORTANT INFORMATION ABOUT THIS TECHNICAL REPORT	x
CERTIFICATION AND CONSENT OF THE COMPETENT PERSON	xii
EXECUTIVE SUMMARY	xvi
1.0 INTRODUCTION	1
1.1 Purpose.....	1
1.2 Scope of Work.....	1
1.3 Compliance.....	2
1.4 Declaration and Qualification.....	2
1.5 Disclaimer.....	2
2.0 TENEMENT INFORMATION	3
2.1 Description of Mineral Rights.....	3
2.2 History of the Mineral Rights.....	5
3.0 GEOGRAPHIC FEATURES	6
3.1 Location and Accessibility.....	6
3.2 Physiography, Climate and Vegetation.....	7
3.2.1 Topography and Drainage.....	7
3.2.2 Climate.....	7
3.2.3 Vegetation.....	8
3.3 Land Use and Infrastructure.....	9
3.4 Socio Economic Environment.....	9
3.5 Environmental Features/Concerns.....	10
3.5.1 Heritage and Cultural Values.....	10
3.5.2 Geological Hazards.....	10
4.0 PREVIOUS WORKS	12
4.1 Previous Resource Estimates	14
5.0 HISTORY OF PRODUCTION	15
5.1 INC Mining History	15
5.2 Mining System Description.....	15
6.0 REGIONAL GEOLOGY	16
6.1 Regional Geologic Setting.....	16
6.1.1 Stratigraphy.....	17
6.2 Structural Geology.....	18
6.3 Nickel Laterite Deposits- Weathering and Mineralization.....	18
6.3.1 General.....	18
6.3.2 Requirements for the Development of Nickel Laterites.....	18
6.3.3 Nickel Laterite Profile.....	21
6.3.4 Bulk Densities in Laterites.....	24
6.4 Nickel Laterite Deposits- Palawan Region.....	24
7.0 IPILAN PROPERTY- GEOLOGY and MINERALIZATION	25
7.1 Rock Types.....	25
7.2 Geological Structures and Trends.....	26
7.3 Mineralization in the Mineral Property.....	27
7.4 Stratigraphic Units/Laterite Profile.....	28
7.5 Indicative Mineralogy of INC Nickel Laterite Deposits.....	29
8.0 EXPLORATION	30
8.1 Geological Work by INC in the Property	30

8.2	Geological Mapping and Sampling	30
8.3	Test Pitting and Sampling	32
8.4	Topographic Survey	33
8.4.1	Drill Hole Collar Location	34
8.4.1.1	Checks of Drill Hole Collar Locations	35
8.4.2	Downhole Surveys	46
8.5	Geophysical Survey- Ground Penetrating Radar (GPR) Method	46
8.6	Drilling	47
8.6.1	Core Logging	49
8.6.2	Core Recovery	50
8.6.3	Core Photography	51
8.6.4	Core Sampling	51
8.7	Geotechnical Drilling	52
8.8	Bulk Density and Moisture Content Data	53
8.9	Metallurgical Test Work	53
8.10	Sample Preparation, Analyses and Security	55
8.10.1	Dispatch Method	55
8.10.2	Preparation and Assay Facility Type	56
8.10.3	Sample Preparation	56
8.10.4	Analytical Methods Used	61
8.11	Data Exclusion	64
9.0	Quality Assurance/Quality Control (QA/QC)	65
9.1	INC Drill Hole and Test Pit QA/QC	65
9.1.1	Accuracy	66
9.1.2	Precision	66
9.1.3	Blanks and Standards	67
9.2	QA/QC Analysis Methodology	67
9.2.1	Internal Repeats for INC	67
9.2.2	External Repeats for INC	85
9.2.3	Laboratory Internal Standards	93
9.2.4	Laboratory Blanks	93
9.2.5	Drill Hole and Test Pit Validation by Jinchuan	94
9.2.6	CP Review of Jinchuan Validation	94
9.3	Statement of CP on QA/QC	106
10.0	MINERAL RESOURCE ESTIMATE	107
10.1	INC Database Preparation	107
10.2	Integrity of Database	108
10.3	Data Verification and Validation	108
10.4	Data Quality Review	108
10.5	Data Verification Statement	109
10.6	Basic Statistics	109
10.7	Geostatistical Analysis	119
10.8	Geological Surface Generation and Domain Modelling	125
10.9	Grade Interpolation	127
10.10	Mineral Resource Estimation – Block Modelling	131
10.11	Model Validation	133
10.12	Mineral Resource Categories Used	137
10.13	Statement of Mineral Resources	140

10.14	Resource Estimates Including Inferred Resources.....	143
10.15	Current PMRC Estimate vs. Previous Resource Estimates.....	147
10.16	Exploration Potential.....	147
11.0	INTERPRETATION AND CONCLUSIONS	147
11.1	Synthesis of all the Data.....	147
11.2	Adequacy of Data, Over all Data Integrity and Areas of Uncertainty.....	149
11.3	Overall Conclusions of the Competent Person.....	149
11.4	CP Statement.....	149
12.0	RECOMMENDATIONS	149
13.0	REFERENCES	151

LIST OF TABLES

Table- 1	Details of the CNMEC MPSA.....	3
Table- 2	Geographic Coordinates of the CNMEC MPSA.....	4
Table- 3	MPSA Coverage in Each Barangay	9
Table- 4	Summary of Exploration Activities at CNMEC Area	13
Table- 5	Data Records Used by Snowden	14
Table- 6	Snowden Resource Estimates as at 30 December 2007.....	14
Table- 7	Data Records Used by TMM	14
Table- 8	TMM Resource Estimates as at 30 June 2010.....	14
Table- 9	Selected Drill Hole Details as Checked by INC/FPT vs. Jinchuan/JGS (July 2014).....	36
Table-10	Selected Drill Hole Details as Checked by Jinchuan/JGS vs. INC (December 2011 Data).....	37
Table- 11	Average DH Core Recoveries	50
Table- 12	Density Values	53
Table- 13	Excluded Data.....	64
Table- 14	QA/QC Results of Internal Repeats (Duplicates) of INC Drill Holes.....	69
Table- 15	QA/QC Results of Internal Repeats (Duplicates) of INC Test Pits.....	77
Table- 16	QA/QC Results of External Repeats (Re-Check) of INC Test Pits and Drill Holes.....	85
Table- 17	Drill Hole/Test Pit Validation by Jinchuan.....	94
Table- 18	DH/TP Validation of Jinchuan Samples (Internal Repeats).....	95
Table- 19	Drill Hole/Test Pit Validation of Jinchuan Samples (External Repeats).....	95
Table- 20	Test Pit Summary- Statistical Analysis.....	109
Table- 21	Basic Statistics (All Samples).....	110
Table- 22	Limonite Sample Statistics (No Topcut).....	110
Table- 23	Saprolite Sample Statistics (No Topcut).....	111
Table- 24	Bedrock Sample Statistics (No Topcut).....	111
Table- 25	Limonite Sample Statistics (Topcut Applied).....	112
Table- 26	Saprolite Sample Statistics (Topcut Applied).....	112
Table- 27	Bedrock Sample Statistics (Topcut Applied).....	113
Table- 28	Basic Statistics (Limonite Composites).....	113
Table- 29	Basic Statistics (Saprolite Composites).....	114
Table- 30	Basic Statistics (Bedrock Composites).....	114
Table- 31	Variogram Interpretation	120
Table- 32	Search Ellipse Parameters for Limonite at 25m Grid.....	127
Table- 33	Search Ellipse Parameters for Limonite at 50m Grid.....	128
Table- 34	Search Ellipse Parameters for Limonite at 100m Grid.....	128
Table- 35	Search Ellipse Parameters for Saprolite at 25m Grid.....	129
Table- 36	Search Ellipse Parameters for Saprolite at 50m Grid.....	129
Table- 37	Search Ellipse Parameters for Saprolite at 100m Grid.....	130
Table- 38	IDW Search Ellipse Parameters for Bedrock at 25m Grid.....	130
Table- 39	IDW Search Ellipse Parameters for Bedrock at 50m Grid.....	130
Table- 40	IDW Search Ellipse Parameters for Bedrock at 100m Grid.....	131
Table- 41	Dry Bulk Density.....	131
Table- 42	Block Model Parameters.....	132
Table- 43	Block Model Attributes.....	133
Table- 44	Summary of Block Model Validation for Limonite.....	134
Table- 45	Summary of Block Model Validation for Saprolite.....	134
Table- 46	PMRC Classification Based on Grade Interpolation Passes.....	138
Table- 47	Statement of Measured and Indicated Mineral Resources as at 03 October 2014.....	140
Table- 48	Statement of Measured and Indicated Mineral Resources by Nickel Cut-off Grade.....	141

Table- 49	Statement of Inferred Mineral Resources.....	143
Table- 50	Statement of Inferred Mineral Resources by Nickel Cut-off Grade.....	144
Table- 51	Resource Estimation/Classification Highlights.....	147

LIST OF FIGURES

Figure- 1	CNMEC Tenure Map.....	5
Figure- 2	Project Location Map.....	7
Figure- 3	Philippine Climate Map.....	8
Figure- 4	Philippine Seismicity Map.....	11
Figure- 5	Philippine Seismic Hazard Map.....	12
Figure- 6	Mined-Out Area within the Tenement.....	15
Figure- 7	Geological Map of Southern Palawan.....	17
Figure- 8	Composite Diagram and Characteristics of Laterite Topographies.....	20
Figure- 9	Simplified Schematics of Different Laterite Landforms.....	20
Figure- 10	Relationships of Topography, Weathering Front and Water Table.....	21
Figure- 11	Weathering Development on a Hz Boulder.....	22
Figure- 12	Typical Complete Laterite Profile.....	22
Figure- 13	Simplified Laterization Process.....	23
Figure- 14	Laterite Weathering Profile.....	23
Figure- 15	Relationship of Bulk Densities with Depth of Laterite.....	24
Figure- 16	Peridotites Intruded by Gabbro Dikes.....	25
Figure- 17	Gabbro Peridotite Contact.....	25
Figure- 18	Basalt Greenschists Contact.....	26
Figure- 19	Geology/Structures of CNMEC.....	26
Figure- 20	Specimen of Bright Green Garnierite.....	27
Figure- 21	Generalized Profile of Significant Elements.....	30
Figure- 22	Geological Map of Iplan Nickel Project.....	31
Figure- 23	Cross Section Along the Iplan Nickel Laterite Deposit.....	32
Figure- 24	Test Pitting Excavation.....	33
Figure- 25	Test Pit Sampling.....	33
Figure- 26	Topographic Survey Coverage.....	34
Figure- 27	Drill Hole- HC/ZK1-05.....	40
Figure- 28	Drill Hole- HC/ZK1-07.....	40
Figure- 29	Drill Hole- HC/ZK1-12.....	40
Figure- 30	Drill Hole- HC/ZK1-18.....	41
Figure- 31	Drill Hole- HC/ZK2-01.....	41
Figure- 32	Drill Hole- HC/ZK2-05.....	41
Figure- 33	Drill Hole: HC/ZK2-07.....	42
Figure- 34	Drill Hole- HC/ZK2-09.....	42
Figure- 35	Drill Hole- HC/ZK3-01.....	42
Figure- 36	Drill Hole- HC/ZK3-04.....	43
Figure- 37	Drill Hole: HC/ZK3-07.....	43
Figure- 38	Drill Hole: HC/ZK3-09.....	43
Figure- 39	Drill Hole- HC/ZK3-12.....	44
Figure- 40	Drill Hole- ZK4-01.....	44
Figure- 41	Drill Hole- HC/ZK4-04.....	44
Figure- 42	Drill Hole- HC/ZK5-02.....	45
Figure- 43	Drill Hole- HC/ZK5-06.....	45
Figure- 44	Drill Hole: HC/ZK5-08.....	45
Figure- 45	Drill Hole- HC/ZK5-09.....	46
Figure- 46	Drill Hole- HC/ZK5-12.....	46
Figure- 47	Mechanical Portable Drill Rig in Operation.....	47
Figure- 48	Drill Sample Layout in the Core Tray.....	48
Figure- 49	Core Samples.....	49
Figure- 50	Drill Sample Identification and Splitting.....	49
Figure- 51	Core Logging by Geologist.....	50
Figure- 52	Basic Statistics of Drill Hole Recoveries.....	51
Figure- 53	Core Extraction Prior to Core Logging/Sampling.....	52

Figure- 54	Geotechnical Investigation Site.....	52
Figure- 55	Covered Core Box with Samples.....	55
Figure- 56	Sample Reconciliation from the Field.....	55
Figure- 57	Thermostat-Controlled Laboratory Oven at ITS Manila.....	56
Figure- 58	Thermostat-Controlled Manufactured Laboratory Oven at BNC Lab.....	57
Figure- 59	Thermostat-Controlled Fabricated Laboratory Oven at BNC Lab.....	57
Figure- 60	Rocklabs Boyd's Crusher with Automatic Splitter at ITS Manila.....	58
Figure- 61	Rocklabs Boyd's Crusher w/ Automatic Splitter at BNC.....	58
Figure- 62	Essa Labtec 2kg Pulverizer at ITS Manila.....	59
Figure- 63	Essa Labtec 2kg Pulverizer at BNC Lab, Quezon, Palawan.....	59
Figure- 64	Pulverized Sample Drying with Memmert Electric Oven at ITS Manila.....	60
Figure- 65	Pulverized Sample Drying with Dessicator at BNC.....	60
Figure- 66	Jaw Plates of Crusher.....	61
Figure- 67	Microbalance Weighing of Pulverized Sample and Flux.....	61
Figure- 68	Sample Fusion using 6-place Modutemp Fluxer at ITS Manila.....	62
Figure- 69	Sample Fusion using 6-place Claisse Fluxer at BNC Lab.....	62
Figure- 70	Panalytical Axios WD X-Ray Fluorescence Instrument.....	63
Figure- 71	Spectro XEPOS Energy Dispersive X Ray Fluorescence Instrument.....	63
Figure- 72	Barnstead Thermoline Furnace at ITS Manila.....	64
Figure- 73	Location Map of the Duplicate and Check Samples- QA/QC.....	68
Figure- 74	Drill Hole Internal Repeat (Duplicate) Plots for Nickel.....	70
Figure- 75	Drill Hole Internal Repeat (Duplicate) Plots for Cobalt.....	71
Figure- 76	Hole Internal Repeat (Duplicate) Plots for Iron.....	72
Figure- 77	Drill Hole Internal Repeat (Duplicate) Plots for Al ₂ O ₃	73
Figure- 78	Drill Hole Internal Repeat (Duplicate) Plots for Cr ₂ O.....	74
Figure- 79	Drill Hole Internal Repeat (Duplicate) Plots for MgO.....	75
Figure- 80	Drill Hole Internal Repeat (Duplicate) Plots for SiO ₂	76
Figure- 81	Test Pit Internal Repeat (Duplicate) Plots for Nickel.....	78
Figure- 82	Test Pit Internal Repeat (Duplicate) Plots for Cobalt.....	79
Figure- 83	Test Pit Internal Repeat (Duplicate) Plots for Iron.....	80
Figure- 84	Test Pit Internal Repeat (Duplicate) Plots for Al ₂ O ₃	81
Figure- 85	Test Pit Internal Repeat (Duplicate) Plots for Cr ₂ O ₃	82
Figure- 86	Test Pit internal Repeat (Duplicate) Plots for MgO.....	83
Figure- 87	Test Pit internal Repeat (Duplicate) Plots for SiO ₂	84
Figure- 88	External Repeat (Check) Plots for Nickel.....	86
Figure- 89	External Repeat (Check) Plots for Cobalt.....	87
Figure- 90	External Repeat (Check) Plots for Iron.....	88
Figure- 91	External Repeat (Check) Plots for Al ₂ O ₃	89
Figure- 92	External Repeat (Check) Plots for Cr ₂ O ₃	90
Figure- 93	External Repeat (Check) Plots for MgO.....	91
Figure- 94	External Repeat (Check) Plots for SiO ₂	92
Figure- 95	Location Map of the Jinchuan Validation Sampling Program.....	96
Figure- 96	Drill Hole/Test Pit Validation (INC vs Jinchuan Nickel Samples).....	97
Figure- 97	Drill Hole/Test Pit Validation (INC vs Jinchuan Cobalt Samples).....	98
Figure- 98	Drill Hole/Test Pit Validation (INC vs Jinchuan Iron Samples).....	99
Figure- 99	Drill Hole/Test Pit Validation Internal Repeat (Duplicate) Plots for Nickel.....	100
Figure-100	Drill Hole/Test Pit Validation Internal Repeat (Duplicate) Plots for Cobalt.....	101
Figure-101	Drill Hole/Test Pit Validation Internal Repeat (Duplicate) Plots for Iron.....	102
Figure-102	Drill Hole/Test Pit Validation External repeat (Re-Check) Plots for Nickel.....	103
Figure-103	Drill Hole/Test Pit Validation External Repeat (Re-Check) Plots for Cobalt...	104
Figure-104	Drill Hole/Test Pit Validation External Repeat (Re-Check) Plots for Iron.....	105
Figure-105	Map Showing Drill Hole and Test Pit Locations.....	107
Figure-106	Histogram Plots (Limonite).....	115
Figure-107	Histogram Plots (Saprolite).....	116
Figure-108	Probability Plots (Limonite).....	117

Figure-109	Probability Plots (Saprolite).....	118
Figure-110	Variogram Analysis (Limonite).....	121
Figure-111	Variogram Analysis (Saprolite).....	123
Figure-112	Block Model of Lithological Domains.....	126
Figure-113	Digital Terrain Model of Topography.....	132
Figure-114	Correlation of Blocks vs Samples (Limonite).....	135
Figure-115	Correlation of Blocks vs Samples (Saprolite).....	136
Figure-116	Block Model Showing PMRC Classification.....	139
Figure-117	Limonite Grade-Tonnage Distribution (Measured and Indicated Mineral Resource).....	142
Figure-118	Saprolite Grade-Tonnage Distribution (Measured and Indicated Mineral Resource).....	142
Figure-119	Limonite and Saprolite Grade-Tonnage Distribution (Measured + Indicated Mineral Resource).....	143
Figure-120	Limonite Grade-Tonnage Distribution (Inferred Mineral Resource).....	145
Figure-121	Saprolite Grade-Tonnage Distribution (Inferred Mineral Resource).....	145
Figure-122	Limonite and Saprolite Grade-Tonnage Distribution (Inferred Mineral Resource).....	146

IMPORTANT INFORMATION ABOUT THIS TECHNICAL REPORT

1. The Client

This Technical Report has been prepared and produced by Geologist-CP, **Edgardo G. Garcia**, (“the Author”) solely for Ipilan Nickel Corporation, (“the Client”).

2. Client Use of Report

The Client’s use of this Technical Report is subject to the terms and conditions under which (“the Author”) prepared the Technical Report. As discussed, agreed and understood with the Client, this Technical Report is intended to provide an updated mineral resource estimate of the Project. It is also intended to be used as a supporting document in INC’s filing of Declaration of Feasibility Study with the DENR-MGB, its planned stock listing with the Philippine Stock Exchange (“PSE” or “Exchange”) and subsequent Initial Public Offering (“IPO”) in the Exchange.

3. Notice to Third Parties

This Technical Report was prepared for the Client only and any third party should take note:

- This Technical Report was generated to the specific requirements of the Client, and upon the Client’s instructions and objectives. The Technical Report has no regard to any third party’s needs or interests.
- This Technical Report was made to conform to the Philippine Mineral Reporting Code (PMRC) which is patterned after the JORC Code to satisfy the required standards of the PSE and the DENR- MGB.
- The Author expressly disclaims from making any representation or warranty to third party whether express or implied regarding this Technical Report on the interpretations, opinions or conclusions presented herein. Likewise, the Author expressly disclaims any liability to any third party.
- The Author does not authorize any third party to rely and use this Technical Report. However, if you choose to use or rely on all or part of this Technical Report, then any loss or damage you may incur is at your exclusive risk.

4. Inputs and Non- Duty to Update Due to Subsequent Changes

- This Technical Report was prepared using all available data and information supplied by or on behalf of the Client’s consultants and contractors. Unless clearly stated and implied otherwise, the Author has not independently verified all data and information although necessary and appropriate checks have been made as required.
- The Author accepts no liability for the accuracy or completeness of that data and information, even if that has been included and referenced into or relied upon in preparing this Technical Report.
- The interpretations, opinions and conclusions expressed in this Technical Report apply as at the date of the report. Events (changes to any of the data and information used in preparing the Technical Report) may have occurred since then which may impact on those interpretations, opinions and conclusions making them less reliable. The Author is under no obligation to update the Technical Report upon the occurrence of any such

event, though it reserves the right to do so and under a separate agreement with the Client.

This Technical Report has been prepared for the Client and must be read in its entirety and subject to the third party disclaimer clauses contained in the body of the Technical Report.

5. Updated CP Technical Report

This is an Updated CP Technical Report on the INC Ipilan Nickel Project Mineral Resources having considered all the available geological, topographic and assay data gathered during exploration of the area from August 2006 to date.

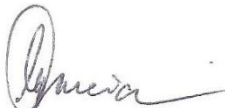
CERTIFICATION AND CONSENT OF THE COMPETENT PERSON

As the Principal Author of the “**PMRC- COMPETENT PERSON’S TECHNICAL REPORT ON MINERAL RESOURCE EVALUATION OF IPILAN NICKEL CORPORATION- IPILAN NICKEL PROJECT (MPSA No. 017-93-IV)**” dated 14 October 2014 for the INC Nickel Project located in Barangays Maasin, Ipilan, Mambalot and Calasaguen, Municipality of Brooke’s Point, Palawan, Philippines, I, **Edgardo G. Garcia**, do hereby certify that:

- I currently work as an Independent Consulting Geologist- Competent Person and was engaged by Ipilan Nickel Corporation (INC) to prepare an updated CP Technical Report on the Mineral Resources of the INC Nickel Project in a manner compliant with the Philippine Mineral Reporting Code (PMRC) Standards/Requirements and the Philippine Stock Exchange, Inc’s (PSE or Exchange) Implementing Rules and Regulations (IRR) for Public Reports of Exploration Results, Mineral Resources and Ore Reserves.
- I graduated with a Bachelor of Science Degree in Geology from the Mapua Institute of Technology (B.Sc. Geology) in 1981.
- I am a Certified Professional Geologist (Reg. No 761) under the Philippine Professional Regulations Commission and a member in good standing of the Geological Society of the Philippines.
- I am a member of the Australasian Institute of Mining and Metallurgy (MAusIMM) (No.224215) and PMRC (No.100904). My CP accreditations are valid at the time of filing of this certificate.
- I have practiced the profession as a geologist in the mining industry for over 32 years and have extensive experience working on minerals (particularly nickel laterite deposits) and coal properties in the Philippines, Indonesia, Australia and New Caledonia.
- I have sufficient relevant experience to the style of mineralization and type of nickel laterite deposit under consideration and to the activity which I am undertaking as a Competent Person (CP) as defined both in the 2007 PMRC Code and the 2012 Edition of the JORC Code for Reporting Exploration Results, Mineral Resources and Ore Reserves.
- I have previously worked at the Ipilan Area and other adjacent Palawan nickel laterite deposits during my employment with BHPB-QNPH from 1998- 2006 and thus, I am familiar with the nickel laterite deposits. I was author of the report “Geological and Resource Evaluation of Macro- Asia Corporation’s Nickel Project- Ipilan, Brookes Point, Palawan dated May 2007.
- I have supervised the last INC re-sampling/re-validation program made on July 2014.
- I have read the definition of “Competent Person” set out in the PMRC Code of 2007 and JORC Code (2004 and 2012 Editions) and certify that by reason of my education, affiliation with professional associations (as defined in the code) and past relevant work experience, I fulfill the requirements to be a “Competent Person” for the purposes of the Technical Report.
- I am the primary “Author” responsible for the preparation and compilation of the Technical Report, and supervision of the technical team who assisted in the geology and resource sections of the Technical Report.

- I am not aware of any fact or change with respect to the subject matter of the Technical Report that is not reflected in the Technical Report, the omission to disclose which makes the Technical Report misleading.
- I have had no previous involvement with the Ipilan Nickel Corporation prior to my preparation of the CP Technical Report on Mineral Resource Evaluation now. I have no interest, nor do I expect to receive any interest, either directly or indirectly, neither in the Ipilan Nickel Project, nor in the securities of INC during its future listing that could be reasonably regarded as being capable of affecting my independence.
- My professional fee for completing this Technical Report is based on normal industry rates and its payment is not contingent upon the outcome of the Technical Report.
- I am independent of the client who requested for this Technical Report which will serve as supporting document in INC's planned stock listing at the Philippine Stock Exchange (PSE) and subsequent Initial Public Offering in the Exchange.
- I consent to the full inclusion in the INC prospectus and public filing of this Technical Report, extracts or summary here from, in the written disclosure being filed in the context in which it was prepared and reported.
- This certificate and consent applies to the CP Technical Report:

**PMRC- COMPETENT PERSON'S TECHNICAL REPORT
MINERAL RESOURCE EVALUATION
IPILAN NICKEL CORPORATION
IPILAN NICKEL PROJECT (MPSA No. 017-93-IV)
BRGYS. MAASIN, IPILAN, MAMBALOT AND CALASAGUEN
MUNICIPALITY OF BROOKE'S POINT, PALAWAN
PHILIPPINES**



Mr. Edgardo G. Garcia
Registered Geologist (PRC License No. 761)
MAusIMM No. 224215 - JORC Competent Person
PMRC CP No. 10-09-04 – Competent Person
PTR No. 2106083 (Mandaluyong City/Valid till 31 Dec. 2014)

**REPUBLIC OF THE PHILIPPINES)
MANDALUYONG CITY) SS.**

SUBSCRIBED AND SWORN to before me this 12th day of October 2014 affiant exhibited to me his/her Community Tax Certificate No. CCI2012-22774671 issued on January 24, 2014 at Mandaluyong City, Philippines.

Doc No. 382
Page No. 77
Book No. XXV
Series of 2014

ATTY. TRIXIA THERESA B. REYES
NOTARY PUBLIC
UNTIL DECEMBER 31, 2015
PTR No. 1940013 / 01-02-14 MAND
ROLL No. 60934 / IBP No. 892421

Abbreviation List

APO	Association of Professional Organizations
AusIMM	Australasian Institute of Mining and Metallurgy
Al ₂ O ₃	Alumina
BD	Bulk Density
BM	Bureau of Mines
block_vol	volume of a cell in a block mode
°C	Degrees Celsius
CNMEC	Celestial Nickel Mining and Exploration Corporation
Co	Cobalt
CP	Competent Person
CPR	Competent Person's Report
Cr	Chromium
Cr ₂ O ₃	Chromium (III) oxide
D	Dunite
DENR	Department of Environment and Natural Resources
E	East
EIA	Environmental Impact Assessment
EIS	Environmental Impact Statement
Fe	iron
g	gram
>	greater than
GSP	Geological Society of the Philippines
ha	Hectare
Hz	Harzburgite Bedrock
Ind	Indicated
Inf	Inferred
ITS	Intertek Testing Services, Inc.
JORC	Joint Ore Reserves Committee
Kg	Kilogram
Km	Kilometer
km ²	square kilometer
LA	Yellow limonite
LB	Yellow limonite
<	less than
LF	Red-brown limonite
m	Meter
M	Million
m ³	cubic meter
Mes	Measured
MGB	Mines and Geosciences Bureau
MgO	Magnesium Oxide
MPSA	Mineral Production Sharing Agreement

Mt	Million tonnes
Mtpa	Million tonnes per annum
Mwt	Million wet tonnes
N	North
Ni	Nickel
num_al ₂ O ₃	number of alumina samples
num_co	number of cobalt samples
num_cr	number of chromium samples
num_fe	number of iron samples
num_MgO	number of magnesium oxide samples
num_ni	number of nickel samples
num_sio ₂	number of silicate samples
%	percent
PMRC	Philippine Mineral Reporting Code
PSEM	Philippine Society of Mining Engineers
QA/QC	Quality Assurance/Quality Control
R_SAP	Rocky saprolite
S	South
S_ROCK	Saprolitic rock
SAP	Saprolite
SD	Serpentinized Dunite
SG	Specific gravity or dry bulk density
SHz	Serpentinized Harzburgite
SiO ₂	Silica
SS	Serpentinite
t	Tonnes
TM	Transition Material
TMM	Toledo Mine Management, Inc./TMM Management, Inc.
tpa	tonnes per annum
W	West
WMT	Wet Metric Tonnes
XRD	X-ray diffraction
XRF	X-ray fluorescence

EXECUTIVE SUMMARY

The Ipilan Nickel Corporation (“INC”) engaged the “Author”, Edgardo G. Garcia, a Geologist- CP to prepare an updated PMRC CP Technical Report on the Mineral Resource of the Ipilan Nickel Project (“Ipilan Project”) located in Barangays Maasin, Ipilan, Mambalot and Calasaguen, Brooke’s Point Municipality, Palawan, Philippines for INC’s filing of Declaration of Feasibility Study with the DENR-MGB, its planned stock listing with the Philippine Stock Exchange (“PSE” or “Exchange”) and subsequent Initial Public Offering (“IPO”) in the Exchange.

The Project is located within a mineral-rich area in the Palawan Region in the western part of the Philippines identified as a nickel-iron laterite rich region derived from the weathering of Eocene- Oligocene ultramafic rocks of the Palawan Ophiolite Complex.

The Project is covered by MPSA No. 017-93-IV granted to Celestial Nickel Mining and Exploration Corporation (“CNMEC”) on 19 September 1993 covering an area of 2,385.06 hectares which is valid for 25 years (until 2018) and renewable for an additional 25 years. CNMEC then entered into a life of mine Operating Agreement with Ipilan Nickel Corporation (“INC”) on 25 August 2005.

INC conducted extensive exploration on the tenement from August 2006 to December 2009 consisting of reconnaissance to detailed mapping, test pitting, layout of traverse lines, test drilling to resource definition drilling and geotechnical drilling. Details are given below.

Details of Exploration		Depth (m)
Drill Holes	3,154	54,095.79
Test Pits	5,093	27,279.24
TOTAL	8,247	81,375.03
Sample Assays	84,413	

This resulted into the preparation of a CP Technical Report on the Mineral Resource Evaluation for the INC Nickel Project prepared by TMM Management, Inc. on 30 June 2010.

To date an updating of the mineral resource estimate was undertaken by the CP to take in to account a re-validation and re-interpretation, since the initial resource estimation made by TMM. During the updated resource estimation, the review of INC’s drilling and sampling procedures indicated that appropriate practices were used during the drilling program and that all exploration activities were accomplished to the PMRC Code standard. The QA/QC process indicated the following: that there is no significant assay bias; that with the significant amount of samples used in the estimation and the normal distribution and small range of sample grades within each estimation domain, the observed scatter of repeat data have no material and adverse impact on the resource estimate especially for nickel and iron. Using the results of QA/QC, considerations were made when assigning PMRC classifications to the resource estimates.

The mineral resource estimate complies with the recommendations of PMRC (2007) as highlighted by adoption of the guidelines listed on the PMRC “Table-1- Checklist of Assessment and Reporting Criteria”. The PMRC Statement of Mineral Resources

as reported in various cut-off grades based on potential product requirements is given below.

**Statement of Mineral Resources for Total Nickel as at 03 October 2014
(Measured and Indicated)**

Material	Classification	DMT	Ni	Fe	SG
Low Grade Ni \geq 0.70%; Fe \geq 48%	Measured	2,218,000	1.07	49.6	1.1
	Indicated	293,000	1.01	49.7	1.1
	Subtotal	2,511,000	1.06	49.6	1.1
Medium Grade Ni \geq 0.80% <1.50%; Fe<48%	Measured	28,233,000	1.15	23.6	1.2
	Indicated	10,193,000	1.05	25.2	1.2
	Subtotal	38,426,000	1.12	24.0	1.2
High Grade Ni \geq 1.5%; Fe<48%	Measured	8,363,000	1.75	16.5	1.3
	Indicated	706,000	1.69	16.1	1.3
	Subtotal	9,069,000	1.75	16.5	1.3
Combined	Measured	38,814,000	1.27	23.6	1.2
	Indicated	11,192,000	1.09	25.3	1.2
	Total	50,006,000	1.23	24.0	1.2

Notes:

1. The Statement of PMRC Mineral Resources has been generated under the supervision of Mr. Edgardo G. Garcia who is an independent Consulting Geologist and a Registered Member of the Geological Society of the Philippines and Australian Institute of Mining and Metallurgy. He has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity that he has undertaken to qualify as a Competent Person as defined in the PMRC and JORC Codes.
2. All Mineral Resources figures reported in the table above represent estimates at 03rd October 2014. Mineral Resource estimates are not precise calculations, being dependent on the interpretation of limited information on the location, shape, continuity of the mineralization and the availability of sampling results. The totals contained in the above table have been rounded to reflect the relative uncertainty of the estimate and thus may cause some computational variances.
3. Mineral Resources are reported in accordance with the Philippine Mineral Reporting Code (PMRC 2007 Edition).

The resource estimate was completed using the following parameters:

- 3,154 drill holes and 1,906 test pits were used to define the resource envelopes for a total of 63,951m. Drilling has been conducted on predominantly 25, 50 and 100 m spaced grids using NQ diameter core on vertically drilled holes. All drill hole collars were surveyed using a Total Station instrument during the topographic survey of each deposit.
- All drill holes were logged for lithology, weathering and alteration and sampled to 1 m lengths. The review of the drilling and sampling procedures indicate that sufficient practices adopted from the Exploration Protocol were used during the drilling program. Total drill hole core recovery was exceptionally high at 96.4%.
- Sample preparation and assaying were performed by Intertek Testing Services, Inc. (Intertek) in Manila and later at the Berong Nickel Corporation (BNC) on-site laboratory in Quezon, Palawan operated by Intertek.
- The block model was estimated using an Ordinary Kriging (OK) interpolation constrained by resource outlines based on weathering profiles and nickel mineralization envelopes prepared using geological/mineralization contacts and alteration interpretations.
- No major horizontal anisotropy was identified within the weathering profiles as would be expected in these types of deposits.
- Three passes were used in the estimations of the deposit. A variable minimum and maximum number of samples were used to estimate each element which varied for each estimation pass.

- A total of 345 wet and dry bulk density determinations have been completed using the ASTM sand cone bulk density technique. Derived average dry density values were used in the estimation.
- Geostatistical analysis using variogram ranges for the major direction of continuity, the visual inspection of the grade within the drill hole for each element and consideration of the overall sample quality defined from the QA/QC data were used in the appropriate classification of mineral resources.
- Overall, the model validation confirms that the estimate is representative of the composites and is indicative of the known controls of mineralization and the underlying data used for estimation.

To further enhance the level of accuracy for resource reporting and upgrade the mineral resource inventory and classification, the following are recommended:

- Conduct additional density testing for all the lithological domains in order to get a more accurate resource and reserve estimate in preparation for mining operations;
- Update the resource estimate on deposits with Inferred Resources (~7,000,000 DMT) thru in-fill drilling at designated grid spacing to upgrade these to Measured Resources;
- Carry out additional geological mapping on the northern side of the tenement and peripheral areas to delineate potential laterite deposits; and
- Conduct test drilling in other potential exploration areas to increase mineral resource inventory.

The Geologist-CP has undertaken the resource estimation aspects of the project within 2007 PMRC Guidelines and has documented the application of PMRC criteria on the key aspects of analysis and estimation.

The level of precision reported in this report is appropriate for the classification of the resource and the method used for the estimate.

1.0 INTRODUCTION

1.1 Purpose

The purpose of this Technical Report is to provide an independent technical update on the PMRC mineral resource estimate of the Ipilán Nickel Project (“the Project”) of Ipilán Nickel Corporation (“the Company”) covering all the identified and explored deposits for INC’s filing of Declaration of Feasibility Study with the Department of Environment and Natural Resources Mine and Geo-Sciences Bureau (“DENR-MGB”), its planned stock listing with the Philippine Stock Exchange (“PSE” or “Exchange”) and subsequent Initial Public Offering (“IPO”) in the Exchange. The latest reporting of resources referenced in this updated CP Technical Report is the resource estimation report prepared by TMM Management, Inc. on 30 June 2010.

This Technical Report was made to conform to the Philippine Mineral Reporting Code (PMRC) which was patterned after the Joint Ore Reserves Committee (JORC) Standards to satisfy the reporting standards of the DENR-MGB and PSE.

1.2 Scope of Work

The Competent Person (CP), Edgardo G. Garcia, as an independent Geological Consultant- CP supervised and carried out the preparation of the updated resource estimation presented in this Technical Report. This resource evaluation includes assessment and comments with regards to compliance to the PMRC Standard for Mineral Resource and Ore Reserve Reporting Check List (Table-1).

During the resource evaluation several meetings/discussions were made with the new INC Management:

Joseph C. Sy, President/CEO
Atty. Dante R. Bravo, EVP/Corporate Secretary
Seng Gay Chan, SVP/CFO
Carlo A. Matilac, SVP Technical- Mining

The work program included the following items:

- Collation of relevant technical information on the Project including resources data, topographic and assay data;
- Site visits were conducted at the Project area to discuss technical aspects with staff of INC;
- Review, validation of all the acquired data and detailed analysis of available data in preparation for resource estimation (block modelling);
- Re-sampling of selected sample pulps for re-analyses;
- Discussions on the Project’s future development plans;
- Discussions on proposed additional exploration on potential areas; and
- Generation and completion of the Competent Person’s Technical Report on INC’s Mineral Resource which is basically in line with the reporting requirements of PMRC and PSE.

The CP has for the past been acquainted with the geologic setting, nickel laterite exposures and company’s exploration activities which proved substantive in the preparation of the PMRC- Compliant Technical Report on resource estimates.

Best efforts have been exerted to be consistent with the standards of the PMRC on resource reporting, however, this Technical Report does not include the verification and

validation of the tenure, legal, permitting, commercial, social and other non-technical aspects of the project area.

1.3 Compliance

This Competent Person's Technical Report presents the updated and latest mineral resource estimate as of 03 October 2014 of the Iplan Nickel Project. The nickel laterite resource has been determined following the standards and guidelines set forth by the PMRC Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. The PMRC Code is a locally recognized standard for the public reporting of mineral resources and ore reserves, adopted by the Philippine mining industry and the associated local Accredited Professional Organizations (APOs) and is included in the listing rules of the Philippine Stock Exchange. The PMRC closely referenced the internationally accepted set of standards and definitions of Australia, Canada, South Africa, European Union and the International Reporting Template by the Committee for Mineral Reserves International Reporting Standard (CRIRSCO) for the reporting of mineral resources and ore reserves. *The reporting standards and definitions of the PMRC Code are compatible to the reporting standards and classification systems of the 2004 and 2012 JORC Code of Australia.*

1.4 Declaration and Qualification

The Competent Person, Edgardo Garcia, is an independent consulting geologist and does not hold any securities in INC, its subsidiaries or affiliates, nor will it hold any securities in the future listing of the company. The CP has no vested interest in any properties or concessions held by INC and his sole commercial interest with INC is to provide professional consulting services in connection with the resource evaluation and CP Technical Report preparation as presented herein. The payment of professional fees is established under a proposal/contract agreement and is not influenced by an additional company financing or on the outcome of the future listing of INC.

The CP, Edgardo G. Garcia, has practiced the profession as a geologist in the mining industry for over 32 years. He has extensive experience working on nickel properties in the Philippines (Surigao, Dinagat, Davao, Isabela, Palawan, Zambales and Rapu-rapu); in Indonesia and New Caledonia. He has completed investigations on nickel properties on behalf of private companies. His education includes a B.Sc. Degree (1981) in Geology from Mapua Institute of Technology. He is a Certified Professional Geologist (Registration Number 761) and a member in good standing of the Geological Society of the Philippines. He is qualified to be a "Competent Person" under the requirements of the PMRC (CP No. 10-09-04), JORC Code (MAusIMM No. 224215) and the Philippine/Australian Stock Exchanges.

1.5 Disclaimer

In the preparation of this updated CP Technical Report, the "Author" has relied upon the work completed by other professionals. Every effort has been made to check the accuracy and reliability of the previous drilling, sampling and geological work, but it was not possible to independently verify all of the information provided. For the most part, this information was collected, generated and/or compiled directly by, or under the supervision of, INC professionals well versed in the geological and technical requirements for nickel projects.

The sources of data for much of this report are in the form of Technical Reports prepared by geologists and engineers of INC, TMM and other Consultants. Most of

the geological data, drill logs, analytical reports, and field maps collected by INC are available in the INC offices in Manila and Palawan. The “Author” was able to verify the accuracy of the data presented in the reference reports by comparison with the source data and as such has no reason to doubt the integrity of the information presented. During the validation process several transcriptional errors were corrected. Overall, the data supplied was found to be in good condition and to be reasonably accurate. The “Author” considers this information to be reliable and of good quality.

The opinions expressed in this Technical Report have been based on the information supplied to the “Author” by INC. The “Author” has exercised all due care in reviewing the supplied information and the accuracy of the results and conclusions generated in the Technical Report are entirely reliant on the accuracy and completeness of the supplied data.

The “Author” does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them.

A list of the reports and scientific papers used in this report is given in the reference section.

2.0 TENEMENT AND MINERAL RIGHTS

2.1 Description of Mineral Rights

The Ipilan Nickel Project is covered by MPSA No. 017-93-IV granted to Celestial Nickel Mining and Exploration Corporation (“CNMEC”) on 19 September 1993 covering an area of 2,385.06 hectares which is valid for 25 years (until 2018) and renewable for an additional 25 years. CNMEC then entered into a life of mine Operating Agreement with Ipilan Nickel Corporation (“INC”) on 25 August 2005.

The tenement boundaries of the project area under consideration are defined under the terms of the MPSA in accordance with the provisions of the Department of Environment and Natural Resources Administrative Order No. 57 of 1989, and the Philippine Mining Act of 1995.

The details of the CNMEC MPSA are given in **Table-1**.

Project Type	Ni-Laterite Mining Project
Name of Certificate	Mineral Production Sharing Agreement
Certificate No.	MPSA-017-93-IV
Mining Title Holder	Celestial Nickel Mining and Exploration Corporation
Name of Mine	Ipilan Nickel Project
Mining Method	Open Cut Mining
Area/Size	2,835.06 hectares
Issue Date	September 19, 1993
Validity	September 18, 2018

Table-1. Details of the CNMEC MPSA

The geographic coordinates of the MPSA as defined by the mining license for the Ipilan Nickel Project are presented in **Table-2** and the MPSA Tenure Map is shown in **Figure-1**.

INC Mineral Resource Evaluation (PMRC-CP Technical Report)

Corner	Longitude	Latitude
1	117°54'30.544"	8°54'34.236"
2	117°54'03.880"	8°54'34.236"
3	117°54'03.880"	8°54'07.570"
4	117°52'17.210"	8°54'07.570"
5	117°52'17.210"	8°54'24.240"
6	117°52'31.260"	8°54'24.240"
7	117°52'31.260"	8°54'34.240"
8	117°52'21.260"	8°54'34.240"
9	117°52'21.260"	8°54'44.240"
10	117°52'11.260"	8°54'44.240"
11	117°52'11.260"	8°54'54.240"
12	117°52'17.210"	8°54'54.240"
13	117°52'17.210"	8°55'14.240"
14	117°52'20.540"	8°55'14.240"
15	117°52'20.540"	8°55'24.240"
16	117°52'40.540"	8°55'24.240"
17	117°52'40.540"	8°55'34.240"
18	117°52'50.540"	8°55'34.240"
19	117°52'50.540"	8°55'44.240"
20	117°53'00.540"	8°55'44.240"
21	117°53'00.540"	8°55'54.240"
22	117°53'10.540"	8°55'54.240"
23	117°53'10.540"	8°56'47.570"
24	117°53'10.540"	8°57'14.240"
25	117°53'10.540"	8°58'34.240"
26	117°54'03.870"	8°58'34.240"
27	117°54'03.870"	8°59'27.570"
28	117°55'23.870"	8°59'27.570"
29	117°55'23.870"	8°58'34.240"
30	117°54'57.240"	8°58'34.240"
31	117°54'57.240"	8°58'07.570"
32	117°54'30.530"	8°58'07.570"
33	117°54'30.530"	8°57'14.240"
34	117°54'03.960"	8°57'14.240"
35	117°54'03.960"	8°56'47.570"
36	117°54'30.544"	8°56'47.570"
37	117°54'30.544"	8°56'20.910"
38	117°54'57.200"	8°56'20.910"
39	117°54'57.200"	8°55'0.910"
40	117°54'30.544"	8°55'0.910"

Table-2. Geographic Coordinates of the CNMEC MPSA

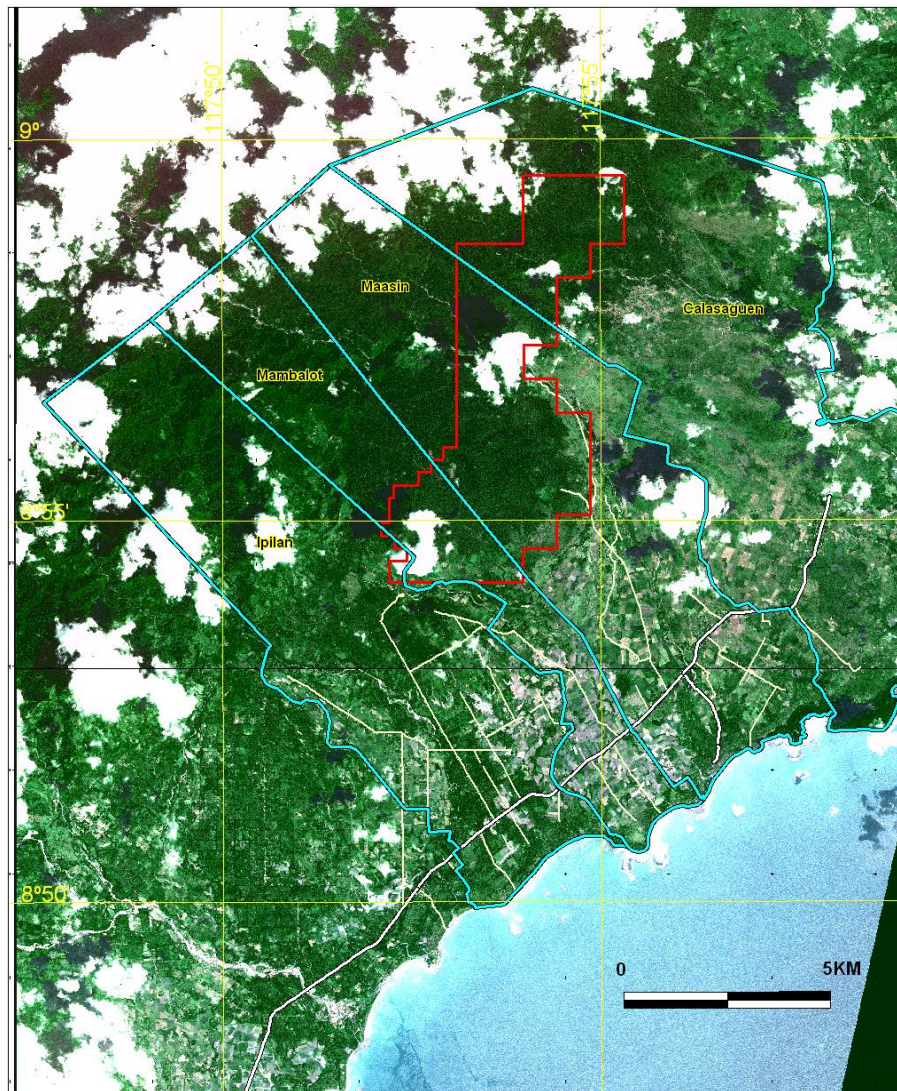


Figure-1. CNMEC Tenure Map (Source: TMM)

2.2 History of the Mineral Rights

The history of the mineral rights can be gleaned from an excerpt of the Snowden Report below:

Lecar & Sons Company applied a claim to the Project Area and conducted limited nickel laterite exploration from 1968. After 2 years, Nippon Mining Corporation of Japan started their extensive exploration program and accomplished 1,051 percussion drill holes, 232 rotary drill holes and 173 test pits. A mining claim dispute between Lecar & Sons and Infanta Minerals Inc., an adjacent claim holder, resulted in Nippon Mining Corporation's withdrawal from the Area in 1971.

Infanta Minerals Inc. then commenced exploitation and exportation of direct-shipping saprolite ore (DSSO) from the contested claims. About 50,000 tons of lateritic ore had already been shipped out before a court order to halt the operation in 1977.

In June 1981, Lecar & Sons assigned the claims to Celestial Nickel Mining and Exploration Corporation (CNMEC) and by January of 1992 the dispute between CNMEC and Infanta Minerals Inc. was settled. CNMEC filed an application for a MPSA on September of the same year as it started its exploration program. By the first half of

1993, CNMEC had excavated 121 new test pits while conducting reconnaissance pedogeochemical sampling in unexplored areas.

On August 5, 1993, MPSA 017-93-IV was awarded to CNMEC to explore, develop, operate and rehabilitate the 2,835.06 hectares of the mining property. CNMEC entered into an Option Agreement on December 1996 with Sarabat Philippines, Inc.

Sarabat Philippines Inc. conducted its first exploration program in March 1997 and sunk 408 test pits within the approximately 900 hectares of the contract area. AGRA Simons Engineering Company of Canada conducted a Pre-Feasibility Study and verified the presence of nickel reserves in the area in 1998. When a 2-year Exploration Extension Period was granted in 1999, geophysical surveys were conducted in the Everlasting area using ground-penetrating radar (GPR) to map and determine the thickness of the laterite deposits. Nickel mining exploration was halted in 2001 due to insufficiency of funds and expiration of the exploration period extension.

CNMEC entered an agreement with Toledo Mining Corporation and Brooke's Nickel Ventures, Inc. to form INC in 2005 through NLRI. CNMEC was granted another 2-year exploration period extension and has then conducted extensive exploratory fieldwork in the area.

As disclosed to the CP, CNMEC has assigned its mineral rights to INC through an Operating Agreement as officially received by the DENR- MGB Region IV on 25 August 2005.

3.0 GEOGRAPHIC FEATURES

3.1 Location and Accessibility

The INC Ipilan Nickel Project is located in Barangays Maasin, Ipilan, Mambalot and Calasaguen, Brooke's Point Municipality, Palawan, Philippines. The Province of Palawan is a long and narrow archipelagic island and is part of Region IV-B MIMAROPA (Mindoro, Marinduque, Romblon and Palawan), which is the largest island in Region-IV and fifth largest island in the Philippines.

The Project site coordinates are latitude 8°55'19" and longitude 117°54'45". **Figure-2** shows the general project location.

Daily scheduled flights are serviced by Philippine Airlines, Cebu Pacific, Air Philippines, and Zest Air from Manila and Cebu City to Puerto Princesa City. Available commercial cargo vessels and ferry boats from various Philippine provinces are also an alternative means to the city.

The Project Area is around 175 km by national road on the southeastern margin of the island, from Puerto Princesa City going to Brooke's Point, and can be reached by public transport via a well-paved, all-weather national highway with a travel time of approximately 3 to 4 hours.

Access to and within the property is by 4WD vehicles upon purpose-built tracks.



Figure-2. Project Location Map (Source: TMM)

3.2 Physiography, Climate and Vegetation

3.2.1 Topography and Drainage

The Project Area lies on a moderate to rugged topography on the foothills of Mount Mantalingahan-Pulot Range. The southern part has a feature of gently-sloping ridges and plateau, where most of the laterite deposits are located between 75 m to 500 m elevation above sea level. A network of largely NW- to SE-flowing dendritic-parallel drainage channels are developed from the NE-directed mountain range.

3.2.2 Climate

Palawan province is generally free from major typhoons. The climate in the area is classified as Type III (**Figure-3**). It experiences two types of climate: a dry season (during November to April) and a wet season (May to October). The average annual extreme temperature of the province ranges from 22.6°C to 31.9°C. The annual average rainfall of the province according to Philippine Atmospheric Geophysical Astronomical Services Administration (PAGASA) ranges from 2.327 mm to 2.577 mm.

Due to the high rainfall, rivers are perennially active, and from these rivers irrigation waters are utilized for the surrounding rice paddies adjoining the Mambalot and Filantropia River (also called Maasin River) and their tributaries.

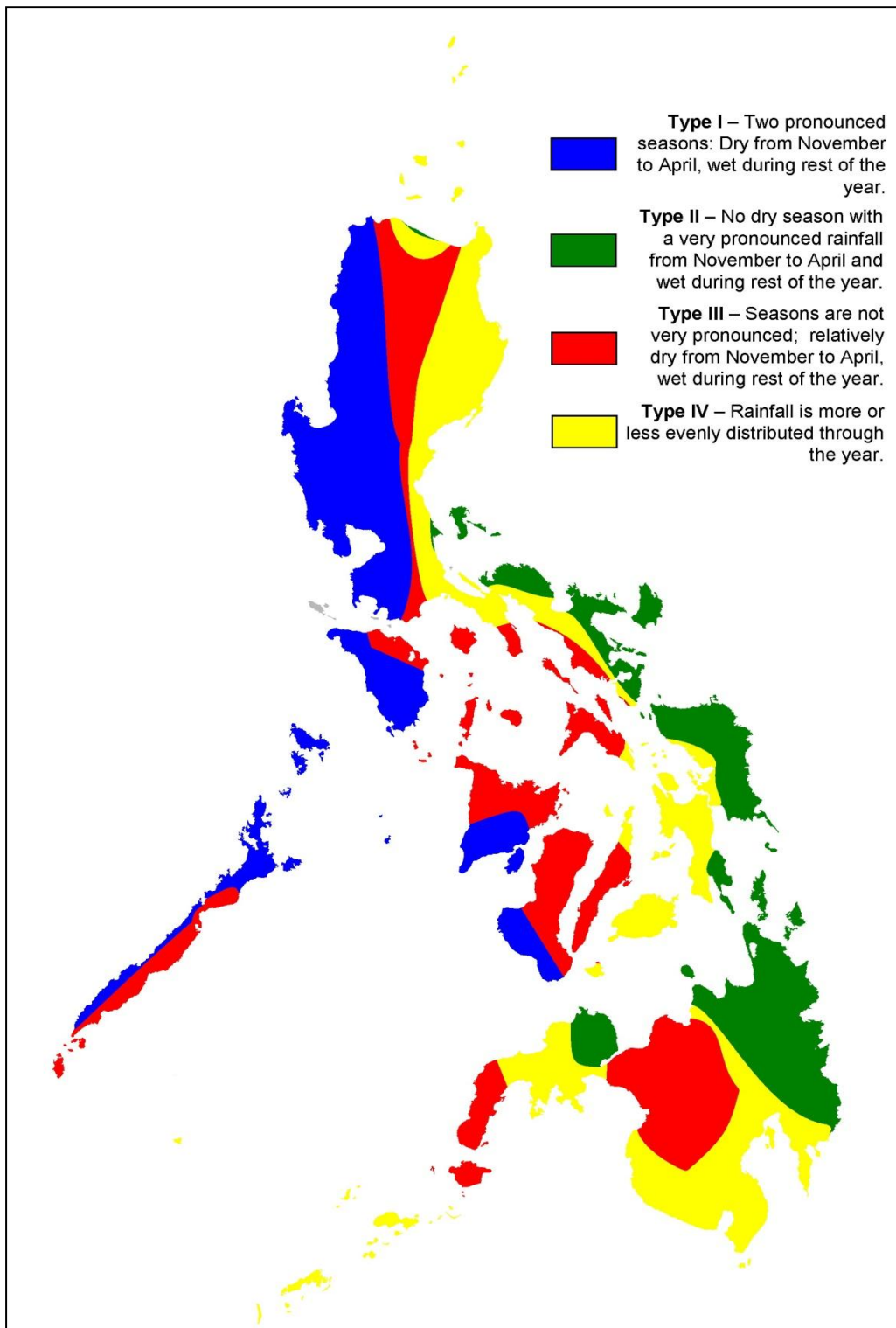


Figure-3. Philippine Climate Map (Source: PAGASA)

3.2.3 Vegetation

The Mantalingahan-Pulot Range is generally covered with mature trees, however the dense forest covering the lateritic soil consists of secondary growths with tree trunk diameters usually not exceeding 30 cm. If not abandoned to secondary growths, the

lower elevations and areas of low relief are mostly planted to coconut, fruit trees, rice, vegetables and near the coast mangroves are also present.

3.3 Land Use and Infrastructure

Wetlands in the coastal portions are used for duck raising. In the low-relief areas, larger plots of coconut and banana plantations are seen along with rice paddies and cornfields. Portions are devoted to gardens and orchards. In moderate to higher relief, traditional slash-and-burn practices can be observed, for growing vegetables, upland rice, and other crops. In forested, high relief areas, indigenous people in particular, utilize forest products such as rattan and resins (almaciga). Areas in higher elevations are generally unpopulated where indigenous people traditionally hunt for game and wildlife.

Brooke's Point is one of the municipalities of Palawan Province. It has a port, a private airfield in Lada, Barangal Pangobilan owned by the New Tribe Mission, and an airstrip for military use in Samarinana.

3.4 Socio Economic Environment

The Project Area encompasses the Barangays of Ipilan, Mambalot Maasin, and Calasaguen all of which are rural. Ipilan has the largest population at 5,177 as of 2007, while Maasin and Mambalot have 3,159 and 2,474 respectively. The total population indicated 13,013 with Calasaguen having a population of 2203. A 2008 survey indicated 91 indigenous people in the area, consisting of Cagayanin, Cuyonin and Palawanon. The people consist of largely Christian migrant settlers that live harmoniously with a mix of pagan indigenous peoples that dominate the interior portions, including interspersed Muslim clans.

The estimated coverage of the MPSA in each barangay is shown below in **Table- 3**.

BARANGAY	AREA OF BARANGAY (hectares)	AREA OF MPSA WITHIN BARANGAY(hectares)	% of MPSA WITHIN EACH BARANGAY
Maasin	7072	1718	24%
Mambalot	3525	424	12%
Calasaguen	9692	724	7%
Ipilan	6443	51	1%

Table-3. MPSA Coverage in Each Barangay (Source: TMM)

Brooke's Point has an average household size of 4.85 people, while specifically; the barangays encompassed by the mining tenement have household sizes of 4.84, 4.74 and 5.04 for Ipilan, Maasin and Mambalot respectively. Calasaguen has a household size of close to 5. Within the municipality, 54.95% of the population is employed in gainful occupations such as agricultural, animal husbandry, forestry, sales and service work, and the like. The remaining 45.13% are engaged in less gainful activities, as housekeepers, caregivers, and students.

Household surveys done in Barangays Mambalot and Maasin show that the median monthly income for the respective barangays is Php 3,700 for Mambalot and Php 6,333 for Maasin, The median monthly expenses, on the other hand, are Php 4,536 for Mambalot and Php 4,920 for Maasin. The National Statistics Coordination Board (NSCB) has pegged the Annual Per Capita Poverty Threshold Level (APCPTL) or the amount required to satisfy a person's basic food and non-food need for rural areas such as Palawan at Php 12,712. At an average household size of 4, the monthly take home pay required to attain the APCPTL is Php 4,237. A total of 2766 households from 2008 have been documented for the four barangays, with 54% (1495 households) as below the poverty line.

People on the coastal areas on fishing; as a rural community, most families tend to livestock, vegetable gardens, fruit trees, and agriculture (rice and corn) including coconut and banana plantations.

Upper respiratory tract infection and malaria are the leading causes of morbidity from 2001 to 2005 whilst cardiovascular arrest/ hypertension and pulmonary tuberculosis are the leading causes of mortality. There are 25 beds available in government facilities, with 172 medical staff, while private facilities have six beds and ten medical staff.

Water supply is from Brooke's Point Rural Waterworks and Sewerage Association Inc. for the urbanized barangays. Rural barangays source their water from springs, wells, rivers or streams.

The Palawan Electric Cooperative supplies the electrical power needs of the Municipality. All barangays have access to power. However, 48 percent of households are not connected due to remoteness. However, some households utilize generator sets, and kerosene for lighting and cooking.

The town has cellphone coverage and access to cable TV, radio station, post office and delivery services.

3.5 Environmental Features/Concerns

The area straddles the Mt. Mantalingahan-Pulot Range, which has been proclaimed as a protected area well after the grant of the MPSA area in 1993 hence; CNMEC has prior rights with its MPSA contract with the government. This issue however will be given utmost attention to protect INC's interest.

From the available maps it is indicated that the basin present in the MPSA area has greater coverage than the actual extents it intersects in the MPSA area. In keeping up with the company's environmental responsibility, base line information has been collected during exploration, and control structures will be in place during mining to ensure that surface runoff will conform to existing standards and regulations.

A large expanse of alluvial plains is allocated to agriculture downstream of the mining tenement. INC in its mine plan and design will institute control measures to minimize siltation through proper mining and water management practices. This way the quality water discharges after passing the MPSA area, enabling its utilization for irrigation and domestic use.

3.5.1 Heritage and Cultural Values

No archeological artifacts were discovered during any of INC's exploration works. Moreover, the upland areas which host the haul roads, mining areas, stockyards and dumpsites are also non-archaeological sites. There are no caves and relevant life support systems such as fertile soil, agricultural plantations that could promote human habitation.

During the Community Consultations conducted during the base line study, the residents of adjoining barangays confirmed that there are no historical sites in the vicinity of the project site.

3.5.2 Geological Hazards

The Project is located on the Western Seaboard of the Philippines. Typhoons, flashfloods, storm surge, landslides and earthquakes are uncommon natural calamities in the region making it an ideal location for mining operations.

The Philippine Seismicity Map and Seismic Hazard Map are shown in **Figures-4 and 5**, respectively. Future INC mine design will take into consideration all possible geological hazards associated with the Project.

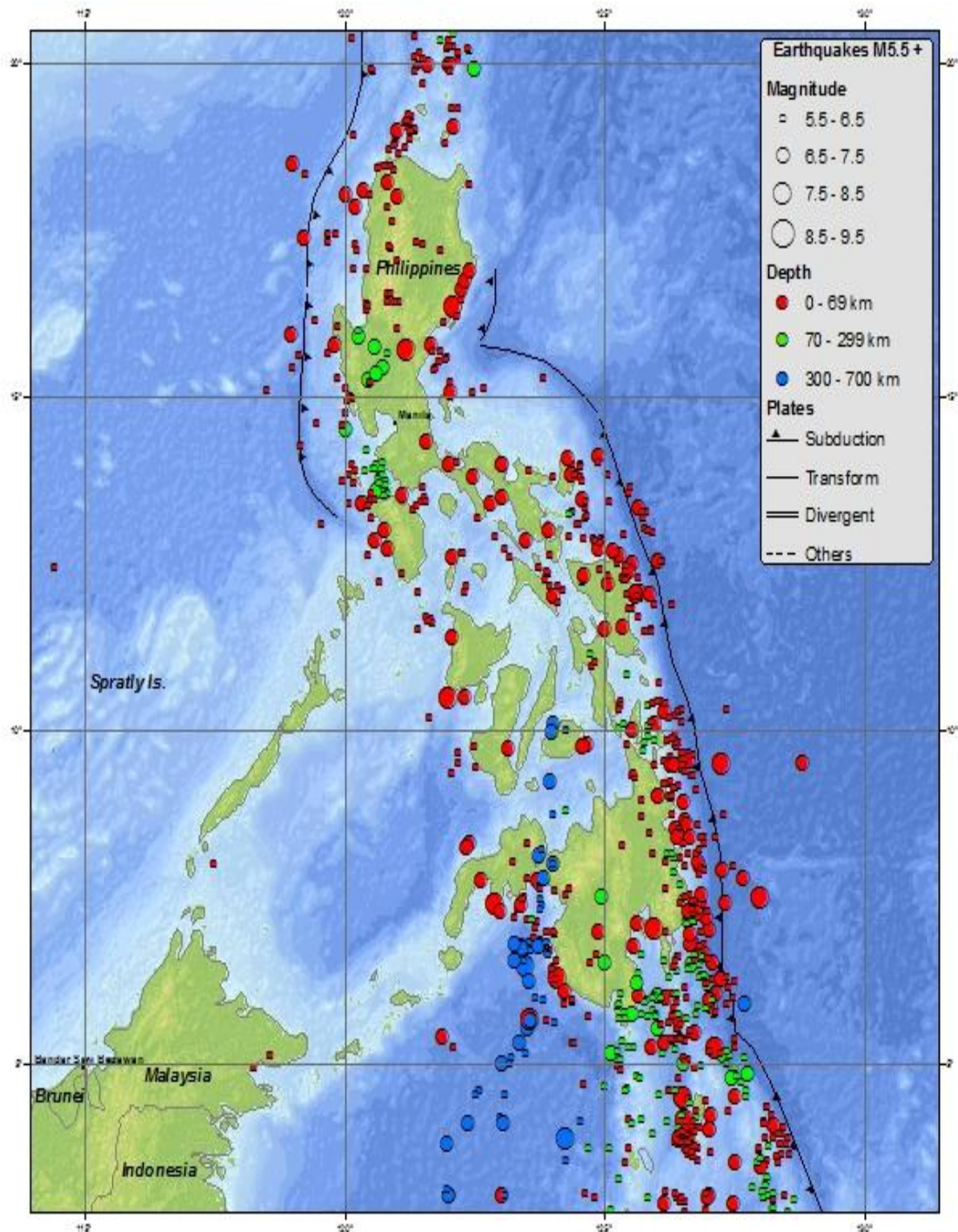


Figure-4. Philippine Seismicity Map (Source: Phivolcs)

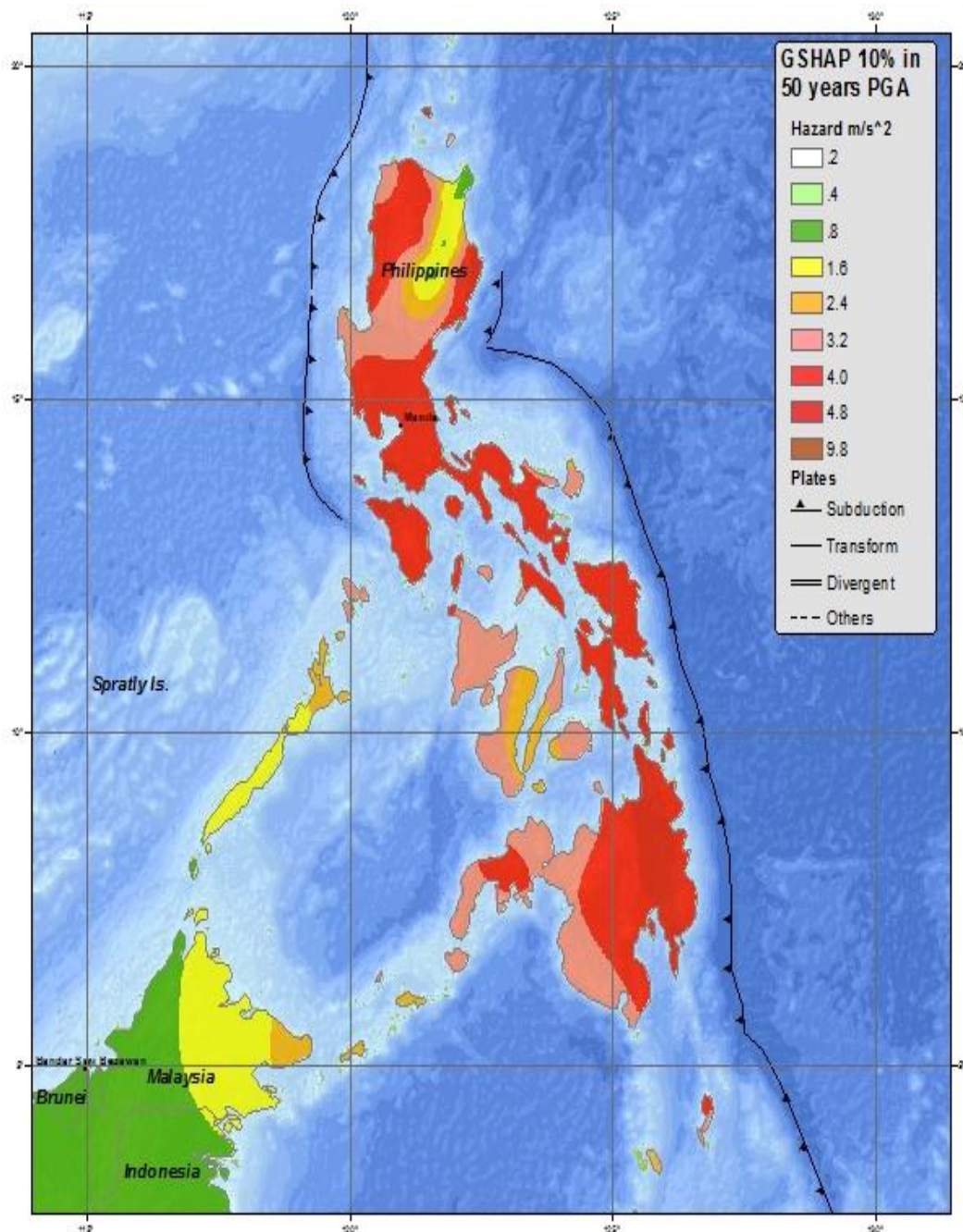


Figure-5. Philippine Seismic Hazard Map (Source: *Phivolcs*)

4.0 PREVIOUS WORKS

Earliest published work over the entire Palawan Island was mostly by the Bureau of Mines (BM) and Mines and Geosciences Bureau (MGB), initially with the Geological Map of the Philippines in 1963 and the Geology and Mineral Deposits of the Philippines in 1981; at the northern portion of the island by the United Nations Development Program (UNDP 1983) and through the MGB cooperative program with the Japanese government (MMAJ-JICA, 1992-1993).

The initial BM mapping indicated that Palawan Island is made up of an ultramafic basement with metamorphic rocks overlain by sedimentary rocks, including significant carbonates in the northern part. BMG subsequently recognized that the northern part is similar to, and later on, part of a micro-continental block distinct from the southern part of the island which is largely comprised of ultramafic and basic rocks. BMG- UNDP

INC Mineral Resource Evaluation (PMRC-CP Technical Report)

further established that thrust fault boundaries are significant. MMAJ further indicated that the southern part of the island contained significant ultramafic rocks, particularly peridotites, with minor metamorphic rocks juxtaposed with sedimentary units.

BM and BMG established that the southern part of Palawan has a distinct rock type and geological history than its northern counterpart. BMG-UNDP established that the thrusting exposed oceanic crust, primary ophiolites, with significant ultramafic rocks and that this thrusting and collision likely produced associated metamorphic rocks. BMG-UNDP noted also elevated Ni with associated Mn, Fe, and Co in these ultramafic areas. BMG-MMAJ further established that the south central part of the island, surrounding the MPSA area, contained large extents of ultramafic rocks which enhanced its nickel prospectivity.

A summary of exploration activities undertaken within the CNMEC Project Area is in **Table-4** below:

DATE	COMPANY/ACTIVITY
1968	Lecar & Sons conducted surface exploration
1970-71	1,015 percussion drill holes, 232 rotary drill holes, 173 test pits within the 300 hectares
1973-74	Extracted and shipped 50,000 tons saprolite
1993	DENR approved on 19 September, 1993 MPSA No. 017-93-IV to CNMEC covering 2,835.06 hectares. The contract area was subjected to a long process of exploration to evaluate the nickel deposit. The area is for an exploration contract only.
1996	CNMEC entered into an agreement with Canadian company Mighty Beut Minerals, Inc. (MBMI) to provide funds for the exploration of the nickel project contract area.
1997	The MPSA Contract of CNMEC was amended to conform with the Mining Act of 1995 and its Revised IRR.
1997	The First Exploration Program (Phase I) was completed by MBMI covering the 408 test pits (1 x 1 meters to depth range of 6 - 20 meters) covering approx. 900 hectares of the MPSA contract area. A geological resource of 77 Million MT of laterite averaging 1.29% Ni and 0.09% Co was estimated by MBMI.
1997	Metallurgical test work was undertaken by Sheritt International Consultants Inc. (SICI, now Dynatec) which demonstrated the amenability of the nickel laterite ore for Pressure Acid Leach beneficiation.
1998	CNMEC Townsite Pre-Feasibility Report by Aplin and Martin Consultants of Vancouver Canada was completed by MBMI.
1998	The Pre-Feasibility Study was completed by AGRA Simons Engineering Company of Canada indicating positive results of the nickel deposit but requiring additional information to support the test pitting program.
1999	The Second Exploration Program was completed with the conduct of a Ground Penetrating Radar Geophysical Survey, an advanced technology and exploration tool used in nickel projects worldwide.
June 02, 2004	CNMEC "unilaterally" terminated its Agreement with MBMI. MBMI has not filed any formal protest at the MGB regarding this termination.
Jan. 19, 2005	CNMEC entered into an Agreement with Toledo Mining Corporation Plc, a British company listed on the London Stock Exchange, which allow the latter to further explore and develop the area. Toledo has appointed TMM Management Inc., a Philippine company, to manage the exploration program.
August 2005	TMM has commenced securing the permits required by MGB, NCIP and PCSD in order to lay the required statutory foundation for resumption of exploration.
Dec. 2007	All data to date was provided to Snowden including interpreted geological sections
May 06– Apr 08	Implementation of the 3rd Exploration Period extension by Iplan Nickel Corporation, thru an operating agreement with CNMEC.
Dec. 2008	Snowden provides final report utilizing neural network classification of the matrix types and after revision of the sections to conform to INC geological interpretation
Jan.- Dec. 2009	Finalized drilling and test pitting program.
Jan.- June 2010	TMM conducted geological modeling, QA/QC, and resource estimation; Public Consultation and Endorsements; EIA Studies

Table-4. Summary of Exploration Activities at CNMEC Area (Source: TMM)

4.1 Previous Resource Estimates

Snowden conducted resource estimation for the INC Nickel Project on 30 December 2007 based on available data indicated below, **Table-5**. Resource Estimates are given in **Table-6**.

Number of Records		Depth (m)
Drill Holes	2,181	40,852.00
Test Pits	2,347	11,461.00
TOTAL	4,528	52,313.00

Table-5. Data Records Used by Snowden

Category	Volume (Mm ³)	Tonnage (DMT)	Grade (% Ni)	Grade (% Co)
Measured (M)	31.8	39,400,000	1.22	0.074
Indicated (I)	3.1	3,801,000	1.02	0.059
Total (M + I)	34.9	43,201,000	1.20	0.072
Inferred (f)	0.1	169,000	0.95	0.051
Total (M+I+F)	35.0	43,370,000	1.20	0.072

Table-6. Snowden Resource Estimates as at 30 December 2007

At the completion of the resource definition drilling on December 2009, TMM for its part reported a resource estimate based on the available data indicated below, **Table-7**. Resource Estimates are given in **Table-8**.

Number of Records		Depth (m)
Drill Holes	3,154	54,095.79
Test Pits	5,093	27,279.24
TOTAL	8,247	81,375.03
Assay Samples	84,413	

Table-7. Data Records Used by TMM

Tonnage and Grade of Various Resource Classes at 0% Ni Cutoff	
Measured	41,995,000 DMT @ 1.17% Ni
Indicated	6,361,000 DMT @ 0.86% Ni
Inferred	4,663,000 DMT @ 0.87% Ni
Total Resources	53,019,000 DMT @ 1.11 % Ni
Tonnage and Grade of Various Resource Classes at 1.0% Ni Cutoff	
Measured	28,618,000 DMT @ 1.36% Ni
Indicated	2,039,000 DMT @ 1.20% Ni
Inferred	1,525,000 DMT @ 1.21% Ni
Total Resources	32,182,000 DMT @ 1.34% Ni
Tonnage and Grade of Various Resource Classes at 1.5% Ni Cutoff	
Measured	7,162,000 DMT @ 1.76% Ni
Indicated	125,000 DMT @ 1.71 % Ni
Inferred	125,000 DMT @ 1.66% Ni
Total Resources	7,412,000 @ 1.75% Ni
Tonnage and Grade of Various Matrix Types at 0% Ni Cutoff	
Limonite	14,975,000 DMT @ 1.10% Ni
Earthy Saprolite	27,311,000 DMT @ 1.16% Ni
Rocky Saprolite	10,734,000 DMT @ 1.00% Ni
Tonnage and Grade of Various Matrix Types at 1.0% Ni Cutoff	
Limonite	10,321,000 DMT @ 1.22% Ni
Earthy Saprolite	16,901,000 DMT @ 1.41 % Ni
Rocky Saprolite	4,960,000 DMT @ 1.35% Ni
Tonnage and Grade of Various Matrix Types at 1.5% Ni Cutoff	
Limonite	644,000 DMT @ 1.62% Ni
Earthy Saprolite	5,531,000 DMT @ 1.77% Ni
Rocky Saprolite	1,237,000 DMT @ 1.74% Ni

Table-8. TMM Resource Estimates as at 30 June 2010

5.0 HISTORY OF PRODUCTION

For the CNMEC Area, Snowden “documented” a production of about 50,000 tons from 1973-74 by Lecar & Sons, Inc.

5.1 INC Mining History

There are no available records of mined areas within the tenement, **Figure-6**. However, cut benches can be observed in the western part of the area with a relatively thinner lateritic profile indicating previous mining operations.

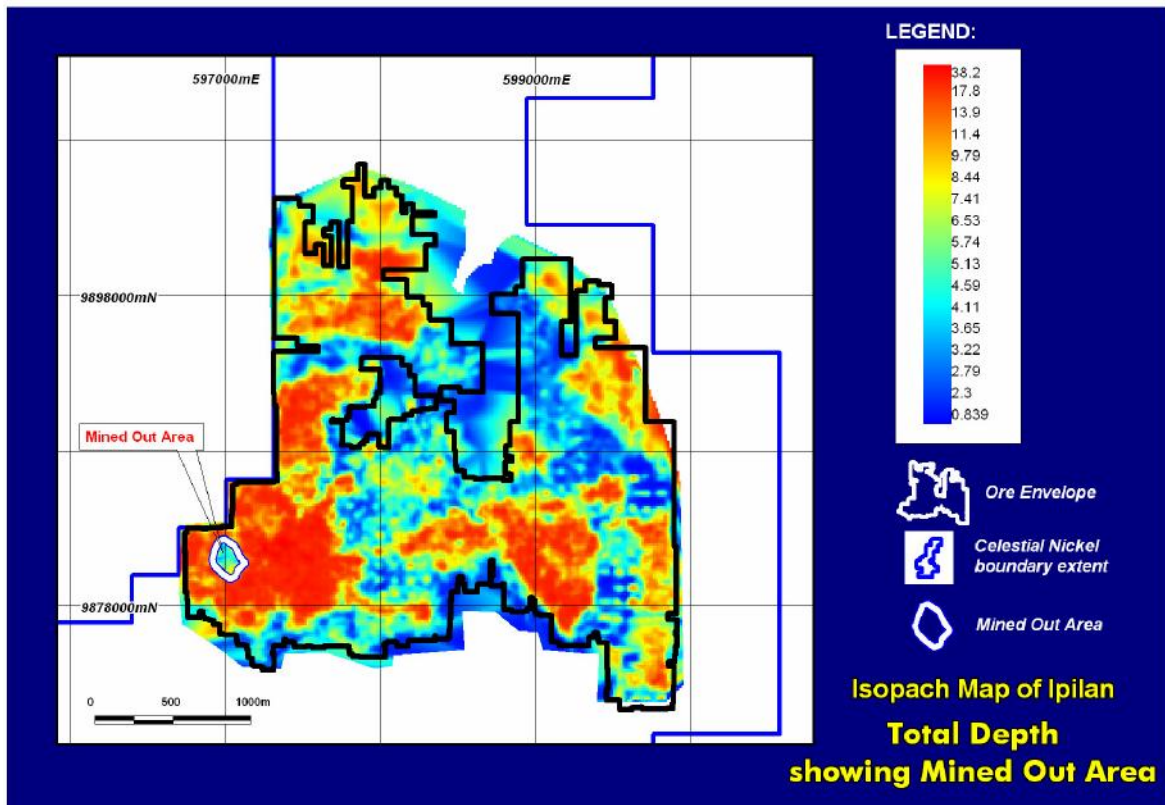


Figure-6. Mined-Out Area within the Tenement (Source: TMM)

5.2 Mining System Description

Typical nickel laterite mining operations will involve relatively simple phases that include the following:

- Land clearing and grubbing
- Overburden removal and storage for rehabilitation use
- Ore mining
- Stockpiling, sun drying and screening
- Transport
- Barging, ship loading and blending
- Waste dumping
- Rehabilitation of mined areas

Mining will be carried out in pre-determined areas/blocks and ore will be hauled to a designated stockyard. At the stockyard, the ore is dried and screened for large

boulders before being transferred to the barge loading facilities at the port then eventually loaded onto the Supramax vessels for transport to the buyers.

Mining can be carried out by the Company or by an external contracting company under the supervision and management of the Company. Mine rehabilitation will be progressively carried out during the mining operation cycle.

Market and smelter requirements dictate the product specifications (Low Grade, Medium Grade and High Grade) with their ranges varying at times.

6.0 REGIONAL GEOLOGY

6.1 Regional Geologic Setting

Palawan is one of the Philippines' major islands, on the western part of the country and tectonically stable with no active faulting and volcanism.

Favorable nickel laterite host rocks referred to as "Ophiolites which are a complete suite of rocks are present in Palawan. However, common in the Area are incomplete sequences referred to as "Ophiolitic Suites". From the bottom ultramafic layer, this grades to middle portions of gabbros and diabase dikes, and upper pillow basalts and pelagic sediments younger in the sequence. Occurrences in the locality are attributed as belonging to the Palawan Ophiolite Complex.

The lower part of the ophiolites have high Fe and Mg, and nickel-bearing ultramafic ultrabasic rocks consisting of dunite (olivine rock), peridotites (olivine- pyroxene-amphibole- rock consisting of harzburgite, wehrlite, websterite), pyroxenites, and hornblendites. The ultramafic section of the ophiolite is classified as belonging to the Mt. Beaufort Ultramafics unit.

The ultramafics grade into feldspar-bearing, layered and isotropic gabbros and troctolites and some pegmatite intrusions (represented by the Stavely Range Gabbro, San Vicente Gabbro, and Sultan Peak Gabbro), medium-grained diabases, pillow basalts (belonging to the Espina Basalt unit) and associated pelagic (deep water) sedimentary rocks. The sedimentary rocks consist of radiolarian chert, mudstone, and siltstone belonging to the Sulu Sea Mine Formation.

The ophiolites are also hosts to chromite and possible platinum group elements mineralization. The Palawan Ophiolite Complex as the rocks are collectively called, are considered remnants of upper mantle (Cambrian) crystals and oceanic crust up to Eocene-Oligocene age.

The Palawan Ophiolite Complex has been thrust over Cretaceous- Eocene deep-marine turbiditic, sandstone and mudstone-dominated sequences during the Oligocene. These turbidites are represented by the Guinlo Formation, Boayan Clastics, Panas Formation, Aborlan Turbidites.

Plate collision during Oligocene formed metamorphic soles consisting of schists, and are marked by complex folding and faulting. These metamorphic units are represented by the Inagauan Metamorphics, Concepcion Pebbly Phyllite, and the Caramay Schist.

Miocene sedimentary formations unconformably overlie the previous rock units. These include the Isugod and Ransang Formations, and by younger Pliocene to Recent formations represented by Sayab, Alfonso XIII, Clarendon and Iwahig Formations (**Figure-7**).

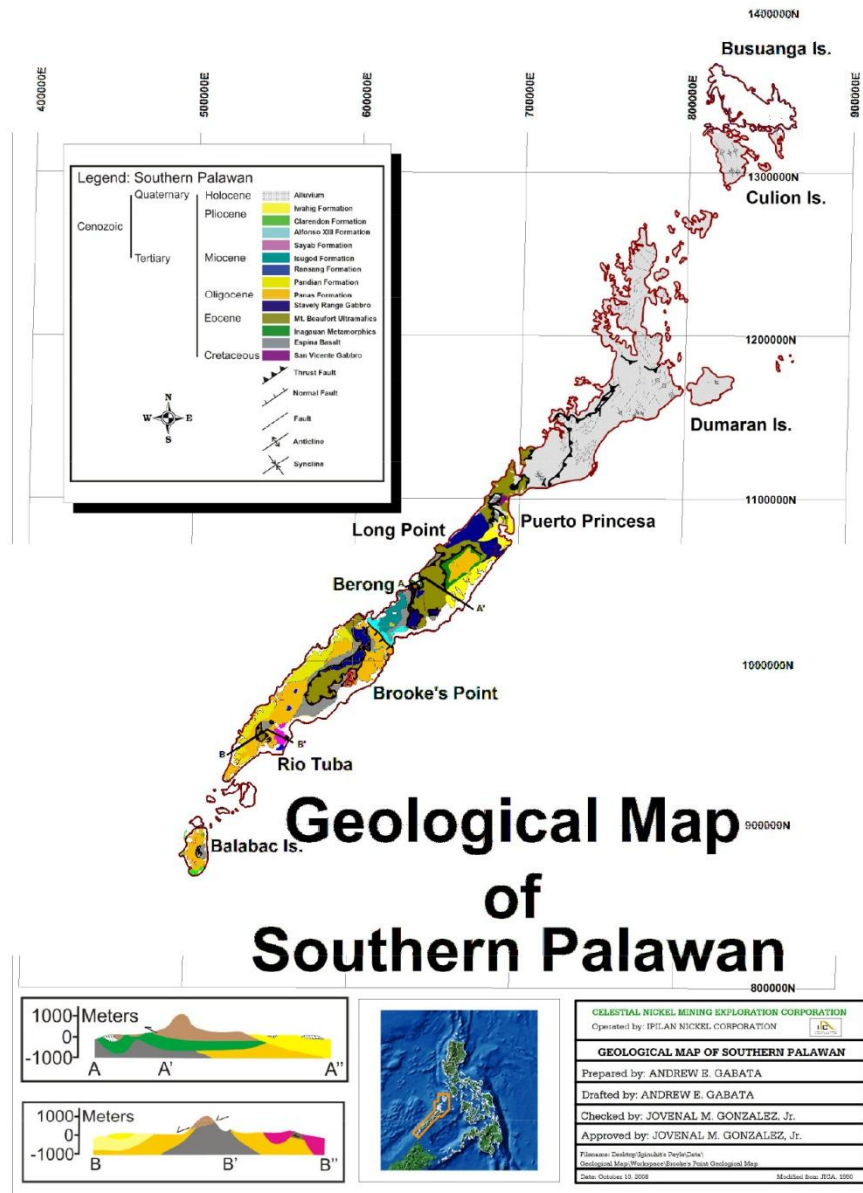


Figure-7. Geological Map of Southern Palawan (Source: TMM)

6.1.1 Stratigraphy

The following is the general stratigraphy of Palawan from oldest to youngest rock units:

Cretaceous to Eocene

Deep-water fine-grained sedimentary rocks represented by the Guinlo Formation, Boayan Clastics, Panas Formation, Aborlan Turbidites.

Eocene to Oligocene

Palawan Ophiolite Complex made up of ultramafics (dunite, peridotites, pyroxenite, hornblende), including gabbro (Stavely Range Gabbro, San Vicente Gabbro; Sultan Peak Gabbro), basalt (Espina Basalt) and pelagic sediments of the Sulu Sea Mine Formation

Oligocene

Metamorphic sole resulted from collision and thrusting of the Ophiolite Complex and is typified by the Inagauan Metamorphics, Concepcion Pebbly Phyllite, and the Caramay Schist.

Post-Oligocene

Post-collision unconformable units belonging to the Isugod and Ransang Formations and by younger Pliocene to Recent formations represented by Sayab, Alfonso XIII, Clarendon and Iwahig Formations.

6.2 Structural Geology

Palawan, especially its central and southern portions, are marked by thrust faults, and other attendant faults arising from the lower Tertiary collision. A major regional unconformity is present after this collision.

6.3 Ni Laterite Deposits- Weathering/Mineralization (Source: W. Ahmad- VITSL)

6.3.1 General

Laterites are essentially residual soils that are rich in ferro-magnesian minerals, formed under the influence of chemical weathering with special ground-water conditions. Residual soils that are rich in hydrated aluminium oxides are termed "bauxite". Mafic rocks, that have more Fe than Al, lead to the formation of Ni laterites while granitic, syenitic and argillaceous rocks that have more Al than Fe, lead to the formation of bauxites.

The original rock composition does play an important role in providing the necessary sesquioxide (*oxide containing three atoms of oxygen and two of another element*), but the prevailing climatic conditions and geologic history of the soil development ultimately control the final composition of the residuum.

Weathering/mineralization of the Ipilan Nickel Project has been governed by conditions presented herein at varying levels resulting in the nickel deposit.

6.3.2 Requirements for the Development of Ni Laterites

The development of laterites requires:

- Availability of rocks that contain iron
- Relatively high temperature (to aid in chemical attack)
- Slightly acidic waters (to aid in chemical attack)
- High rainfall (to aid chemical weathering & remove mobile elements)
- Strongly oxidising environment (to convert Fe, Al to sesquioxides)
- Supergene enrichments (to yield nickel concentrations)
- Gentle topography (to preserve the laterite soil after development)
- Sufficient time duration (to allow reasonable thickness to accumulate)

Brief description of the relevant factors for development of Ni- laterites are discussed below.

Availability of Appropriate Rocks

For the development of Ni laterites, rocks must contain appreciable amounts of ferromagnesian minerals. Thus, mafic and ultramafic rocks are most suitable for this purpose. Ultramafic rocks have a significantly higher proportion of ferromagnesian minerals and are ideally suited for the development of nickel-iron laterites.

Within the ultramafic clan, rocks that are relatively high in nickel content (such as dunites and high-olivine peridotites) are more likely to yield higher concentrations of nickel than say pyroxenites and hornblendites.

Relatively High Temperatures

Temperature plays a very important role in accelerating the process of chemical weathering. Thus, tropical climates where temperatures are generally higher than 20°C are ideally suited for the development of laterites.

Slightly Acidic Waters

Solubility of minerals increases in waters that have pH levels less than normal. Thus, waters that are slightly acidic hasten the process of chemical attack very significantly. Such acidic waters are provided in wet tropical climate through natural acid rain and the availability of humic acid produced by decaying vegetation on the forest floor.

High Rainfall

Lateritic soils are product of wet-hot climate and do not develop without significant levels of rainfall. Rainfall is required to initiate the process of chemical attack and weathering and also to rapidly remove dissolved solids in the ground water. The actual level of rainfall may vary and will result in somewhat different types of lateritic soils. Poor flushing of soils in wet-dry climate will result in the retention of much of magnesia and silica in the form of smectite/nontronite clays while the constant flushing of magnesia and silica in humid climate will prevent the formation of clays.

Strongly Oxidising Environment

Exposure of decomposing ultramafics to oxygen (above the water table) allows the oxidation of divalent iron and divalent manganese to trivalent iron and trivalent and tetravalent manganese that are highly insoluble and prone to residual concentrations.

Supergene Enrichments

Nickel and to some extent cobalt, yield supergene enrichments due to their specific geochemical characteristics. Nickel generally tends to enrich in the middle of the saprolitic layer while cobalt tends to enrich at the lower part of the limonite layer (or at the top of the saprolite layer). The levels of such supergene enrichment may vary considerably from place to place.

Gentle Topography

Topography and topographic relief exert a powerful influence on the rate of weathering and accumulation of residuum. For the preservation of recently formed laterite it is important that the topography must not be very steep. Very steep land

surfaces will lead to constant erosion of lateritic soil. Extremely flat topography, particularly with poor drainage, does not favour the development of laterite soil due to poor flushing of the system.

At the same time, the process of laterization leads to the development of some unusual landscapes. **Figure-8 and Figure-9** show the characteristics of laterite topographies and resulting different laterite landforms.

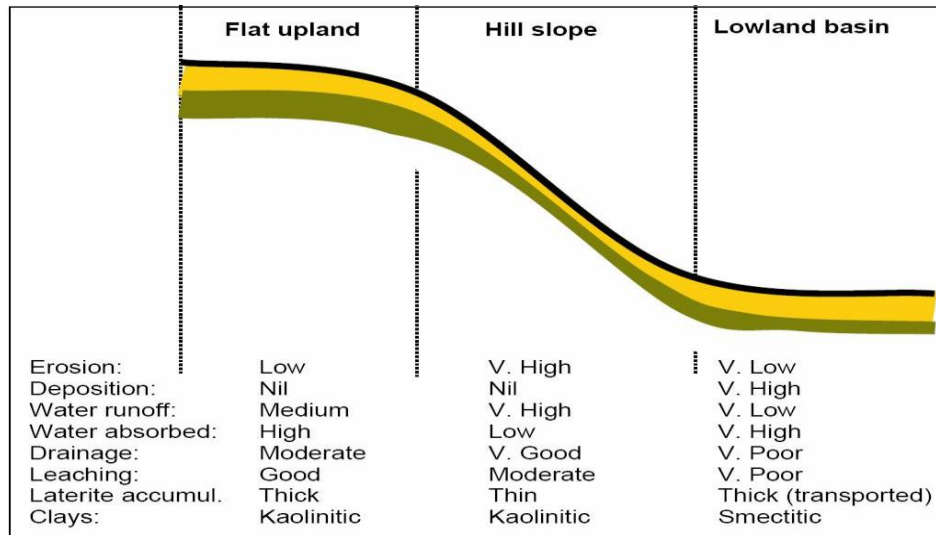


Figure-8. Composite Diagram and Characteristics of Laterite Topographies

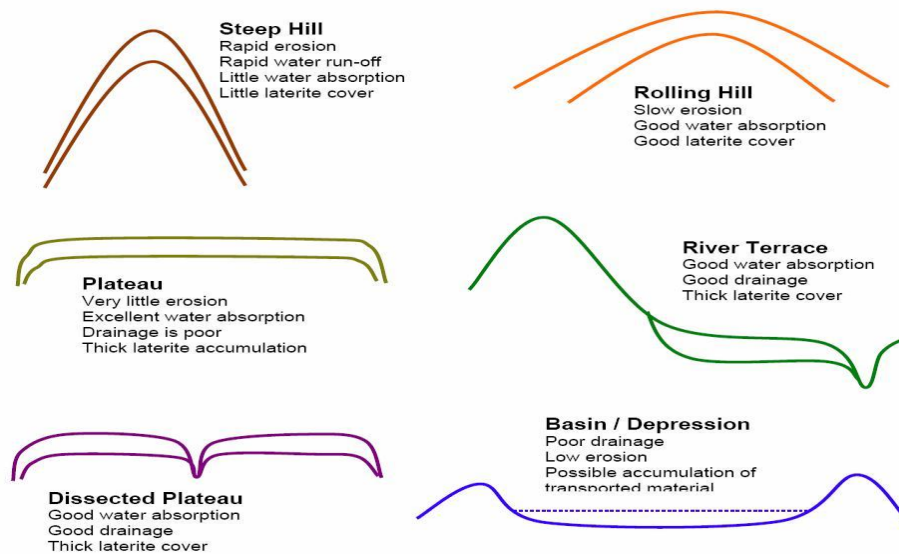


Figure-9. Simplified Schematics of Different Laterite Landforms

Adequate Time Available

The laterization process requires adequate duration time to operate in order to produce in mature laterite development of significant thicknesses and grade. It is estimated that duration of only a few million years could result in exploitable thicknesses of nickel-iron laterites.

6.3.3 Nickel Laterite Profile

Chemical weathering of ultramafic rocks is accompanied by fractionation of the elements into water-soluble and water-insoluble types. Water-soluble elements are eventually leached out of the weathering system while water-insoluble elements are left behind as residual enrichment. The processes of chemical weathering eventually result in the formation of a stratified laterite profile with youngest laterite at the bottom and oldest laterite at the top. Much of the stratification in a laterite weathering profile is imparted by the presence of water, both due to its downward movement as well as through the fluctuation of its level in the ground (water table).

In the case of residual soils, chemical weathering takes place at the bottom of the regolith. The regolith-protolith boundary marks the weathering front which may be very irregular in shape depending upon the local topography and the shape of the water table. All material above this weathering front is the residual soil (may be affected by some deposition of transported material) and all material below this front represents unweathered bedrock. As chemical weathering continues, the weathering front moves further downward toward the bedrock.

The **Figure-10** below illustrates the relationships among topography, weathering front and water table:

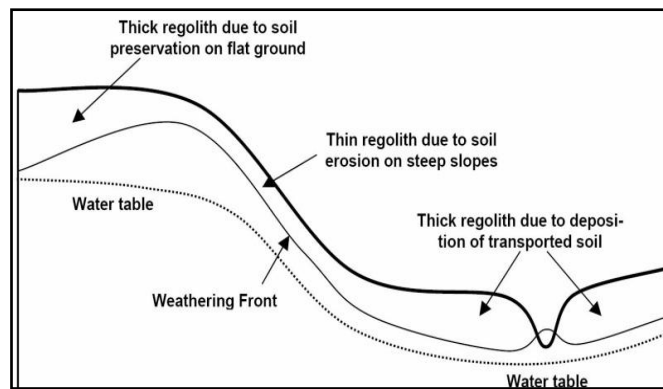


Figure-10. Relationships of Topography, Weathering Front and Water Table

The process of weathering consists of progressive dissolution of magnesia and silica while iron remains in-situ. The final step of evolution is iron hydroxide. In some places, as a result of special (thermodynamic) environment, silica and magnesia can precipitate.

The weathering (**Figure-11**) normally progresses on the joints and fractures which cut the peridotites/harzburgites up into more or less large and regular boulders of fresh rock.

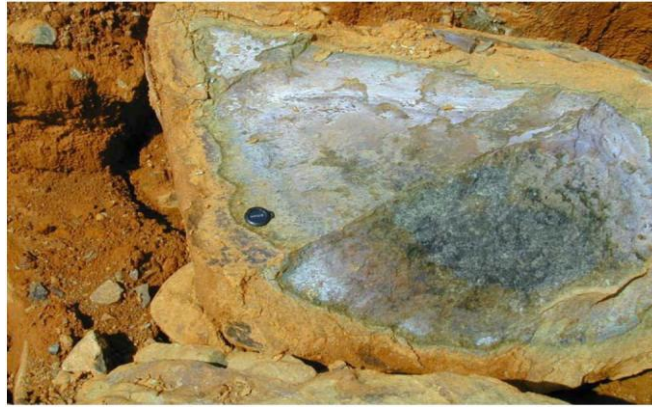


Figure-11. Weathering Development on a Hz Boulder

During alteration, boulders are blunted and surrounded by the weathered product, which replaces the rock progressively until complete weathering. We then obtain the soft saprolites/earthy materials and later, after full elimination of silica/magnesia, the limonite formation and complete laterite profile (**Figure-12**).



Figure-12. Typical Complete Laterite Profile

The profile of alteration includes several horizons which are divided into two (2) main “mineralized” horizons:

- Limonite Horizon which is essentially composed of iron hydroxide. The structure of parent rock is compressed and completely weathered and destroyed.
- Saprolite Horizon in which silica and magnesia are the main constituents. The relict structure of parent rock is still recognizable and bedrock pinnacles maybe generally present.

The simplified laterization process is shown in **Figure-13**.

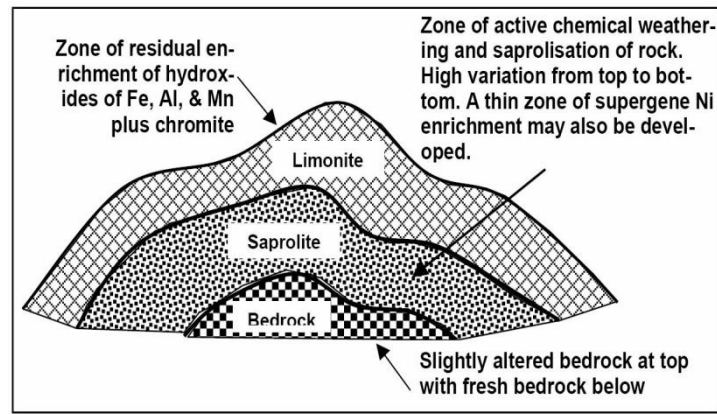


Figure-13. Simplified Laterization Process

Both groups are divided into different horizons. From surface to bottom, limonitic formations include:

- Iron crust
- Red limonite
- Yellow limonite

Saprolites are divided into:

- Earthly saprolites
- Rocky saprolites, a horizon which is a mixture in all proportions of intermediate materials, boulders of more or less slightly weathered peridotites.

A complete laterite weathering profile is shown in **Figure-14**.

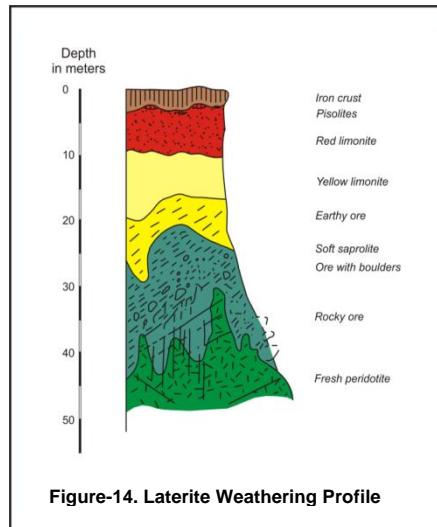


Figure-14. Laterite Weathering Profile

The profile given above is theoretical. Locally, some horizons are overdeveloped and some others are missing.

The drainage through joints and fractures is the main alteration process. The evolution of saprolite and limonite fronts depends on the drainage. If the drainage density is intense, these two fronts can be telescoped and give a leading place to limonitic formations in the profile. The saprolite thickness can be a few meters, and zero in some cases. If the drainage density is not so intense, the saprolite formation can be largely developed and their thickness can reach up to 50 m.

6.3.4 Bulk Densities in Laterites

An unserpentinised dunite made up essentially of high-forsterite olivine has a specific gravity of about 3.1 – 3.2 while a serpentinized peridotite will approach the specific gravity of pure serpentine or 2.4–2.6. Relationship of bulk densities with depth of laterite is shown in **Figure-15**.

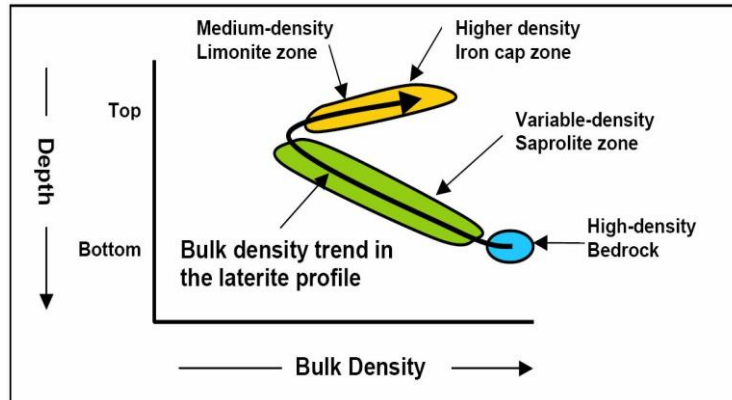


Figure-15. Relationship of Bulk Densities with Depth of Laterite

During laterization, soluble elements such as magnesia, silica and alkalis begin to leach from the bedrock making it porous and lowering its dry bulk density. Its wet bulk density may be affected less since the pore spaces created are usually filled with water. Laterites in wet climates are practically supersaturated, except for the very top where capillary action dry up the surface during dry weather. A well leached piece of saprolite has dry bulk density well below 1.0.

As laterization progresses the dry bulk density of the saprolite continues to fall until such time that the material is too porous to withstand the hydrostatic weight of the overlying limonite. At this point, the saprolitic rock begins to collapse *thereby increasing its dry bulk density*. With further leaching and thickening of the layer, the material reaches its final completely collapsed state and any existing rock textures are finally obliterated. Bulk densities reach their highest levels (2.0 – 2.4) in the ferruginous zone if an indurated iron cap is developed due to repeated solution and precipitation of ferric iron. ***This phenomenon explains the wide range of bulk density values of saprolite from below 1.0 to 2.4 wherein it is either lower or higher than limonite bulk density values. During the different levels of the laterization process, the saprolite bulk density values vary according to its collapse state.***

The limonite zone of the laterite profile seldom exceeds 1.9 wet bulk density or 1.3 dry bulk density.

6.4 Nickel Laterite Deposits- Palawan Region

Significant thicknesses of nickel-cobalt bearing laterite have formed over large parts of Palawan and other adjacent islands which are underlain by ultramafic rocks.

The laterite profile can be sub-divided into an upper iron-rich limonite (oxide type) and a lower iron-poor saprolite (silicate type), while a transition zone of intermediate composition is developed over a thickness of <1 – 5m at the contact. The limonite is relatively uniform, but is best developed on ridge crests and gentle slopes, whereas

the underlying saprolite is variably developed, depending on the degree of fracturing in the bedrock.

7.0 IPILAN PROPERTY- GEOLOGY and MINERALIZATION

7.1 Rock Types

Three main rock types were observed within the tenement area: peridotites which are mainly harzburgites and the most extensive and are host to the nickel laterite mineralization; schists and basalts. The peridotites were thrust over the schists which mark the schists as the metamorphic sole and over relatively younger basalts (**Figures-16 to 18**).



Figure-16. Peridotites Intruded by Gabbro Dikes (*Source: TMM*)



Figure-17. Gabbro Peridotite Contact (*Source: TMM*)



Figure-18. Basalt Greenschists Contact (Source: TMM)

7.2 Geological Structures and Trends

The major structures over the area are arcuate, low to moderately-dipping thrust fault boundaries marking the collision of the ophiolitic rocks with the earlier rock types. Associated with these structures are highly linear, subvertical faults, fracture zones and lineaments mostly directed to the present-day NW-SE and their conjugates, as well as second- and third-order structures, as can be found in the subsequent geological map below, **Figure-19**.

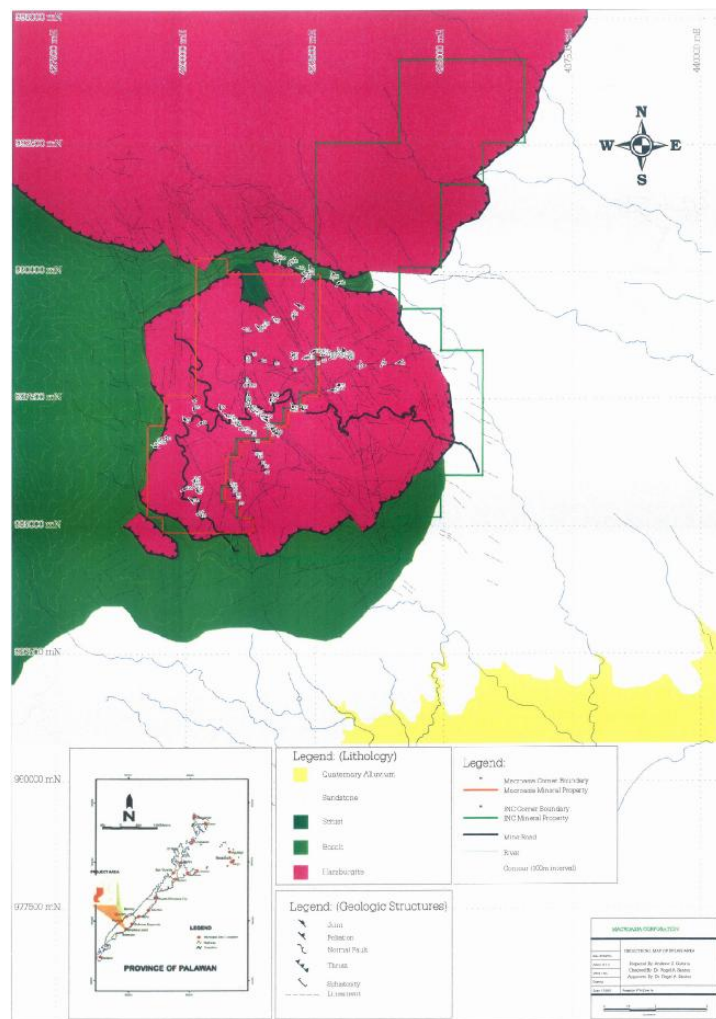


Figure-19. Geology/Structures of CNMEC (Source: TMM)

7.3 Mineralization in the Mineral Property

Nickel laterite mineralization shows significant changes in geochemical and mineral composition compared to the protolith as a result of natural weathering. The ultramafic bedrock, which is commonly peridotite or dunite, composed mainly of olivine minerals, will convert to serpentine in varying amounts due to hydration. The deposit becomes enriched in weathering byproducts such as limonite and saprolite. The limonite layers are enriched in largely insoluble iron, aluminum, cobalt and chromium and titanium-bearing minerals. The leaching process results in a largely horizontally-defined deposit with the main layer being unaltered bedrock, saprolite, limonite, and overburden. The degree of layer development and the transition zones are dependent on the local conditions and geochemical characteristics of the protolith.

The limonite layer present in the property is a zone dominated by amorphous form of hydrous iron-bearing minerals with minor chromite and manganese oxides. This zone has high moisture content due to the hygroscopic nature of the clayey minerals associated with limonite.

The physical characteristics of the saprolite zones (earthy saprolite and rocky saprolite) are dependent on the amount of serpentine present in the parent rock as well as amount of rock fragments. A relatively low serpentine level result in a saprolite zone with substantial remnant bedrock, usually above 40% by volume, and is designated as rocky saprolite. Magnesite veinlets and accretions also occur in this zone. In some locations with arid environment and poor drainage, silica enrichment also occurs. These silica minerals are sometimes associated with brilliant green nickel-rich silicate mineral called garnierite.

Nickel is usually concentrated in the upper section of the rocky saprolite. The nickel content decreases towards the overburden at the surface. Cobalt grades are generally low as with the Fe_2O_3 content which is similarly relatively low in the saprolite layer. Silica and magnesia show inverse behavior compared to Fe_2O_3 , increasing in concentration closer to the bedrock.

The garnierite-bearing samples (**Figure-20**) have a Ni grade usually above 1.5%. Bedrock also reveals an average nickel grade of 0.65%, as some limited fracture fills of garnierite are observed; however, there are some bedrock samples with garnierite veinlets, with grades up to 5.16%.

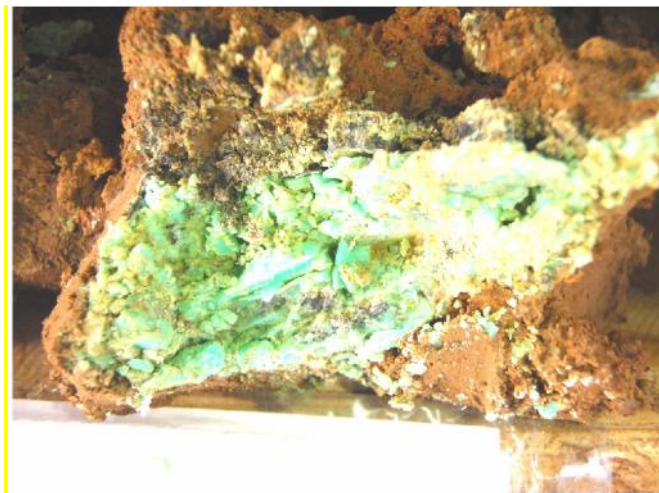


Figure-20. Specimen of Bright Green Garnierite (Source: TMM)

Laboratory analyses indicate that high Ni samples in limonite tend to have lower MgO compared with earthy and rocky saprolite; earthy saprolite have less MgO compared with rocky saprolite. It also indicates that earthy saprolite have higher Ni values compared with rocky saprolite. The association of Ni-bearing serpentine is also indicated in earthy saprolite.

The presence of silica in the "Quartz" Matrix occurs as layers within the transition zone, within the earthy and rocky saprolite, and adjacent to the rocky saprolite-bedrock contact. It also occurs as thin lenses in the limonite with no distinct trend which may indicate fracture filling. The quartz contains significant iron oxide as indicated by its reddish color and also exhibits vuggy and honeycomb structures which suggest a supergene origin.

Quartz lenses were found to enhance the SiO₂ content of the matrix where deposited while it "dilutes" the Fe₂O₃, Al₂O₃, Co, TiO₂, MnO, P₂O₅, Cr₂O₃ and LOI. It enhances TiO₂, MgO, GaO, K₂O content of limonite and earthy saprolite, and conversely that of rocky saprolite. The quartz matrix also decreases the average Ni grade of limonite and earthy saprolite and becomes evident upon compositing of the samples in the geological modeling.

7.4 Stratigraphic Units/Laterite Profile

Overall observation at the Cagdianao Nickel Project during the site visit indicated five main lithological units, arranged from top to bottom based on occurrence, were defined as Limonite Overburden, Limonite, Transition Zone, Saprolite and Basement.

Limonite Overburden

This zone is developed intermittently across the deposit area and is usually less than one meter thick. The occurrence of shallow tree roots and stumps is common in this zone, which is red to dark brown in color and loosely packed.

Limonite

The limonite zone is fairly homogenous and red-brown to yellow-brown in color containing localized black manganese-oxide veins and staining.

Mineralization is consistent with Ni and Co grades increasing downward towards the transition zone or saprolite contact. Co is significantly higher when associated with manganese veining or staining. Fe generally decreases slightly with depth.

Transition Zone

Where present, this zone is usually defined as representing a gradational change from limonite to saprolite, where the prominent chemical characteristics are higher Ni-Co grades and Fe values between 20 % and 40 %.

This zone is narrow and was intersected in only a few drill holes drilled during the different phases of core drilling.

Saprolite

There is usually a distinct chemical change at the limonite-saprolite contact with an increase in Ni, SiO₂ and MgO and a sharp decrease in Fe and Co grades.

The saprolite zone is a mixture of pale greenish, yellow or grey material, which varies from soft, powdery to harder and blockier with depth.

Ni and Fe grades are highest near the limonite contact. SiO₂ and MgO are expected to be high, with MgO increasing at the bedrock contact.

Boulders and pinnacles of bedrock are common throughout the deposit, especially near the saprolite-bedrock contact typical of other laterite deposits in the Palawan Region.

Basement

The saprolite is underlain mainly by a complex assemblage of serpentinized ultramafic rocks, namely harzburgite, dunite and other pyroxene-rich peridotite.

7.5 Indicative Mineralogy of INC Nickel Laterite Deposits

Nickel mineralization is in the form of residual, oxidized, near-surface laterite with Ni enhancement.

Mineralization in nickel laterite denotes large areal extent, relatively “thin” thickness, subhorizontal or blanket-type layered deposits following the surface topography and with usual inverse relationship between thickness of the laterite profile versus slope.

There is a distinct mineralogy for each layer within the laterite profile from the bottom and least weathered rocky saprolite through the middle earthy saprolite and the most weathered uppermost limonite.

As nickel laterite is a product of weathering in near-surface conditions, the general paragenesis of Ni is as follows:

- Ni-bearing olivine
- Ni-bearing serpentines
- Nickel silicates (garnierite) especially in fractures
- Limonite, Hematite, other Fe, Mn oxides (asbolanes) in which Ni is adsorbed

Lateritic ore generally contains the following minerals:

- Goethite, FeOOH major (up to 80%)
- Haematite, Fe₂O₃ minor – medium (up to 20%)
- Lizardite, Mg₃Si₂O₅(OH)₄ medium (less than 20%)
- Quartz, SiO₂ trace – minor
- Chromite (Mg, Fe) (Cr, Al)₂O₄ (Fe, Cr)₂O₃ trace
- Talc, Mg₃Si₄O₁₀(OH)₂, trace

Typical laterite samples are similar to those above and in some cases trace amounts of gibbsite, smectite/nontronite, and chlorite may also be identified. Saprolite ore may have trace amounts of amphibole, nepouite, palygorskite, quartz, serpentine, spinel, todorokite, tridymite, olivine, orthopyroxene and willemseite. Some asbestos-form minerals (chrysotile) may also be encountered.

For the INC Nickel Project no attempt has been made to provide a basic background in the petrography and mineralogy of different ore types, which is believed to control recoveries during ore processing and refining. However, megascopic study of samples and core logging identified the following minerals: goethite (commonly stains), quartz, chalcedony, serpentine, garnierite, talc, kaolin, and asbestos among others. Significant elements in the INC Nickel Project laterite profile are shown in **Figure-21**.

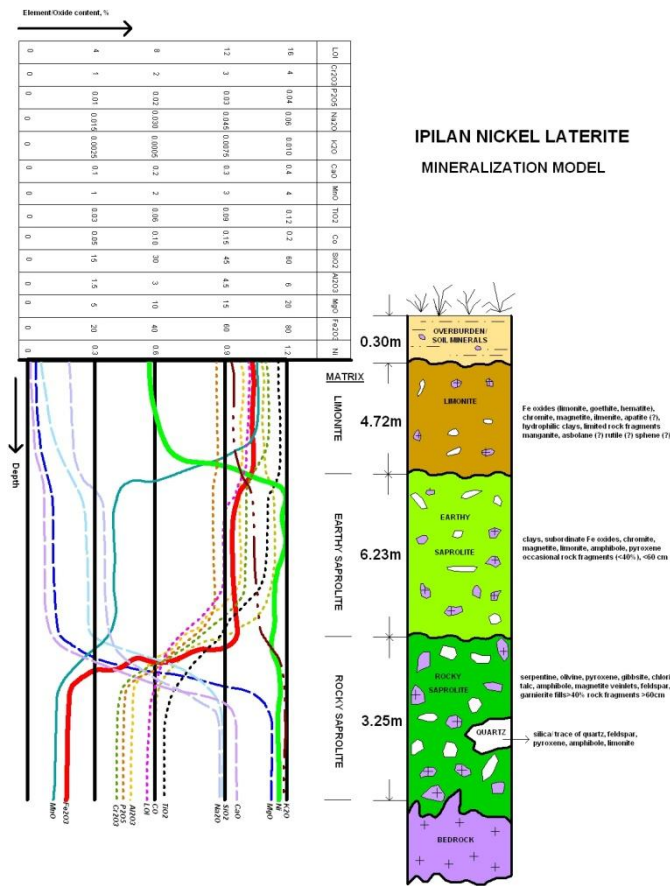


Figure-21. Generalized Profile of Significant Elements (Source: TMM)

8.0 EXPLORATION

8.1 Geological Work by INC in the Property

Exploration work commenced with reconnaissance mapping, test pitting/sampling, layout of traverse lines in August of 2006. Follow-up geological work consists of exploratory drilling with simultaneous test pitting until December of 2009. Drilling grid intervals were initially spaced at 100 m and prospective areas were drilled at 25m grid intervals during the last phase of exploration. Samples at 1 m intervals were taken either as channels in test pits or as 1m intervals in drill core and per lithology/matrix. Fractional intervals are sampled separately. The samples were prepared in the field and at the laboratory in Manila and later in the Berong Nickel Corporation (BNC) Laboratory. These were analyzed using Wavelength Dispersive X Ray Fluorescence technique (the BNC laboratory used EDXRF).

Details of the various activities are discussed in the succeeding sections.

8.2 Geological Mapping and Sampling

Fieldwork and exploratory drilling generated a comprehensive geological map as shown previously in **Figure-19**. Aerial photographs image analyses reveal the presence of marked fracture zones, lineations and foliations which are dominantly NNW and NW-directed, with complementary sets ENE and NE. The linearity indicates its steep subvertical dip. NS lineaments and fracture zones are also observed. **Figure-22** shows the

geological map based on traverse mapping and observation of drill hole bottoms while the geological cross section is shown in **Figure-23**.

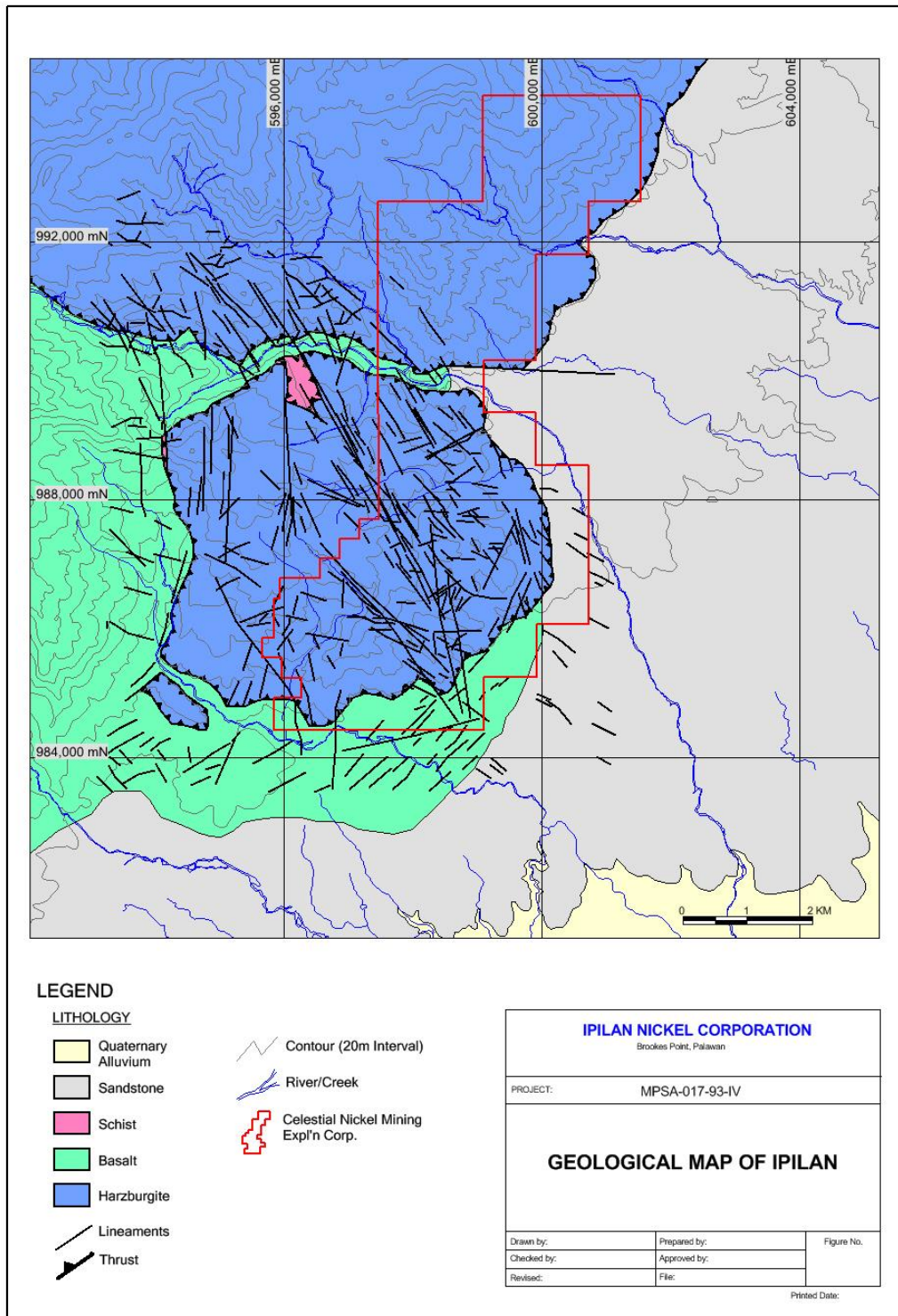


Figure-22. Geological Map of Ipilan Nickel Project (Source: TMM)

The cross-section below shows NW-SE directed thrusting of a sliver of basement schists and allochthonous klippen-nappes made up of ultramafic rocks mainly harzburgite over the underlying basalt. Sandstone over the basalt is deposited unconformably after the thrusting as seen in the southeastern part of the section.

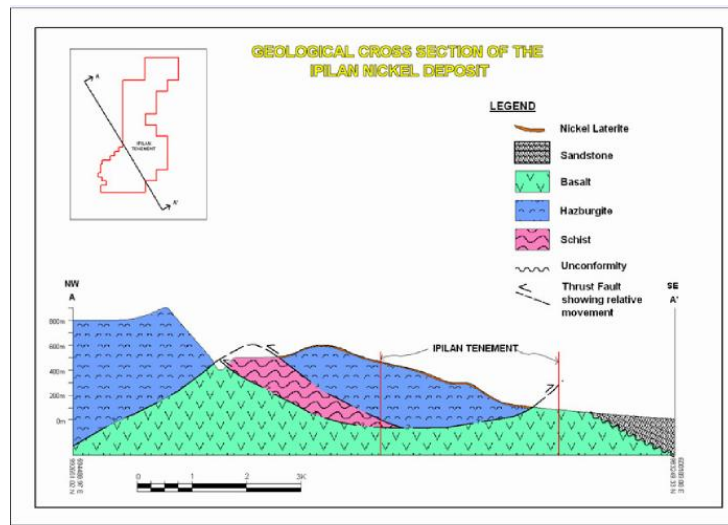


Figure-23. Cross Section Along the Ipilán Nickel Laterite Deposit (Source: TMM)

8.3 Test Pitting and Sampling

Previous exploration works done in the area consisted of test pits dug on a 100 by 100 m grid. These pits were re-sampled whenever accessible and some were re-deepened whenever possible (Figure-24).

Follow-up works done consisted of in-fill test pitting at 50x50m grids and eventually at 25x25m grids either as test pits or drill holes. Majority of the test pits failed to reach the bedrock due to the rocky saprolite or silica/quartz bottom.

The test pit collar measured 1.2mx0.8m and round logs were placed on the ground as frame that prevented material from rolling into the pit.

Excavation commenced down the pit using hand shovel and pinch bar. A rope ladder was used to access the bottom of the pit and excavated material taken out of the pit with the use of bucket and pulley. Excavation stopped when workers could not penetrate the bottom due to rocky, silica-rich material or unsafe conditions.



Figure-24. Test Pitting Excavation (Source: TMM)

Channel samples on the north and south faces of the test pit measuring 10 cm wide and 10 cm deep approximately 4.0 kg in weight each were taken at 1.0 m intervals in old and new test pits. Duplicates are taken on east-west faces (**Figure-25**).

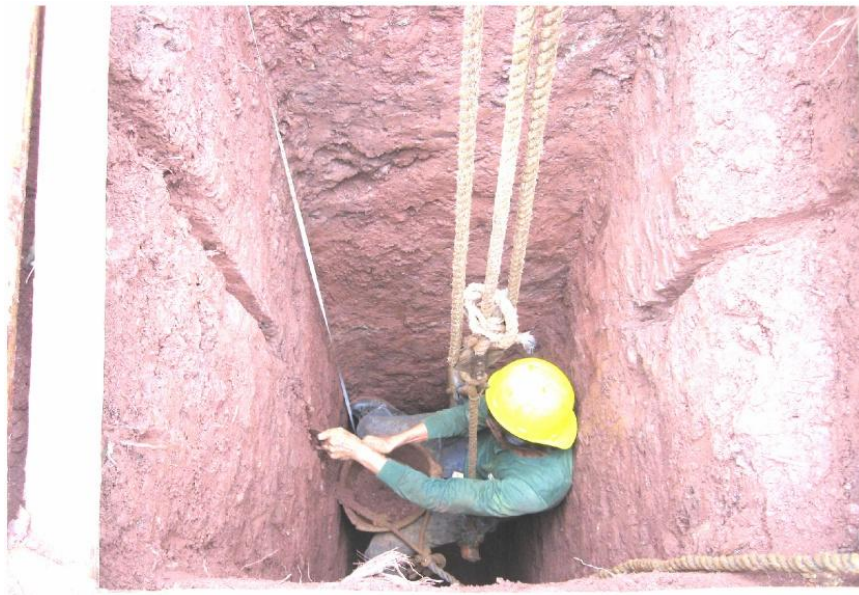


Figure-25. Test Pit Sampling (Source: TMM)

Samples were placed into plastic bags, nylon sacks including the unique sample number inside a smaller and sealed plastic bag.

Photography of the sampled interval showing a photo scale is used, along with sample number, interval, and test pit details.

8.4 Topographic Survey

Establishing the 50 m test pit and drill hole grid for the whole area required the use of Global Positioning System and Total Station survey equipment. INC assigned independent contractors to conduct topographic survey controls and engineering design controls. Geodetic-grade GPS survey equipment were used to establish primary survey controls. A topographic survey was also done to gather ground

elevations and other surface features pertinent to engineering design. During the course of the topographic survey, surface features such as depressions, creeks, peaks, breaks in slope and promontories were located to provide accurate ground configuration. Test pits and drill holes were also located to provide the exact location relative to X, Y, Z coordinates.

The Philippine Transverse Mercator Zone 1A was used for all survey data and maps.

A digital terrain model of all the surface topographic data were generated for use as upper constraints in the block modelling.

The scope of the survey works (**Figure-26**) was to establish control stations for every hectare, locate existing test pits and drill holes and topographic survey.

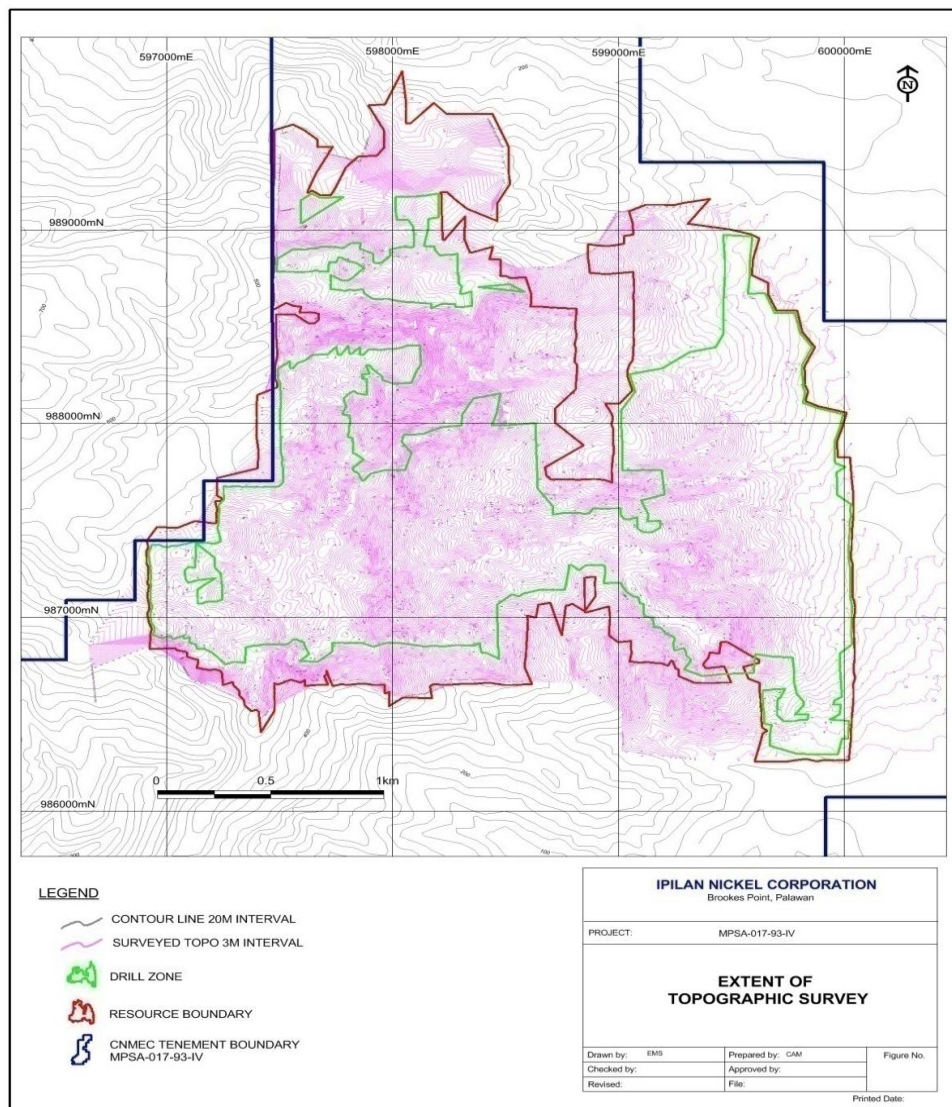


Figure-26. Topographic Survey Coverage

8.4.1 Drill Hole Collar Location

Proposed drill hole sites/collars were originally sited by a hand-held GPS unit with compass and measuring tape using old DHs and test pits as tie-points.

During the topographic survey the collar locations of completed DHs were accurately surveyed using a Total Station instrument and Differential GPS with the coordinates recorded in the Philippines Transverse Mercator (Zone 1A) coordinate system. Regular calibrations of the instruments at least twice a year from the National Mapping Resource Information Administration (NAMRIA) are done. The DH collar site was marked by a wooden pole inserted into the hole with the hole ID and location coordinates marked on it.

8.4.1.1 Checks of Drill Hole Collar Locations

The CP checked the collar locations of 20 drill holes from the INC Deposit last July 2014 using a hand-held Garmin Map 76C GPS unit and results indicated variances in Easting coordinates of an average of 4.41m and in Northing of an average of 1.41m. This shows that drill hole collar locations on the ground are comparable to the database records and are within the allowable error limits of the hand-held GPS unit. The details of the drill hole collar checking is in **Table-9**.

Jinchuan Group Company, Ltd. also previously checked the collar locations of 60 drill holes from the INC Deposit from November- December 2011 using a Total Station instrument and Differential GPS. The differences in Easting coordinates had an average of 0.82m while the differences in Northing had an average of 0.64m. Jinchuan validated that the drill hole collar locations on the ground match those in the database and are within the allowable error limits. The Jinchuan details on checking of drill hole collars are in **Table-10**.

INC Mineral Resource Evaluation (PMRC-CP Technical Report)

JINCHUAN/JGS SURVEYED DATA					INC/FPT CHECKING			VARIANCES		
No.	Borehole ID	Elev. (m)	Northing	Easting	Elev. (m)	Northing	Easting	N	E	Elev. (m)
1	HC/ZK1-05	495.392	987,257.94	432,425.87	518.00	987,262.00	432,435.00	4.06	9.13	-22.61
2	HC/ZK1-07	459.932	987,262.98	432,828.05	477.00	987,270.00	432,827.00	7.02	-1.05	-17.07
3	HC/ZK1-12	295.583	987,263.30	433630.59	334.00	987,271.00	433,638.00	7.70	7.41	-38.42
4	HC/ZK1-18	276.595	987,267.27	434,227.60	262.00	987,268.00	434,232.00	0.73	4.40	14.60
5	HC/ZK2-01	492.332	986,748.85	432,309.61	524.00	986,744.00	432,323.00	-4.85	13.39	-31.67
6	HC/ZK2-05	479.663	987,128.83	432,332.49	507.00	987,134.00	432,338.00	5.17	5.51	-27.34
7	HC/ZK2-07	524.881	987,330.21	432,308.71	531.00	987,332.00	432,309.00	1.79	0.29	-6.12
8	HC/ZK2-09	471.442	987,603.36	432,314.82	497.00	987,610.00	432,334.00	6.64	19.18	-25.56
9	HC/ZK3-01	465.432	986,722.02	432,695.62	497.00	986,713.00	432,695.00	-9.02	-0.62	-31.57
10	HC/ZK3-04	462.365	987,011.03	432,679.78	505.00	987,001.00	432,690.00	-10.03	10.22	-42.64
11	HC/ZK3-07	473.693	987,309.91	432,693.63	500.00	987,313.00	432,703.00	3.09	9.37	-26.31
12	HC/ZK3-09	443.912	987,651.96	432,690.53	455.00	987,647.00	432,687.00	-4.96	-3.53	-11.09
13	HC/ZK3-12	481.775	988,104.27	432,687.39	500.00	988,108.00	432,689.00	3.73	1.61	-18.23
14	HC/ZK4-01	404.882	988,603.63	433,143.04	391.00	988,618.00	433,150.00	14.37	6.96	13.88
15	HC/ZK4-04	376.745	989,096.91	433,145.67	393.00	989,097.00	433,150.00	0.09	4.33	-16.26
16	HC/ZK5-02	249.271	986,764.64	434,341.74	277.00	986,770.00	434,346.00	5.36	4.27	-27.73
17	HC/ZK5-06	227.432	987,176.38	434,347.96	246.00	987,174.00	434,361.00	-2.38	13.04	-18.57
18	HC/ZK5-08	222.665	987,359.79	434,336.21	252.00	987,362.00	434,332.00	2.21	-4.21	-29.34
19	HC/ZK5-09	200.675	987,651.96	432,690.53	194.00	987,641.00	432,695.00	-10.96	4.47	6.68
20	HC/ZK5-12	160.553	988,097.61	434,350.95	180.00	988,106.00	434,335.00	8.39	-15.95	-19.45

Table-9. Selected Drill Hole Details as Checked by INC/FPT vs. Jinchuan/JGS (July 2014)

INC Mineral Resource Evaluation (PMRC-CP Technical Report)

JINCHUAN/JGS DATA						INC DATA				Variances		
No.	Borehole ID	Depth	Elev. (m)	Northing	Easting	Depth	Elev. (m)	Northing	Easting	N	E	Elev. (m)
1	HC/ZK1-03	16.95	532.012	987279.109	432122.733	16.80	532.179	987270.558	432124.892	-8.551	2.159	0.167
2	HC/ZK1-04	10.11	510.391	987260.424	432255.844	10.00	510.488	987255.833	432255.523	-4.591	-0.321	0.097
3	HC/ZK1-05	31.59	495.392	987257.941	432425.868	31.50	495.448	987258.237	432426.373	0.296	0.505	0.056
4	HC/ZK1-06	29.27	486.511	987260.909	432525.837	38.30	486.549	987262.523	432526.401	1.614	0.564	0.038
5	HC/ZK1-07	25.25	459.932	987262.984	432828.049	25.10	459.962	987262.58	432827.162	-0.404	-0.887	0.030
6	HC/ZK1-08	23.32	437.844	987255.631	432925.065	23.20	437.842	987256.564	432926.808	0.933	1.743	-0.002
7	HC/ZK1-09	11.51	351.293	987281.815	433088.839	11.40	351.338	987283.676	433089.416	1.861	0.577	0.045
8	HC/ZK1-10	19.70	326.83	987238.182	433334.991	19.60	326.808	987238.936	433335.067	0.754	0.076	-0.022
9	HC/ZK1-11	16.42	312.102	987257.125	433436.658	16.20	312.066	987257.34	433433.911	0.215	-2.747	-0.036
10	HC/ZK1-12	16.47	295.583	987263.295	433630.59	16.30	295.028	987264.379	433633.457	1.084	2.867	-0.555
11	HC/ZK1-13	15.14	288.354	987265.491	433702.222	15.00	288.288	987265.668	433704.058	0.177	1.836	-0.066
12	HC/ZK1-14	16.77	274.554	987267.639	433825.705	16.60	274.518	987267.021	433827.78	-0.618	2.075	-0.036
13	HC/ZK1-15	21.10	272.444	987260.142	433908.087	21.00	272.478	987259.757	433908.5	-0.385	0.413	0.034
14	HC/ZK1-16	20.10	291.333	987266.794	434032.696	20.00	291.298	987265.074	434032.923	-1.72	0.227	-0.035
15	HC/ZK1-17	21.35	282.854	987268.391	434124.748	21.20	282.650	987268.653	434127.964	0.262	3.216	-0.204
16	HC/ZK1-18	23.10	276.595	987267.272	434227.601	23.00	276.568	987267.757	434228.863	0.485	1.262	-0.027
17	HC/ZK1-19	22.39	182.335	987269.03	434532.149	22.00	182.158	987267.021	434533.152	-2.009	1.003	-0.177
18	HC/ZK1-20	14.39	141.224	987263.512	434713.247	14.30	141.287	987263.512	434713.247	0	0	0.063
19	HC/ZK1-21	16.25	109.745	987253.657	434987.659	16.00	109.682	987253.655	434989.663	-0.002	2.004	-0.063
20	HC/ZK2-01	21.31	492.332	986748.853	432309.61	21.20	491.908	986746.284	432316.285	-2.569	6.675	-0.424
21	HC/ZK2-02	25.22	492.312	986855.419	432325.115	25.00	492.968	986852.998	432330.259	-2.421	5.144	0.656
22	HC/ZK2-03	25.71	491.441	986948.063	432329.47	25.50	491.598	986945.997	432333.421	-2.066	3.951	0.157
23	HC/ZK2-04	33.77	487.453	987037.241	432331.823	32.70	478.318	987034.543	432333.41	-2.698	1.587	-9.135
24	HC/ZK2-05	23.13	479.663	987128.827	432332.489	23.00	479.428	987124.888	432334.322	-3.939	1.833	-0.235
25	HC/ZK2-06	22.60	505.837	987223.88	432327.533	22.00	505.958	987221.414	432328.494	-2.466	0.961	0.121
26	HC/ZK2-07	18.59	524.881	987330.209	432308.706	18.50	524.808	987326.626	432307.648	-3.583	-1.058	-0.073

INC Mineral Resource Evaluation (PMRC-CP Technical Report)

27	HC/ZK2-08	28.08	509.523	987446.316	432329.311	28.00	509.328	987444.514	432322.093	-1.802	-7.218	-0.195
28	HC/ZK2-09	12.15	471.442	987603.358	432314.821	11.80	471.208	987600.06	432309.728	-3.298	-5.093	-0.234
29	HC/ZK2-10	24.12	492.977	986873.64	432327.69	25.47	496.248	986870.639	432332.746	-3.001	5.056	3.271
30	HC/ZK3-01	20.32	465.432	986722.024	432695.617	20.20	465.468	986722.597	432695.604	0.573	-0.013	0.036
31	HC/ZK3-02	32.69	461.332	986822.198	432696.956	32.40	461.278	986822.858	432696.979	0.66	0.023	-0.054
32	HC/ZK3-03	36.21	462.654	986916.313	432675.523	36.10	462.636	986916	432674.69	-0.313	-0.833	-0.018
33	HC/ZK3-04	25.20	462.365	987011.032	432679.777	25.10	462.356	987011.235	432680.047	0.203	0.27	-0.009
34	HC/ZK3-05	25.90	462.257	987110.144	432678.85	18.40	462.288	987110.087	432678.665	-0.057	-0.185	0.031
35	HC/ZK3-06	22.70	469.866	987205.289	432676.646	20.00	469.900	987205.528	432677.488	0.239	0.842	0.034
36	HC/ZK3-07	31.30	473.693	987309.91	432693.632	26.80	473.738	987310.076	432693.902	0.166	0.27	0.045
37	HC/ZK3-08	17.42	444.573	987479.801	432690.524	16.60	444.517	987480.487	432691.803	0.686	1.279	-0.056
38	HC/ZK3-09	18.11	443.912	987651.962	432690.532	18.00	443.856	987653.286	432689.673	1.324	-0.859	-0.056
39	HC/ZK3-10	11.29	424.445	987734.707	432690.643	11.25	424.208	987743.092	432693.152	8.385	2.509	-0.237
40	HC/ZK3-11	17.23	481.543	987916.204	432657.096	16.70	481.538	987915.029	432657.851	-1.175	0.755	-0.005
41	HC/ZK3-12	24.20	481.775	988104.27	432687.388	24.00	481.725	988103.601	432689.264	-0.669	1.876	-0.050
42	HC/ZK3-13	12.01	465.152	988279.331	432686.177	11.80	465.125	988278.889	432685.342	-0.442	-0.835	-0.027
43	HC/ZK3-14	11.36	475.222	988734.595	432670.006	11.30	475.198	988734.735	432670.277	0.14	0.271	-0.024
44	HC/ZK3-15	12.12	461.114	988828.568	432672.264	12.00	461.032	988828.73	432673.171	0.162	0.907	-0.082
45	HC/ZK4-01	17.32	404.882	988603.634	433143.036	15.00	404.829	988595.66	433140.783	-7.974	-2.253	-0.053
46	HC/ZK4-02	22.25	390.9553	988714.827	433129.897	21.50	390.915	988716.103	433130.086	1.276	0.189	-0.040
47	HC/ZK4-03	20.10	342.919	988927.953	433144.387	20.00	342.972	988928.065	433145.301	0.112	0.914	0.053
48	HC/ZK4-04	18.17	376.745	989096.909	433145.672	18.00	376.865	989097.204	433146.774	0.295	1.102	0.120
49	HC/ZK5-01	10.80	244.668	986668.786	434341.54	10.70	244.718	986670.24	434341.06	1.454	-0.48	0.050
50	HC/ZK5-02	19.63	249.271	986764.636	434341.735	19.50	249.358	986764.825	434341.432	0.189	-0.303	0.087
51	HC/ZK5-03	28.22	260.701	986877.336	434338.293	26.70	260.738	986878.142	434340.451	0.806	2.158	0.037
52	HC/ZK5-04	25.54	250.119	986957.395	434352.491	25.40	250.098	986957.092	434355.208	-0.303	2.717	-0.021
53	HC/ZK5-05	12.81	200.181	987072.092	434337.651	12.70	200.138	987071.385	434339.105	-0.707	1.454	-0.043
54	HC/ZK5-06	16.80	227.432	987176.382	434347.959	16.70	227.638	987174.585	434348.695	-1.797	0.736	0.206
55	HC/ZK5-07	19.50	245.87	987273.558	434333.213	19.30	225.656	987272.195	434334.59	-1.363	1.377	-20.214

INC Mineral Resource Evaluation (PMRC-CP Technical Report)

56	HC/ZK5-08	16.10	222.665	987359.788	434336.211	16.00	222.608	987358.945	434337.792	-0.843	1.581	-0.057
57	HC/ZK5-09	20.15	200.675	987489.817	434349.864	20.00	200.638	987487.068	434350.948	-2.749	1.084	-0.037
58	HC/ZK5-10	10.44	171.488	987583.939	434349.457	10.30	171.468	987583.122	434350.146	-0.817	0.689	-0.020
59	HC/ZK5-11	10.10	173.081	987996.117	434339.599	10.00	173.028	987997.234	434342.45	1.117	2.851	-0.053
60	HC/ZK5-12	6.43	160.553	988097.61	434350.947	6.30	160.618	988098.737	434351.367	1.127	0.42	0.065

Table-10. Selected Drill Hole Details as Checked by Jinchuan/JGS vs. INC (December 2011 Data)



Figure-27. Drill Hole- HC/ZK1-05

Coordinates: 987,262.00N/432,435.00E (FPT)
987,257.94N/432,425.87E (Jinchuan)
Area: Toro-Toro
DH Bottom: 31.59 m.



Figure-28. Drill Hole- HC/ZK1-07

Coordinates: 987,270.00N/432,827.00E (FPT)
987,262.98N/432,828.05E (Jinchuan)
Area: Everlasting
DH Bottom: 25.25 m.



Figure-29. Drill Hole- HC/ZK1-12

Coordinates: 987,271.00N/433,638.00E (FPT)
987,263.30N/433,630.59E (Jinchuan)
Area: Angelie
DH Bottom: 16.47 m.



Figure-30. Drill Hole- HC/ZK1-18

Coordinates: 987,268.00N/434,232.00E (FPT)

987,267.27N/434,227.60E (Jinchuan)

Area: Angelie

DH Bottom: 23.00 m.



Figure-31. Drill Hole- HC/ZK2-01

Coordinates: 986,744.00N/432,323.00E (FPT)

986,748.85N/432,309.61E (Jinchuan)

Area: Everlasting

DH Bottom: 21.20 m.



Figure-32. Drill Hole- HC/ZK2-05

Coordinates: 987,134.00N/432,338.00E (FPT)

987,128.83N/432,332.49E (Jinchuan)

Area: Everlasting

DH Bottom: 23.00 m.



Figure-33. Drill Hole: HC/ZK2-07

Coordinates: 987,332.00N/432,309.00E (FPT)
987,330.21N/432,308.71E (Jinchuan)

Area: Everlasting
DH Bottom: 18.50 m.



Figure-34. Drill Hole- HC/ZK2-09

Coordinates: 987,610.00N/432,334.00E (FPT)
987,603.36N/432,314.82E (Jinchuan)

Area: Everlasting
DH Bottom: 11.80 m.



Figure-35. Drill Hole- HC/ZK3-01

Coordinates: 986,713.00N/432,695.00E (FPT)
986,722.02N/432,695.62E (Jinchuan)

Area: Everlasting
DH Bottom: 20.20 m.



Figure-36. Drill Hole- HC/ZK3-04

Coordinates: 987,001.00N/432,690.00E (FPT)
987,011.03N/432,679.78E (Jinchuan)

Area: Everlasting
DH Bottom: 25.10 m.



Figure- 37. Drill Hole: HC/ZK3-07

Coordinates: 987,313.00N/432,703.00E (FPT)
987,309.91N/432,693.63E (Jinchuan)

Area: Everlasting
DH Bottom: 26.80 m.



Figure- 38. Drill Hole: HC/ZK3-09

Coordinates: 987,647.00N/432,687.00E (FPT)
987,651.96N/432,690.53E (Jinchuan)

Area: Everlasting
DH Bottom: 18.00 m.



Figure-39. Drill Hole- HC/ZK3-12

Coordinates: 988,108.00N/432,689.00E (FPT)

988,104.27N/432,687.39E (Jinchuan)

Area: Everlasting

DH Bottom: 24.00 m.



Figure- 40. Drill Hole- ZK4-01

Coordinates: 988,618.00N/433,150.00E (FPT)

988,603.63N/433,143.04E (Jinchuan)

Area: Block-C

DH Bottom: 15.00 m.



Figure- 41. Drill Hole- HC/ZK4-04

Coordinates: 989,097.00N/433,150.00E (FPT)

989,096.91N/433,145.67E (Jinchuan)

Area: Block-C

DH Bottom: 18.00 m.



Figure-42. Drill Hole- HC/ZK5-02

Coordinates: 986,770.00N/434,346.00E (FPT)

986,764.64N/434,341.74E (Jinchuan)

Area: Block-C

DH Bottom: 19.50 m.



Figure-43. Drill Hole- HC/ZK5-06

Coordinates: 987,174.00N/434,361.00E (FPT)

987,176.38N/434,347.96E (Jinchuan)

Area: Angelie

DH Bottom: 16.70 m.



Figure-44. Drill Hole: HC/ZK5-08

Coordinates: 987,362.00N/434,332.00E (FPT)

987,359.79N/434,336.21E (Jinchuan)

Area: Angelie

DH Bottom: 16.00 m.



Figure- 45. Drill Hole- HC/ZK5-09

Coordinates: 987,641.00N/432,695.00E (FPT)

987,651.96N/432,690.53E (Jinchuan)

Area: Block-C

DH Bottom: 18.11 m.



Figure-46. Drill Hole- HC/ZK5-12

Coordinates: 988,106.00N/434,335.00E (FPT)

988,097.61N/434,350.95E (Jinchuan)

Area: Block-C

DH Bottom: 16.47 m.

8.4.2 Downhole Surveys

All drill holes were shallow and drilled vertically. No downhole surveys were carried out as any minor hole deviation would be immaterial to the resource estimate.

8.5 Geophysical Survey- Ground Penetrating Radar (GPR) Method

In 1999, Jan Francke now with Ground Probe Ltd. conducted a Ground Penetrating Radar (GPR) Survey in the Celestial tenement. This pioneering work enabled the relative determination of thickness of laterite profiles including identification of large boulders and bedrock in the profile. The INC survey had 83.3 line kilometers of GPR coverage.

The equipment including the power source, transponder, antenna, receiver were dragged on predetermined and cleared survey lines to obtain GPR information. The nature of the

utilized frequency of the radar signal, electronics of the transmitter and receiver precludes identification of particles smaller than a few tens of centimeters across. The reception of the radar signal necessarily produces shadows in between the pulse point locations. The propagation of the radar beam with depth decreases spatial resolution down the laterite profile. The spatial continuity between profiles is then interpolated.

The GPR Survey was able to produce images of the laterite profile from each traverse line. The boundaries of limonite, earthy and rocky saprolite were then interpreted from the color-coded radar return both in section and plan. The thickness of the profile was then also interpreted.

The GPR results were found effective for planning drilling programs for under-explored nickel laterite deposits.

8.6 Drilling

Extensive drilling was undertaken over the Project by an independent contractor and later by Toledo Mine Management, Inc. in behalf of INC.

The core drilling program was done on a 25 x 25m grid within the delineated areas of thick laterization as in-fill to the previously test-pitted area.

YBM Drilling Machines with tungsten carbide bits were used initially by the contractor, JCP Geo-Ex, and later by TMM using three similar rigs (2 mechanical-YHP-1 with 9 HP engine; 1 hydraulic YBM 05-D2 with 10HP engine), **Figure-47**. The drill rods had a core diameter of 65mm. More than half the recoveries (per sample) for the drilling are over 100%, averaging 96.4%. The last two meters of the drill holes are drilled into bedrock.



Figure- 47. Mechanical Portable Drill Rig in Operation (Source: TMM)

The core drilling used a NQ-sized core barrel drilled vertically to recover the laterite samples. A BQ size core barrel was used in deeper ground at around 35 m to 40 m where the NW size barrel could not penetrate. The core is retrieved from by a barrel and placed on plastic core trays. A core wooden block with depth written on it is placed at the end of every core run. The plastic trays contain approximately 5.0 m of core. When filled, these are brought down to the camp where picture is taken, core recovery determined, core logged and sampled. The sampling interval is every one meter from the collar or dependent on the geologic contact. The sample is put in pre-numbered sample bags and weighed before inserting in a sack. It is a policy that the hole penetrates into the hard rock at least two meters before deciding to terminate a hole.

The entire core is sampled, either in whole or as core duplicate sample derived by splitting the core along the long core axis. Core recovery of each sample generally varies from 75% to 100%, with an average of 96.4%.

Drill hole samples from each drill run are measured and carefully laid out onto PVC core trays with the corresponding core block inserted indicating actual length of drill run and core length (**Figure-48**). Samples are carefully logged for significant details per the standard logging form. Each sample from a meter interval is then bagged and inserted with the unique sample stub also inside a sealed plastic bag to survive moisture and handling (**Figure-49**).



Figure-48. Drill Sample Layout in the Core Tray (Source: TMM)



Figure-49. Core Samples (Source: TMM)

For duplicate samples, these are rotated until a plane of symmetry along the core axis is determined. From this plane of symmetry, a duplicate sample of the interval is obtained (**Figure-50**).



Figure-50. Drill Sample Identification and Splitting (Source: TMM)

“Dry” rotary drilling was conducted by man-portable YBM drills with largely tungsten carbide bits, by contractor JCP Geo-Ex and TMM/BNC. The drilling method enables largely intact drill core of the profile to be extracted with no contamination as in percussion drilling.

8.6.1 Core Logging

Core logging is performed by the field geologists, for physical characteristics including color, grain size, texture, and minerals present, amount of weathering, and rock type, **Figure-51**.



Figure-51. Core Logging by Geologist (Source: TMM)

8.6.2 Core Recovery

Core recovery is calculated by the driller and company representative for each drill run to determine rate of pay and acceptability.

Core recovery was measured and recorded for each drill run by a designated core checker at the drill site. The information was then used by the geologist during actual core logging with attention given to proper placement of any lost core to its correct location in the run to avoid any bias.

The core recoveries were exceptionally very good for all the drill holes with average total DH core recovery of 96.4% as indicated in **Table-11** and **Figure-52** below.

Item/Field	Record
Number of Holes	3,154
Total Meterage	54,096
Number of Core Recovery Samples	80,944
Minimum value	57.14
Maximum value	100
Mean	96.4
Variance	12.4
Standard deviation	3.52
Std error of mean	0.06

Table-11. Average DH Core Recoveries

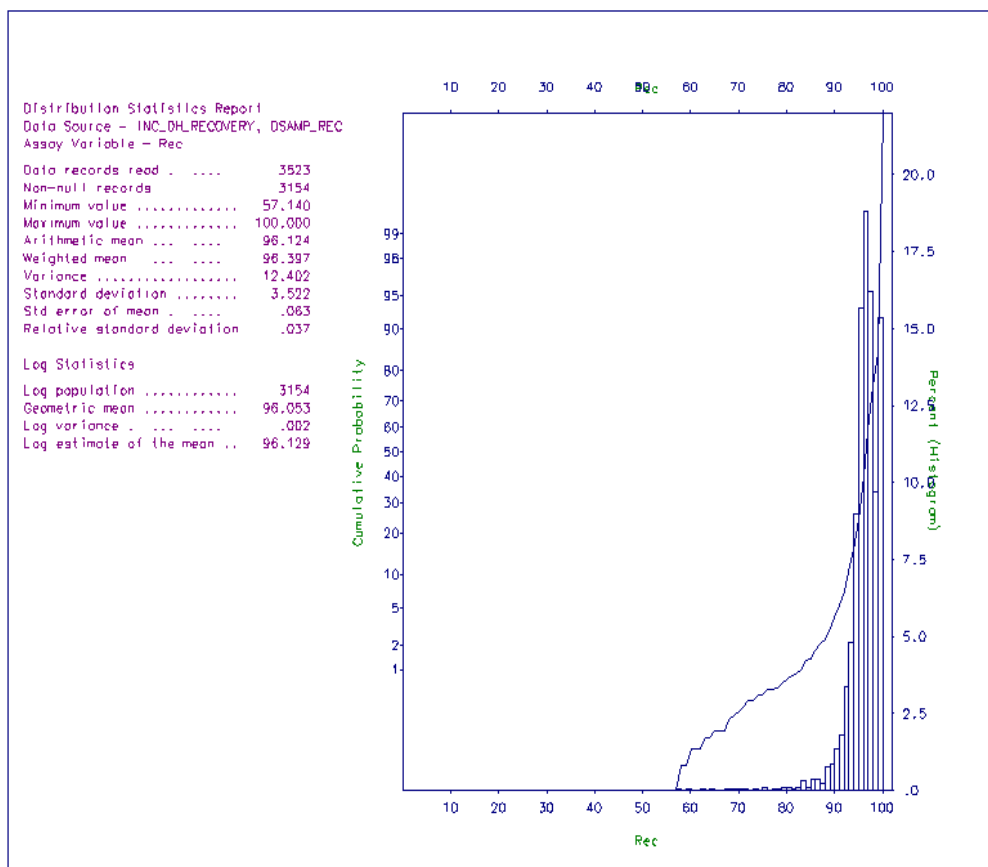


Figure-52. Basic Statistics of Drill Hole Recoveries

Review of core recoveries concluded that:

- There is no significant bias on grades against recoveries;
- Recoveries in the first three meters of drill runs were characterized by compression of core and occurrence of cavities;
- Saprolite has lower recoveries than limonite as expected due to variability in composition (alternating hard/soft material) and particle sizes (coarse/fine).

8.6.3 Core Photography

Core photography was done for digital archiving of the drill cores. The photos can serve as reference to validate/correlate with results of laboratory analyses when needed in the future.

8.6.4 Core Sampling

Sampling of the drill core was carried out according to the INC Exploration and Sample Preparation Protocols.

Whole drill core (NQ-BQ size) was used for analysis to avoid sample bias caused by core splitting and sampling was done at one (1) meter intervals down the hole, except at lithological boundaries. Sample lengths across the boundaries were taken in a range of 1.0 ± 0.25 m to avoid excessively short or long samples. In addition, the entire drill hole was sampled, leaving no core to view as a record. In some of the holes (core duplicate sample), the core was split and the half core was retained in the core box and stored.

Each sample was then placed in a plastic bag labeled with the sample number. All sample details such as hole ID and sample number ranges were recorded during the sampling process. When completed, the sample batch was sent to the laboratory for sample preparation and analysis.

Core extraction after a drill run is shown in **Figure-53**.



Figure-53. Core Extraction Prior to Core Logging/Sampling (Source: TMM)

8.7 Geotechnical Drilling

A geotechnical drilling program was implemented to test the proposed sites of infrastructure. Two man-portable rigs from JCP Geo-Services were used. The proposed holes were sited on the ground using a GPS and were logged on a geotechnical log sheet. The holes were located on the proposed location of workshop, road alignment, administrative building, and processing plant. Four (4) holes were drilled with a combined meterage of 127.0 m. The deepest hole at 48.9 m was drilled at proposed Administration Building (**Figure 54**).



Figure-54. Geotechnical Investigation Site

8.8 Bulk Density and Moisture Content Data

Bulk methods of density determination by the sand cone technique which provide a better means to determine density or specific gravity for laterites was used during the exploration program. Four types of matrices (limonite, saprolite, rocky saprolite and quartz) with varying density were determined. During test pit excavation, a hole was dug at the bottom. The weight of excavated material is measured at site using digital weighing scale. To determine the volume of excavation, a sand cone apparatus is used to fill the excavation with sand. The sand has a predetermined density and weight. The excess sand on the cone is weighed to determine the weight of sand that filled the excavation. Using formula for density, the volume of the excavation filled with sand is computed. With known weight of material excavated and the computed volume of the excavation, the in situ density of the material is calculated.

In determining the dry density of the material, after weighing the excavated material it is dried in an improvised oven until reaching 105-110 degree Celsius. The dry material is then weighed and dry density and moisture content is calculated.

Bulk density measurements to May 2008 from 388 test pits were done using sand cone apparatus and with 557 measurements coming from limonite (268), saprolite (208), rocky saprolite (12) and quartz (69).

Summary of derived dry density values used for block modelling in this report are shown in **Table-12**. The mean dry density values of each laterite material were used in the estimates.

WET DENSITY	AVE. (t/m³)
Limonite	1.523
Saprolite*	1.726
Rocky Saprolite*	1.682
Quartz	1.501
DRY DENSITY	AVE. (t/m³)
Limonite	1.099
Saprolite*	1.300
Rocky Saprolite*	1.306
Quartz	1.108

Table-12. Density Values
* Measurements made to 2008

8.9 Metallurgical Test Work (Source: Snowden Report)

Variable materials of limonite, saprolite, rocky saprolite and silica were selected from the available assay database by INC for hydrometallurgical testing. Approximately 1,400 kg of combined samples representing the different matrix materials distributed throughout the mineralized blocks was sent to Euronickel's pilot test plant in Turkey. These materials were tested if amenable to heap leaching. Another batch of samples from limonite, saprolite and rocky saprolite with combined weight of 1,200 kg was sent to another company in South Africa for nickel beneficiation testing by alternative processing. Taken from the same batch of samples, the ore materials were investigated for mineralogical composition. SGS Lakefield Oretest, Perth, Australia was engaged to do the Mineralogical Analysis by QEMSCAN, XRD and SEM/EDX microscopy.

A single block was prepared from each received sample and studied both by QEMSCAN and manual SEM-EDX methods. For the measurements, the whole block

was firstly mapped in detail by QEMSCAN and then manually examined by the mineralogist to collect quantitative data on phase compositions. The manually collected data was used to redefine the SIP and establish the content of nickel in the individual phases and their mixtures. XRD data was also used for the confirmation of phases identified.

There are significant differences in the mineralogy of individual samples analyzed, mainly in the proportions of nickel-bearing phases and the amount and type of gangue phases present. Together with the mineralogical results, this information could be used to predict the process performance of individual feed samples if the variable responses to processing are confirmed by hydrometallurgical test works.

The mineral assemblage of the samples from the limonite zone is composed of Fe-oxides/hydroxides (namely hematite, goethite, and limonite) and Cr-mineral (chromite and spinels) with minor amount of asbolanes and serpentine. A large proportion of the samples is formed by a very fine intergrowth of silicates and Fe-oxides with grain size less than 1.5 μm that cannot be positively classified as a single mineral phase. These complex fine grained mixtures together with the goethite/limonite are responsible for the majority of the nickel-department. Asbolanes are a minor phases in the feed but are still the second most important nickel bearing phases as the Nickel content of this phases is rather high (3 – 15 wt%). Asbolanes are also the main Co-bearing phase. In all the samples, clay minerals were also confirmed to contain nickel.

The Celestial/Ipilan limonite sample contains more of the mixed phases (Fe-Mg-Si mix) and this is believed to be due to the presence of talc identified by XRD. Of the minor phase, there is also more silica, clays, Mg-Fe pyroxenes and olivine present. The Ipilan earthy saprolite samples composed of Fe-oxides and hydroxides, serpentine minerals, clays, olivine, Mg-Fe pyroxenes and quartz. It is rich in asbolane which affect the Nickel distribution. Majority of nickel is hosted in serpentine, clay, asbolanes and Fe-Mg Mix. Generally less than 10% of nickel is hosted in goethite/limonite. Dominance of serpentine is the composition of rocky saprolite. Other minerals present are goethite/limonite, Cr-minerals, clays, quartz. The very fine intergrowth of silicate and Fe oxides is also present. The majority of nickel is hosted in serpentine.

The quartz sample is predominantly comprised of silica, goethite/limonite and clays. Present in minor amounts are olivine, Cr-minerals, serpentine, Mg-Fe pyroxenes and asbolanes. The cobalt and manganese in all the samples are exclusively hosted by the asbolanes. From this observation, the amount on cobalt in the fraction can be related to the amount of asbolanes present. This confirms the observation of asbolane enrichment in coarse fractions in limonite and slight enrichment of asbolanes in fine fractions for the earthy and rocky saprolites. Bias in this assumption will depend on the proportion of Co-rich to Co-poor asbolanes making up the total asbolane content and potential presence of cobalt and/or manganese in trace amounts within the major mineral phases. Even with the low modal abundance of between 0.8 and 3.7 wt%, asbolanes are important nickel and cobalt-bearing phases because of their nickel and/or cobalt content.

Nickel-serpentine, present at levels of just a few weight percent within each of the samples, also contributes significantly to the nickel department. It reaches 19% of the nickel department in saprolite while contributing only 5% to the modal mineralogy of that sample. The highest magnesium values are related to highest serpentine and/or talc values in the samples but this could be easily biased by the presence of other magnesium phases in the samples. As the talc wasn't positively identified by

QEMSCAN as a discrete phase its nickel content was not unambiguously defined. The talc presence from the XRD data is highest in the saprolite and limonite samples.

No process recovery information to disclose in this report. Testwork to date suggests that it is possible to recover nickel and cobalt by hydrometallurgical processes. The geology and mineralogical information also indicates that the mineralization would be amenable to mining, direct ore shipping (DOS) and pyrometallurgical treatment.

8.10 Sample Preparation, Analyses and Security

8.10.1 Dispatch Method

Samples from drill core are laid out and marked into PVC trays. Each full core box is covered to prevent spillage due to handling and transport, **Figure-55**.



Figure-55. Covered Core Box with Samples (Source: TMM)

The Geologist assisted by the Sampling Supervisor logs the sample and takes high resolution photographs of the core. Samples are then documented, **Figure-56**.



Figure-56. Sample Reconciliation from the Field (Source: TMM)

INC Mineral Resource Evaluation (PMRC-CP Technical Report)

Test pit samples are packed in 10x14x0.05 inch plastic bags which in turn are packed into nylon sacks and sealed. Each sack containing 20 bags is labeled according to the identifying numbers of the samples it contains. Around 15-20 sacks are in turn put in a 1x1x0.5m crate which is loaded and sent via ferry (2Go freight services) to the Intertek laboratory in Manila (and later, to the BNC laboratory in Quezon, Palawan, operated by Intertek).

The geologist in charge ensures that the samples are properly sealed and labeled, and finding errors, if any, corrects this prior to sample dispatch. The samples upon arriving in the camp are crated and packed carefully by the Sample Preparation Supervisor. There are no reports of compromised samples by Intertek.

Crates containing the samples are ensured of its structural integrity during transport from the field and upon unloading from the marine vessel. There are no reports of samples/crates which have been compromised.

Intertek individually checks that all samples are accounted for, and there are no punctured/ opened bags/ spills. There are no reports of such.

8.10.2 Preparation and Assay Facility Type

Field samples were shipped in bulk without any field preparation.

Drying, crushing, splitting, pulverizing and assays are performed by Intertek Testing Services (Intertek) in Manila (later, at the BNC laboratory operated by Intertek at Quezon, Palawan). Intertek is an International, ISO 17025-accredited commercial lab, which has pioneered in XRF technology in the region since the late 1980s.

8.10.3 Sample Preparation

The field samples gathered from both test pits and drill holes are determined for the wet weight using digital scales and dried at a thermostat-controlled LPG-fired drying oven at the ITS Laboratory in Metro Manila, **Figure-57**. Drying takes anywhere from 6 to 16 hours and averaging 12 hours at 105 degrees Celsius.

The samples as received from the field are placed in clean aluminum tray laid out in racks and put inside a thermostatically-controlled oven. The samples from the field are dried for 12 up to 16 hours at 105 degrees Celsius at an LPG oven with thermostat/ timer control (**Figures-58 and 59**).



Figure-57. Thermostat-Controlled Laboratory Oven at ITS Manila (Source: TMM)



Figure-58. Thermostat-Controlled Manufactured Laboratory Oven at BNC Lab (Source: TMM)



Figure-59. Thermostat-Controlled Fabricated Laboratory Oven at BNC Lab (Source: TMM)

After drying, the dry weight is determined, and compared with the wet weight so the moisture content is measured for each sample.

The dried samples are then put in a Boyd's crusher with 1/4 inch spacing, **Figures-60 and 61**. These are repeatedly reduced using a stainless Jones Splitter for large samples, which is easy to clean to avoid contamination, until about 2 kg of crushed material is obtained. Crushed rejects are stored for future use, such as for metallurgical testing and production of matrix- and grade-matched standards.



Figure-60. Rocklabs Boyd's Crusher with Automatic Splitter at ITS Manila (Source: TMM)



Figure-61. Rocklabs Boyd's Crusher w/ Automatic Splitter at BNC (Source: TMM)

The crushed and split samples are then put through ESSA Labtec 2kg pulverizers with recirculating puck (for greater homogenization) for three minutes (**Figure-62 and 63**). Every 10 samples, a sieve test is done to ensure that at least 90% passes -200 mesh; else the previous 10 samples are reground.



Figure-62. Essa Labtec 2kg Pulverizer at ITS Manila (Source: TMM)



Figure-63. Essa Labtec 2kg Pulverizer at BNC Lab, Quezon, Palawan (Source: TMM)

The pulverized samples are then riffle split to obtain a 150g packet. In the intervening period prior to XRF analysis, the samples in the packet reacquire moisture hence are dried again using a Memmert electric oven with digital timer and thermostat (**Figure-64**).



Figure-64. Pulverized Sample Drying with Memmert Electric Oven at ITS Manila (Source: TMM)

The pulverized materials are then placed in sealed packets, placed in silica gel sealed dessication jars to minimize reabsorption of moisture from the atmosphere, and subjected to fused bead Wavelength Dispersive X Ray Florescence (XRF) determination, earlier in Intertek Jakarta, later in Intertek Manila and at the latest at the BNC Laboratory.

In the latter samples from the BNC lab, pulverized samples were put into dessicators filled with silica gel to minimize reacquisition of moisture from the atmosphere, **Figure-65**.



Figure-65. Pulverized Sample Drying with Dessicator at BNC (Source: TMM)

Given the sticky nature of laterite to minimize contamination a blank sand wash is utilized to clean jaw plates after every sample and wet brushing is done to completely clean the jaw plates (**Figure-66**).



Figure-66. Jaw Plates of Crusher (Source: TMM)

The 2kg crushed samples are then pulverized in 2kg ESSA Labtec Pulverizers to at least 95% passing -200 mesh. Again, pulverizing bowls are cleaned by water after every sample to avoid contamination and air dried.

8.10.4 Analytical Methods Used

From this 150g packet, 30g of material is mixed with Sigma Flux homogenized by shaking and then fused using an LPG-fired 6 place- Claisse Fluxer (**Figure-67**).



Figure-67. Microbalance Weighing of Pulverized Sample and Flux (Source: TMM)

Assays are conducted by fusing the digitally-weighed dried and pulverized samples into a bead by means of a set amount of lithium borate flux and subjecting the fused bead into a platinum crucible using a 6-place Modutemp furnace fluxer, **Figure-68**. At the Berong Laboratory, a 6-place Claisse furnace fluxer is used, **Figure-69**.



Figure-68. Sample Fusion using 6-place Modutemp Fluxer at ITS Manila (Source: TMM)



Figure-69. Sample Fusion using 6-place Claisse Fluxer at BNC Lab (Source: TMM)

The fused bead put into the commercial-grade Panalytical Axios Wavelength Dispersive X-ray Fluorescence (WDXRF) machine both in Intertek Jakarta and in Intertek Muntinlupa, Metro Manila (**Figure-70**). These produce the very high-quality results simultaneously for 13 elements. Later samples were analyzed by Spectro Xepos Energy-dispersive X-Ray Fluorescence (EDXRF) at the Berong Lab in Palawan, **Figure-71**.



Figure-70. Panalytical Axios WD X-Ray Fluorescence Instrument (Source: TMM)



Figure-71. Spectro XEPOS Energy Dispersive X ray Fluorescence Instrument (Source: TMM)

XRF analyzes the total amount of metal in the sample, in which the metals are dispersed in the borate glass, eliminating any matrix effect, unlike other methods such as those involving acid digestion which may only partially and not wholly dissolve all the metals in the sample, leaving part of the metals in the insoluble residue. Thus XRF results in highly accurate values.

To check loss on ignition (LOI), a Barnstead Thermoline Furnace (**Figure-72**) is used to determine the water content of the sample from the minerals' crystal lattices.



Figure-72. Barnstead Thermoline Furnace at ITS Manila (Source: TMM)

As there is no furnace at the Berong Laboratory no LOI results were provided. It is still possible to calculate LOI by assuming the difference from 100 per cent and the sum of all the Oxides corresponds to the LOI. However, this was not performed.

8.11 Data Exclusion

Data exclusion was conducted during interpretation of the laterite profile and prior to block modelling. The excluded data, **Table-13**, involved the test pits within the resource boundary and next to drill holes.

A. No. of Records (with Exclusion)		Depth (m)
Drill Holes	3,154	54,095.79
Test Pits	1,906	9,855.39
TOTAL	5,060	63,951.18
Sample Assays	66,554	
B. No. of Records (Complete)		Depth (m)
Drill Holes	3,154	54,095.79
Test Pits	5,093	27,279.24
TOTAL	8,247	81,375.03
Sample Assays	84,413	
Excluded Data		
Test Pits	3,187	
Sample Assays	17,859	

Table-13. Excluded Data

The data exclusion was necessary due to the following reasons:

- Most of the test pits are unbottomed and penetrated the limonite section and upper section of the saprolite only;
- The unbottomed saprolite section when taken into consideration will distort the true and correct interpretation of saprolite thickness. The unbottomed

INC Mineral Resource Evaluation (PMRC-CP Technical Report)

saprolite section will be truncated and thus will give incorrect estimates during modelling;

- The resource area has been drilled on close- spaced grids (~25m) and this rendered the test pits redundant;
- QA/QC interpretations indicated better results on drill hole samples than test pit samples;
- Exclusion of the test pit data within the resource boundary gives realistic estimates as geologic domain modelling is true and correct.

For the peripheral areas where drilling is widely-spaced or where there are no drilling data, then test pit data and assays were used.

9.0 Quality Assurance/Quality Control (QA/QC)

The objective of Quality Assurance and Quality Control program is to ensure that data from sampling, assaying, and recording of geological observations are of high integrity for the purpose of obtaining reliable mineral resource and reserve estimates. The program should adhere to standards that are high enough to ensure that the accuracy and precision of the sampling and analytical process are at an acceptable level. The legal aspects of mining disclosure are governed by Standards of Disclosure for Mineral Projects such as the Joint Ore Reserve Committee (JORC) for international projects and Philippine Mineral Reporting Code (PMRC) for local projects, which states that all scientific and Technical Reports must be prepared and certified by a Qualified Person in accordance with professional and industry standards following Mineral Exploration Best Practices Guidelines and Definitions, and Guidelines of the JORC/PMRC Standards on Mineral Resources and Reserves.

Quality control studies were initiated to:

- Determine the reliability and accuracy of the field sample preparation technique, i.e. homogenization of the sample during preparation (analysis of duplicate field samples).
- Determine the accuracy of the analytical data supplied by INC (check assaying by other independent laboratories).

9.1 INC Drill Hole and Test Pit QA/QC

INC implemented a system of quality assurance and quality control to check the integrity of the assay data. Duplicate field samples taken for test pits and drill cores were inserted every ten (10) routine samples. In test pits, duplicate samples are taken on the east-west wall of the pits while the routine samples are taken from the north-south walls. A core duplicate sample is derived by splitting the core along long core axis. Further, "certified standard" samples were inserted every 20 routine samples. When certified standards ran out, INC created "self-certified standards" by obtaining laboratory pulps with similar material types and assay results from previous assay samples. The selected assay pulps are then homogenized, reground and received for analysis.

To ensure the precision and accuracy of assay data obtained duplicate, standard and blank samples were inserted by INC during sample dispatch. A total of 8,433 duplicate samples; 4,547 standard and 2,205 blank samples were inserted by INC during dispatches during the exploration period.

The accuracy and precision of laboratory results were closely monitored by INC. To

ensure routine implementation, the company utilized unique, pre-numbered sample stubs, and pre-marked sample stubs are indicated for company duplicates and standards to be inserted.

9.1.1 Accuracy

To determine accuracy, or nearness to the true value, matrix and grade-matched standards are used from the same materials as the samples. However, nickel standards with the same oxidized matrix from ultramafic rocks are expensive and not available in large quantities at the economically significant levels. Thus, earlier sampled material crushed rejects were retrieved, and classified according to the sample matrix, i.e., whether limonite or saprolite. Then, the retrieved crushed reject samples are classified into low (~1%), medium (~1.5%), and high grade (~2% Ni) based on the prior results.

Thus, six types of standards are made corresponding to one of two matrix types and one of three grade ranges. Samples, from crushed rejects, up to 300 kgs of each of six types, are then homogenized and packed in sealed moisture-proof sachets by the independent lab, Intertek Testing Services, Inc. (ITS) with its Manila and Jakarta laboratories. ITS then sends samples of each type to four different labs worldwide using the same method, and then collates the results. The collated results serve as the basis for assigning the certified value for each element, especially Ni, Co, Fe, and P, the main elements of interest. ITS reports certified values and 95% confidence intervals for the four previously- mentioned elements (as oxide equivalents) including the oxides of Al, Cr, Mn, Ca, K, Na, Ti, Si, Mg, and LOI. These same parameters are analyzed for routine samples.

As standard preparation and external certification takes a lot of time, earlier dispatches used internal standards, i.e., crushed and/or pulp rejects from individual samples whose values were already known. As best practice, INC adopted to insert standards (anonymous to the laboratory) every 20 original samples, corresponding to 5% of total number of original samples.

9.1.2 Precision

Precision, or repeatability of results, is best measured by taking field duplicate samples for every 10 original samples (10% insertion rate). From test pits, the opposing east and west faces are sampled (original samples are routinely analyzed by taking samples from the north and south faces).

The 90th percentile of the absolute relative differences of the duplicates from the paired averages, sorted by increasing amounts, gives an indication of the combined geological variability, field sampling, sample preparation and laboratory error. ITS routinely also retrieves a sample every 15 original samples from the crushed rejects and analyzes this through the same process. This is by definition called a crushed duplicate. ITS refers to this as a "Second Split." Data from these sample type are reported separately in the internal quality control files of each dispatch as "SS" samples. This sample type quantifies mainly the error due to crushing.

ITS routinely analyzes, for every 15 original samples, another sample from the pulverized submitted sample packet. ITS refers to this as a REP sample, which actually is a replicate split of the final sample. This sample quantifies the geological, sample preparation/ crushing, and analytical errors. By combining the errors attributable from Duplicates, SS, REP samples, the relative contribution of geological, field sampling, sample preparation, and laboratory errors can be identified. A Screen

INC Mineral Resource Evaluation (PMRC-CP Technical Report)

Test (using a -200 mesh sieve) is also conducted 1 every 10 samples. If less than 95% of the sample passes through the sieve, the preceding and succeeding 5 samples are re-pulverized. A screen test ensures that the sample is sufficiently pulverized and no coarse grains are present so that when fused, the metals are sufficiently dispersed in the glassy matrix.

9.1.3 Blanks and Standards

ITS also inserts blanks every 15 samples with values below or near detection for most elements, to check if there is any contamination present. Standards, which are Internationally- Certified Reference Materials of various matrices and metal values are also inserted by ITS every 15 samples to check for accuracy across the entire analytical range depicted for elements of interest.

9.2 QA/QC Analysis Methodology

The half relative difference and half absolute relative difference between assay results were analyzed and results are presented in the succeeding sections.

The Half Absolute Relative Difference (HARD) and Half Relative Difference (HRD) also measure the average error of any bias that may occur within a paired data. An unbiased comparison has also an average HARD of zero.

- $\% \text{ HARD} = 1/2 \times ((\text{ABS}(A-B)) / (0.50 \times (A+B))) \times 100$
- $\% \text{ HRD} = ((A-B) / (A+B)) \times 100$

Where, A = original assay B = duplicate assay.

9.2.1 Internal Repeats for INC

The INC QA/QC program involved re-analyzing a total of 8,433 duplicate samples consisting of 5,638 drill holes and 2,795 test pits respectively to ITS-Manila to check for accuracy and precision.

Location map of the duplicate and check samples used for the QA/QC is in **Figure-73**.

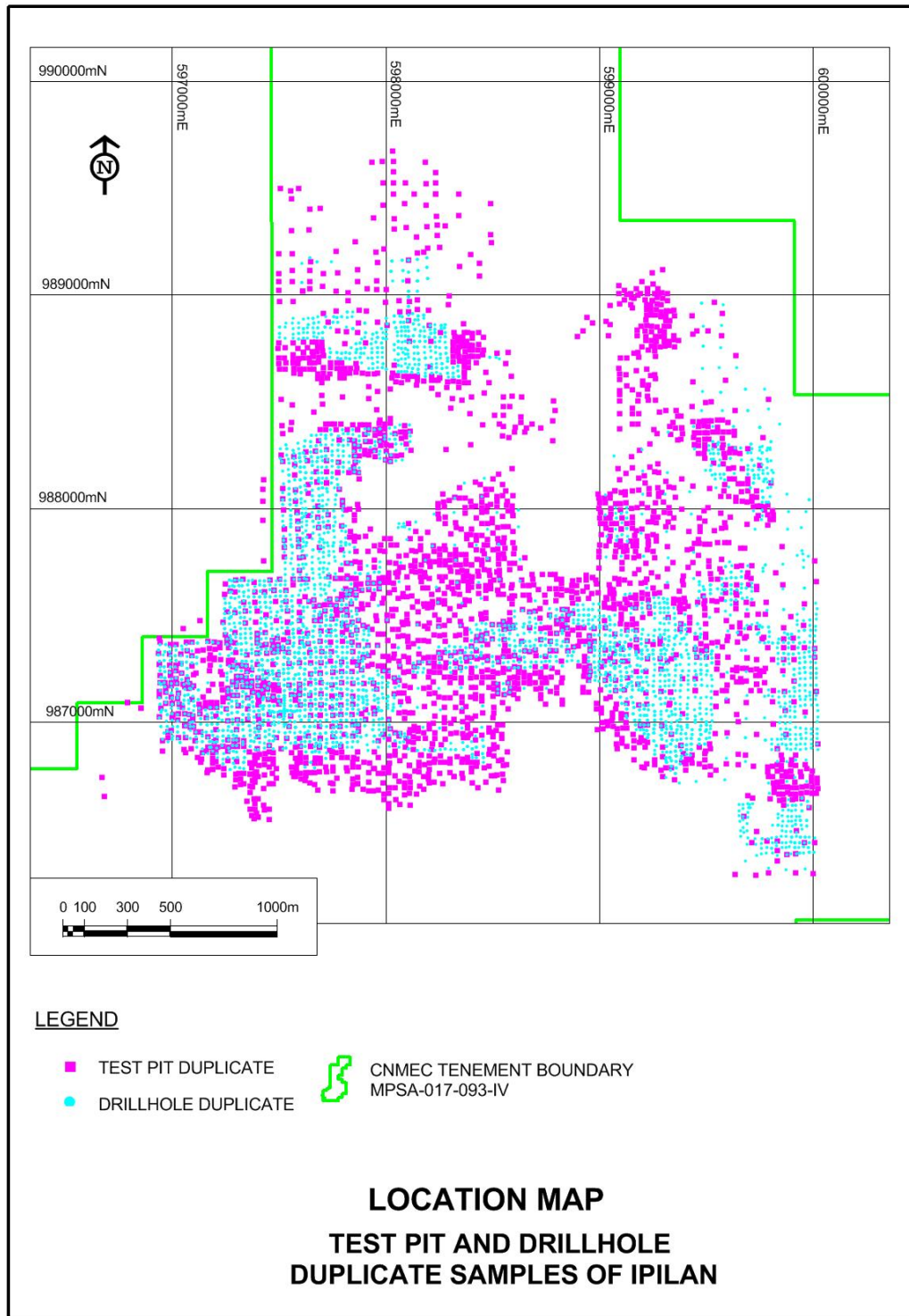


Figure-73. Location Map of the Duplicate and Check Samples- QA/QC

INC Mineral Resource Evaluation (PMRC-CP Technical Report)

Results of the analysis of the duplicates for drill holes (**Table-14**) showed the following observations.

- Ni, Fe, Cr₂O₃ and SiO₂ – good accuracy with average HARD ranging from 2.9% to 4%. More than 90% of the pairs have HARD below 10%. Correlation plots have a correlation coefficient of more than 95% indicating moderate precision;
- Al₂O₃ and MgO – good accuracy with an average HARD ranging from 4.8% to 5.2%. Around 85%-87% of the pairs have HARD below 10%. Correlation plots have a correlation coefficient of more than 95% indicating moderate precision ;
- Co - good accuracy with an average HARD of 6%. Around 77% of the pairs have HARD below 10%. Correlation plots have a correlation coefficient of more than 89% indicating poor precision.

Attribute	Ni	Co	Fe	Al ₂ O ₃	Cr ₂ O ₃	MgO	SiO ₂
No. Pairs	5,638	5,638	5,638	5,638	5,638	5,638	5,638
Mean, Original	1.12	0.068	20.74	2.31	1.64	16.64	38.13
Mean , Duplicate	1.11	0.067	20.69	2.32	1.64	16.71	38.12
Difference	0.01	0.001	0.05	-0.01	0.001	-0.07	0.01
% Difference	0.9%	1.5%	0.2%	-0.4%	0.1%	-0.4%	0.03%
Ave. HARD	3.6%	6.0%	2.9%	5.2%	4.0%	4.8%	2.9%
Correlation Coefficient (R ²)	0.95	0.89	0.97	0.94	0.96	0.96	0.96
% Pairs >10% HARD	8%	23%	5%	13%	8%	11%	5%
% Pairs below 10% HARD	92%	77%	95%	87%	92%	89%	95%

Table-14. QA/QC Results of Internal Repeats (Duplicates) of INC Drill Holes

Plots for Drill Hole Duplicates are in **Figures 74 to 80**.

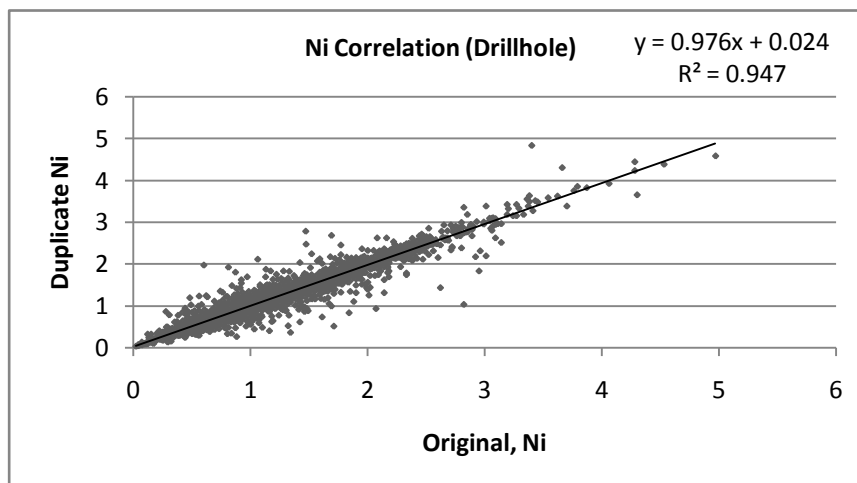
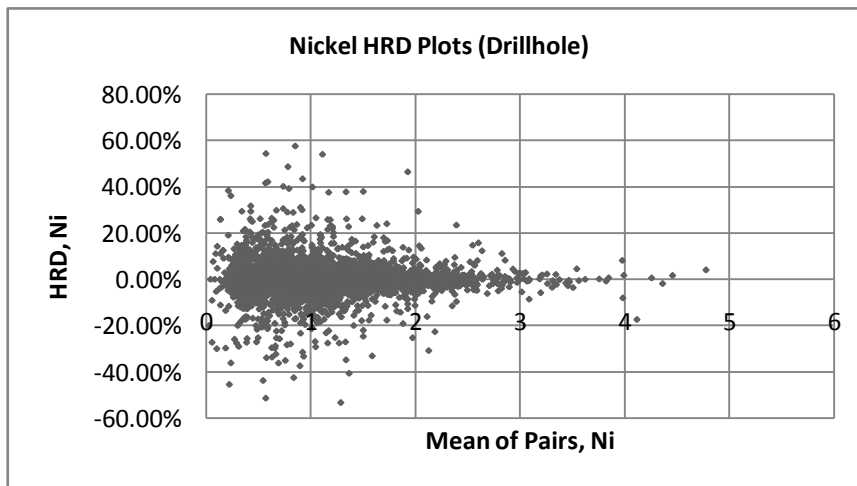
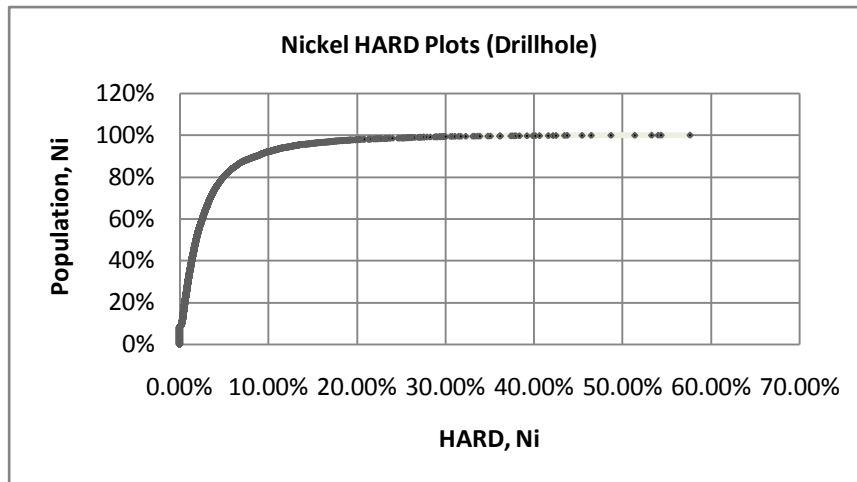


Figure-74. Drill Hole Internal Repeat (Duplicate) Plots for Nickel

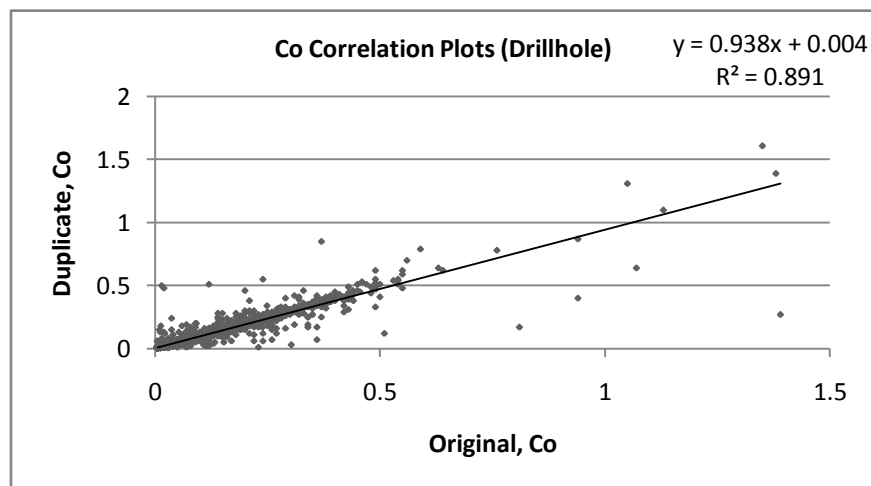
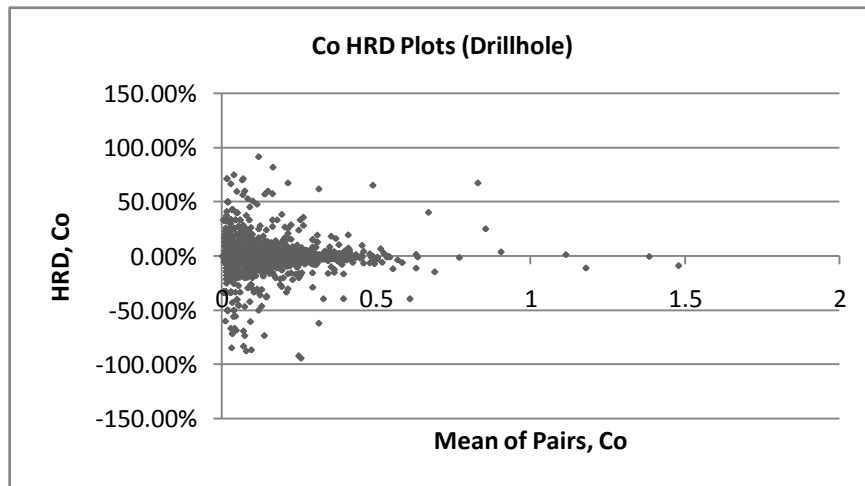
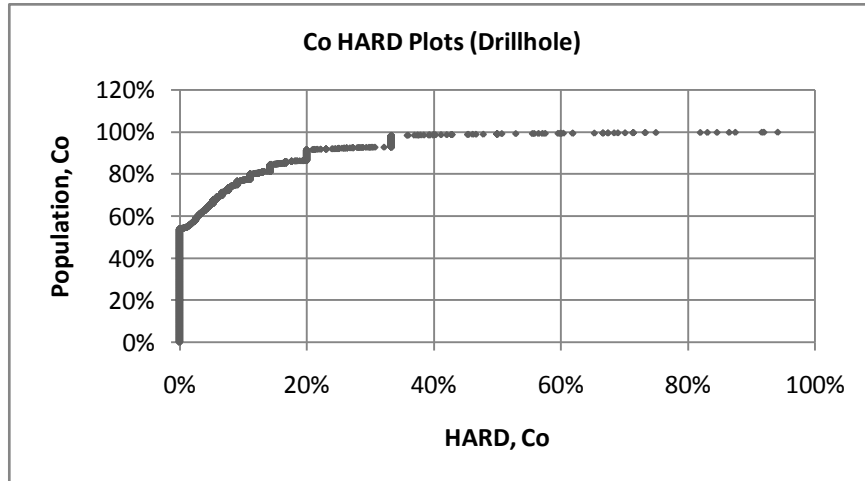


Figure-75. Drill Hole Internal Repeat (Duplicate) Plots for Cobalt

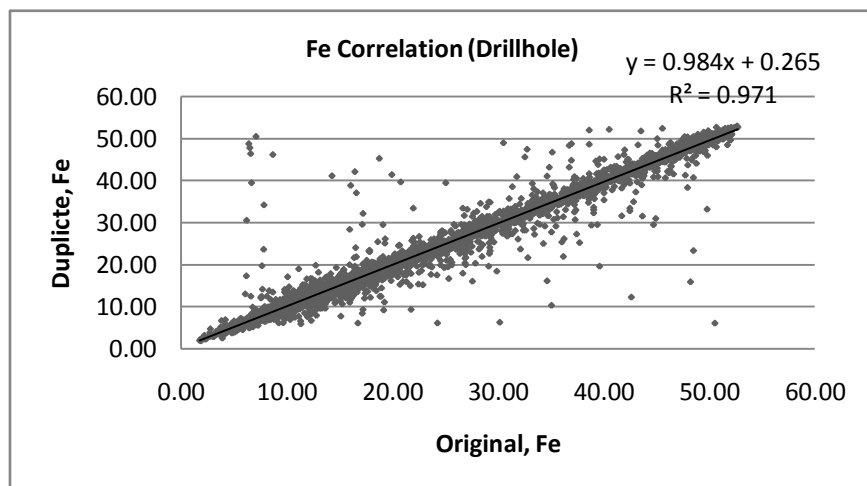
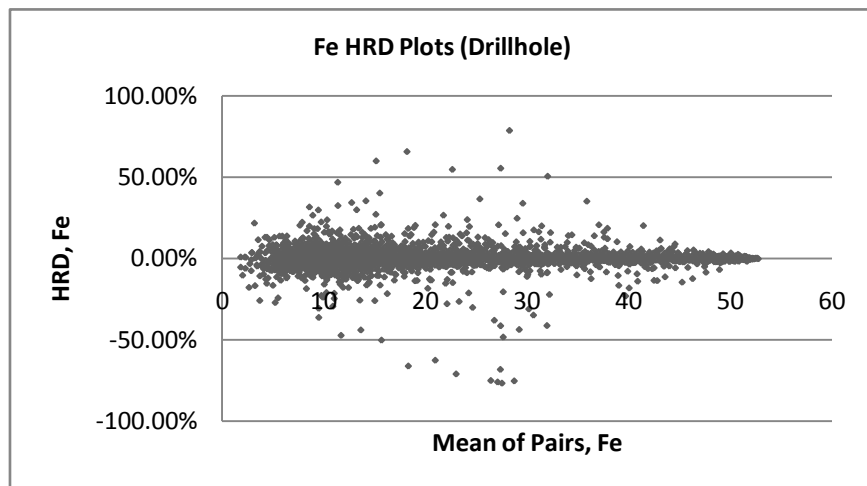
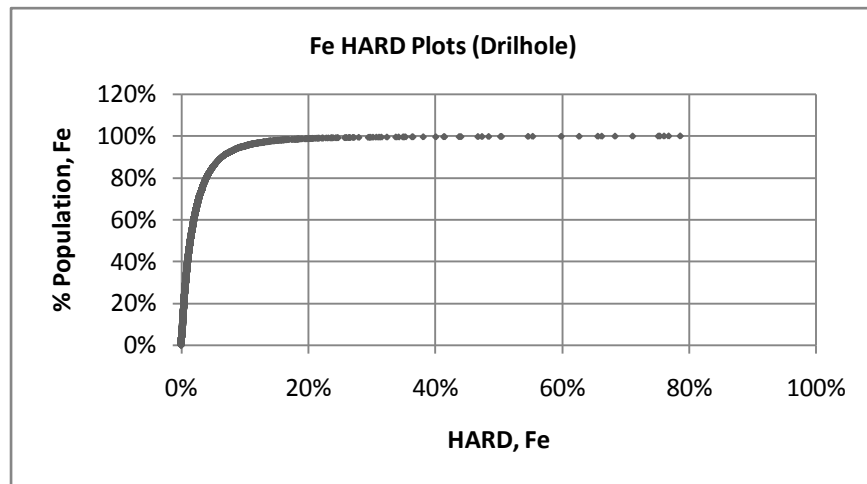


Figure-76. Drill Hole Internal Repeat (Duplicate) Plots for Iron

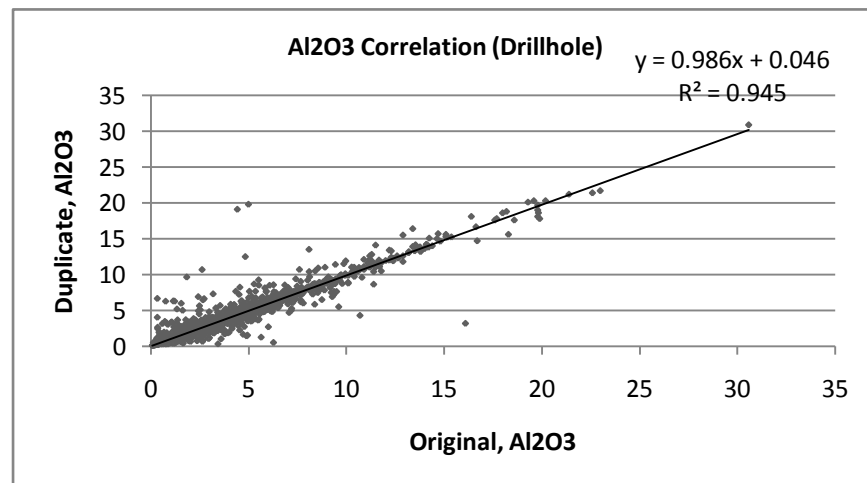
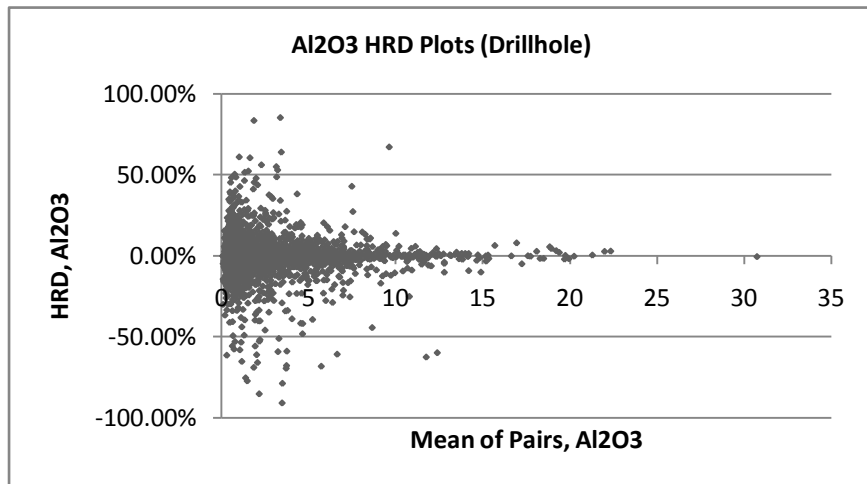
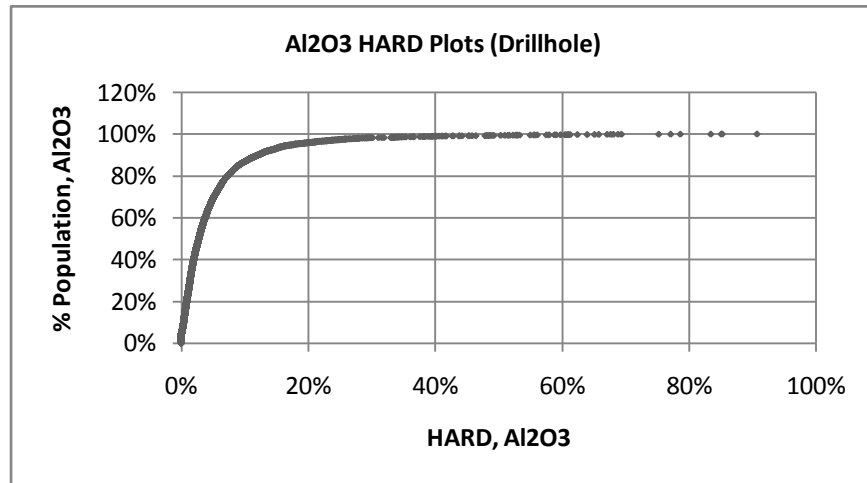


Figure-77. Drill Hole Internal Repeat (Duplicate) Plots for Al₂O₃

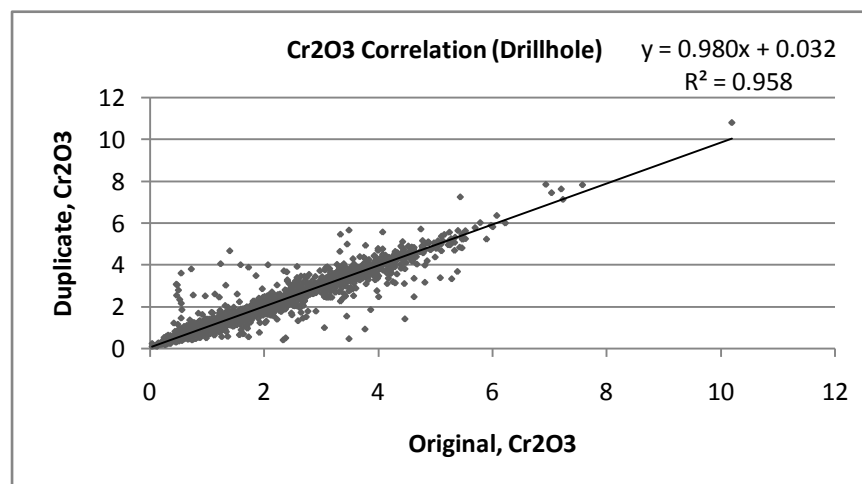
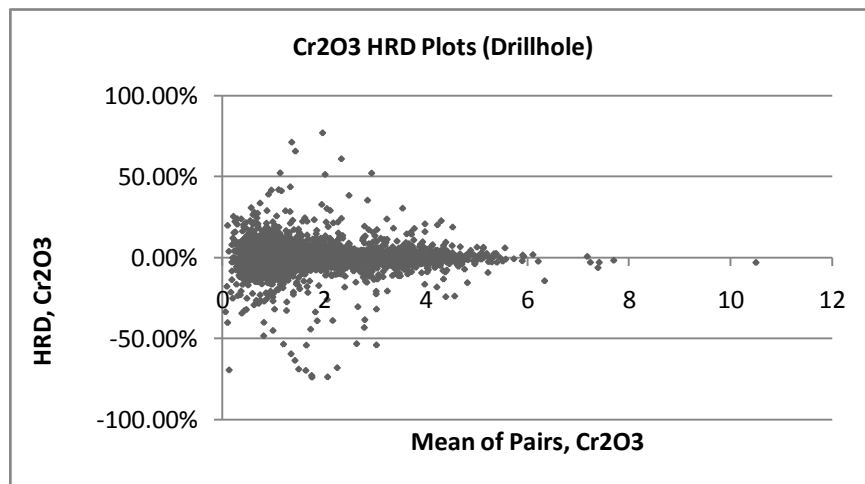
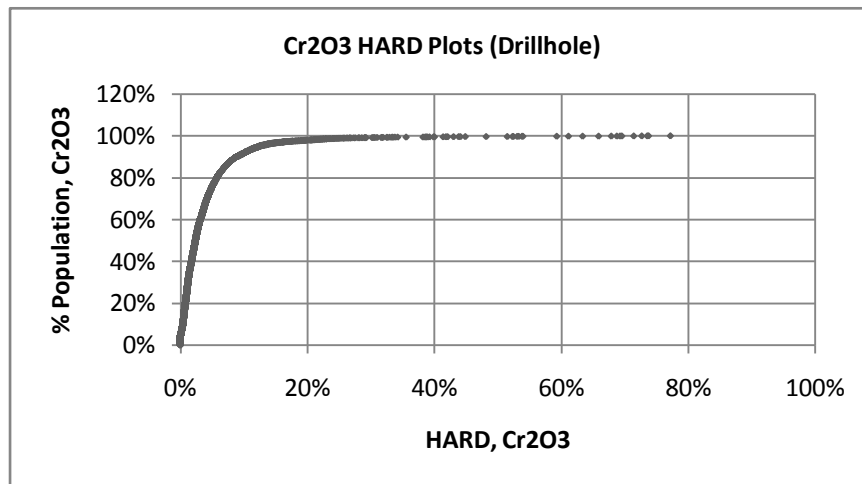


Figure-78. Drill Hole Internal Repeat (Duplicate) Plots for Cr2O

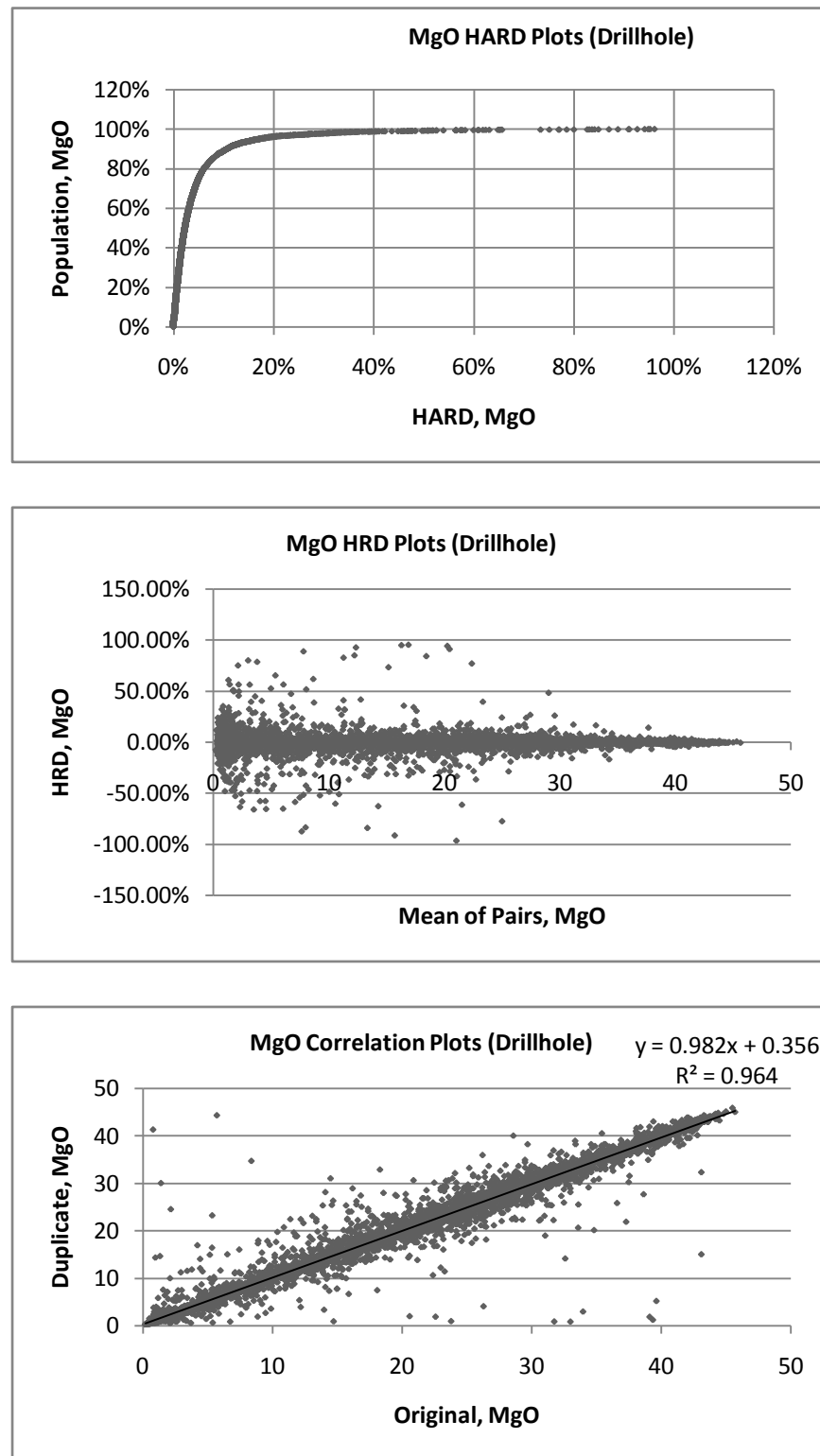


Figure-79. Drill Hole Internal Repeat (Duplicate) Plots for MgO

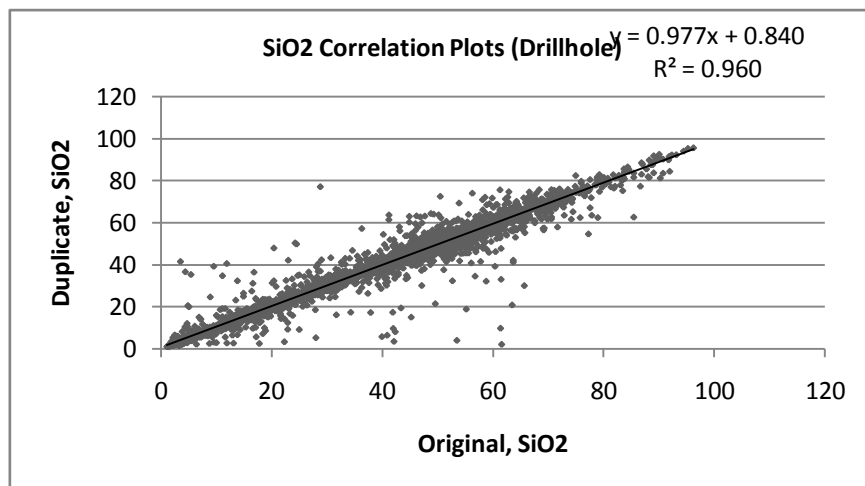
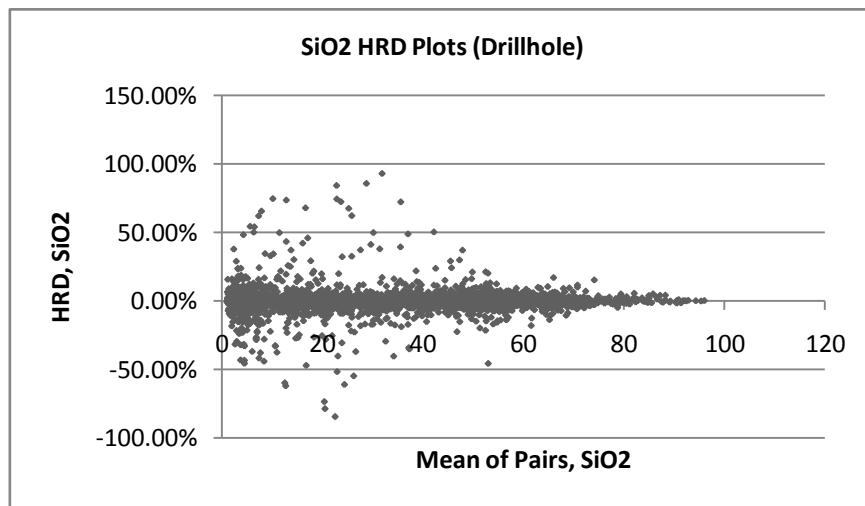
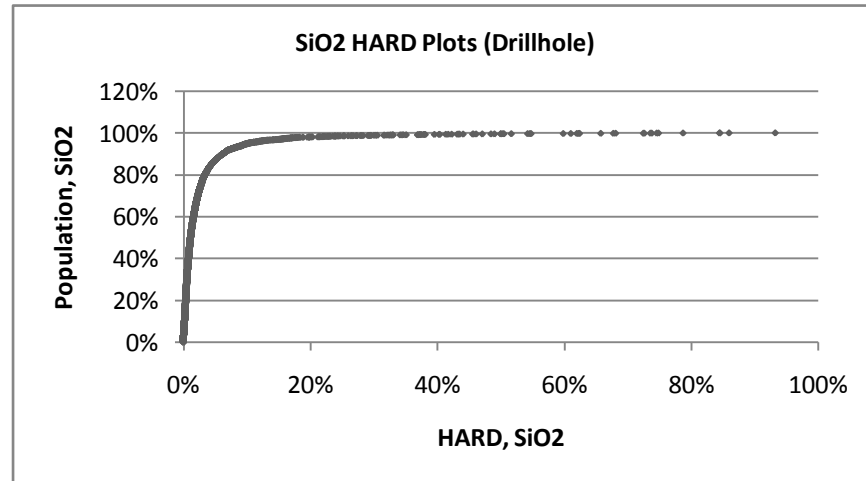


Figure-80. Drill Hole Internal Repeat (Duplicate) Plots for SiO₂

Results of the analysis of the duplicates for test pits (**Table-15**) showed the following observations.

- Ni, Fe, Cr₂O₃ and SiO₂ – moderate accuracy with average HARD ranging from 5.8% to 7.8%. More than 70% of the pairs have HARD below 10%. Correlation plots have a correlation coefficient of between 82% to 88% indicating moderate precision;
- Co, Al₂O₃ and MgO – poor accuracy with an average HARD of more than 10%. Around 58%-66% of the pairs have HARD below 10%. Correlation plots have a correlation coefficient of 75% to 83% indicating poor precision;

Attribute	Ni	Co	Fe	Al ₂ O ₃	Cr ₂ O ₃	MgO	SiO ₂
No. Pairs	2,795	2,795	2,795	2,795	2,795	2,795	2,795
Mean, Original	1.08	0.078	26.09	3.27	1.98	11.30	33.89
Mean , Duplicate	1.08	0.077	25.91	3.26	1.97	11.38	34.14
Difference	0.00	0.001	0.18	0.01	0.010	-0.08	-0.25
% Difference	0.2%	1.3%	0.7%	0.3%	0.5%	-0.7%	-0.73%
Ave. HARD	5.8%	10.9%	6.9%	10.0%	7.8%	12.8%	6.8%
Corr. Coeff (R ²)	0.82	0.75	0.87	0.83	0.84	0.79	0.88
% Pairs >10% HARD	17%	41%	23%	34%	27%	42%	20%
% Pairs below 10% HARD	83%	59%	77%	66%	73%	58%	80%

Table-15. QA/QC Results of Internal Repeats (Duplicates) of INC Test Pits

Plots for Test Pit Duplicates are in **Figures 81 to 87**.

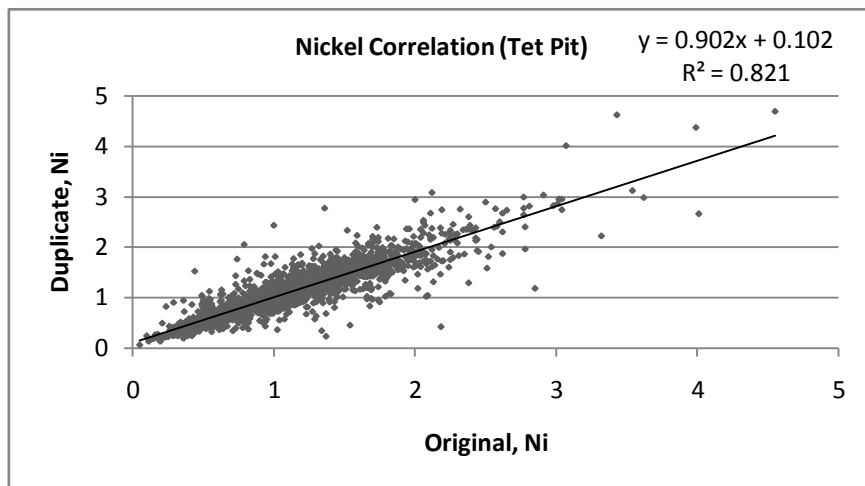
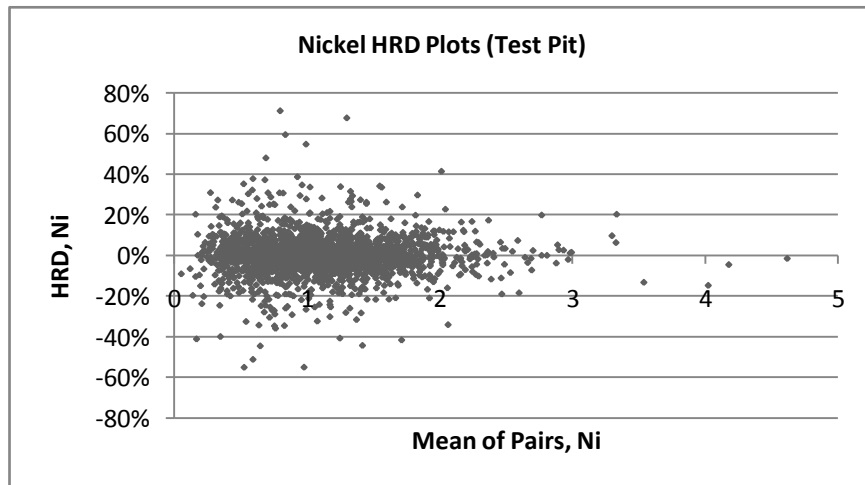
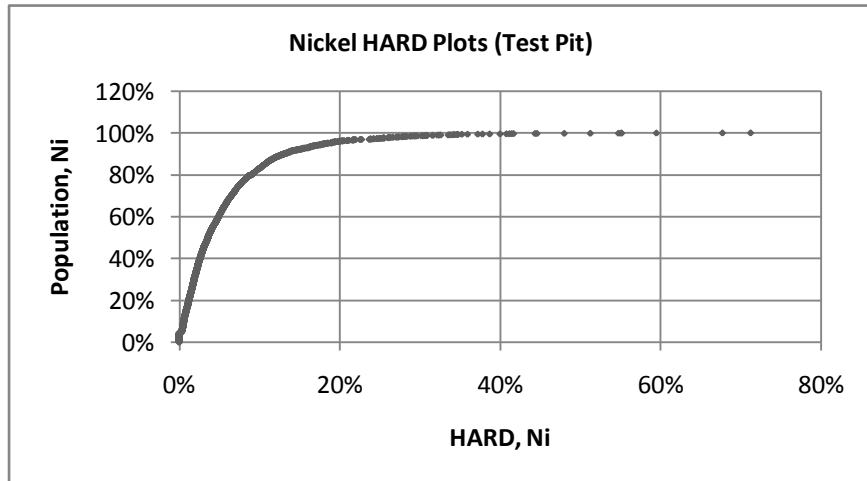


Figure-81. Test Pit Internal Repeat (Duplicate) Plots for Nickel

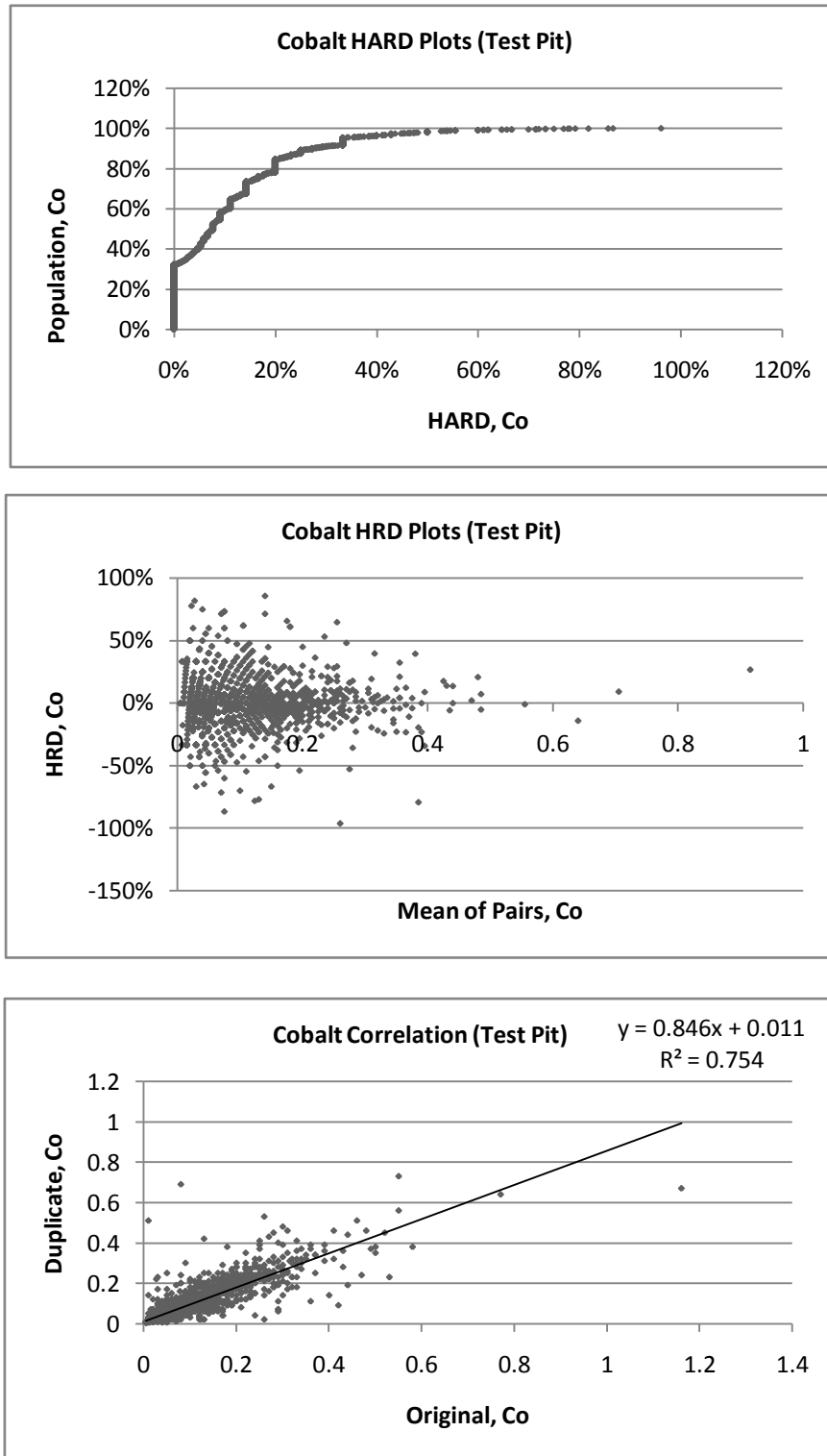


Figure-82. Test Pit Internal Repeat (Duplicate) Plots for Cobalt

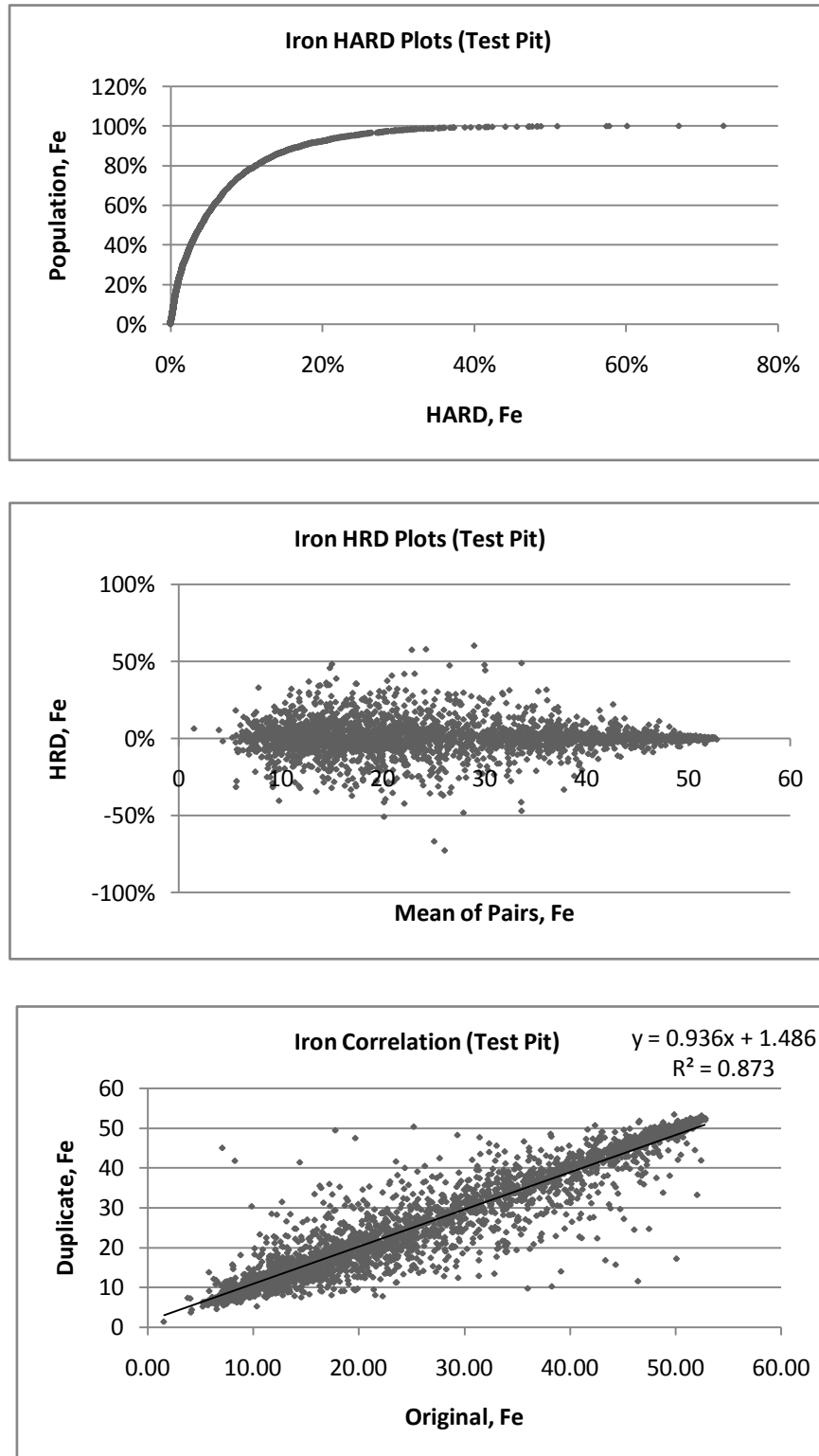


Figure-83. Test Pit Internal Repeat (Duplicate) Plots for Iron

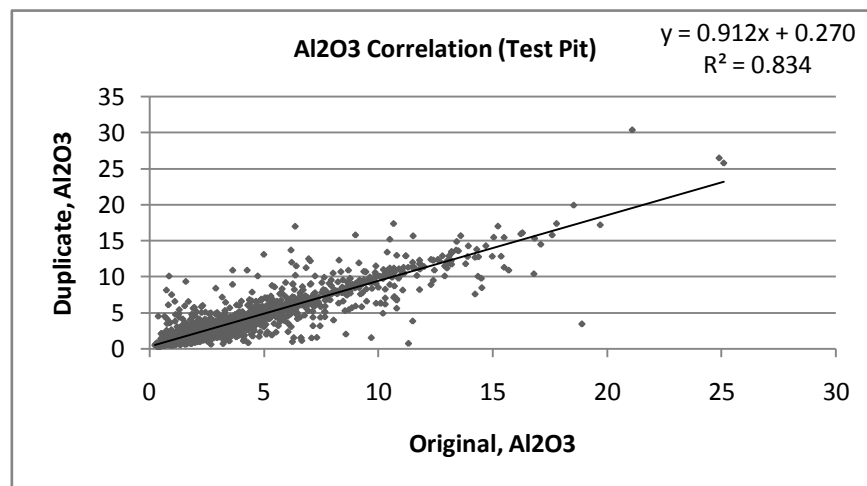
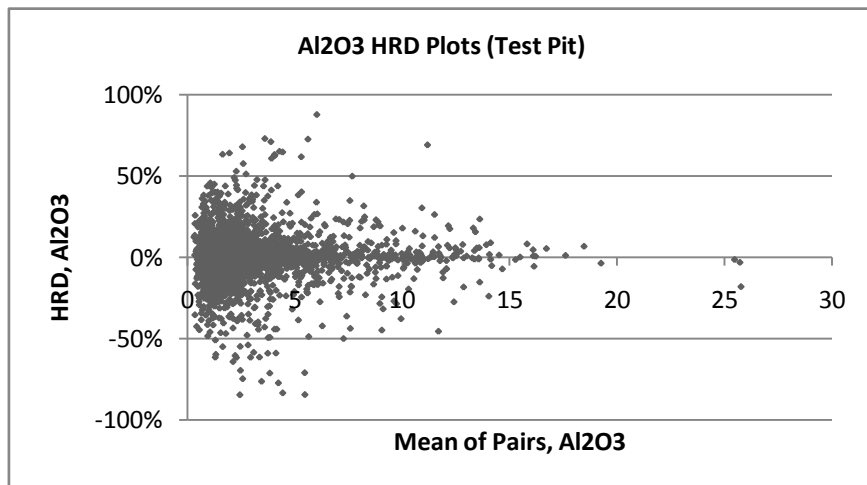
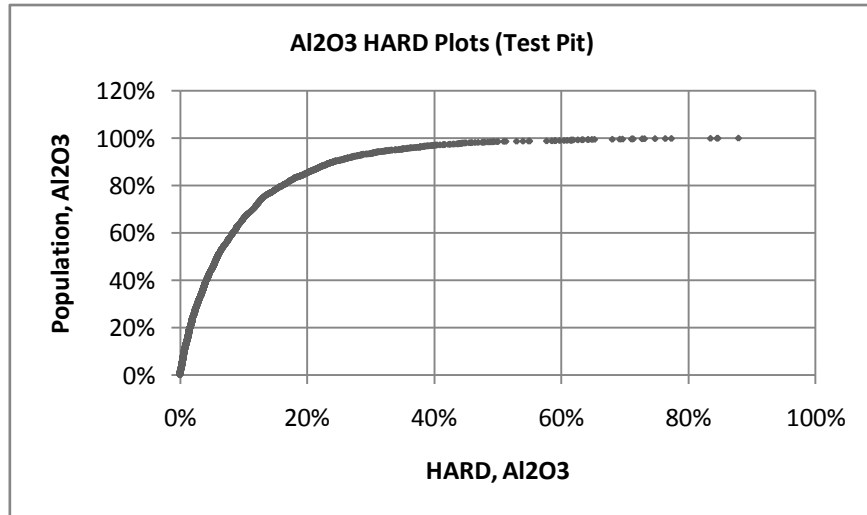


Figure-84. Test Pit Internal Repeat (Duplicate) Plots for Al2O3

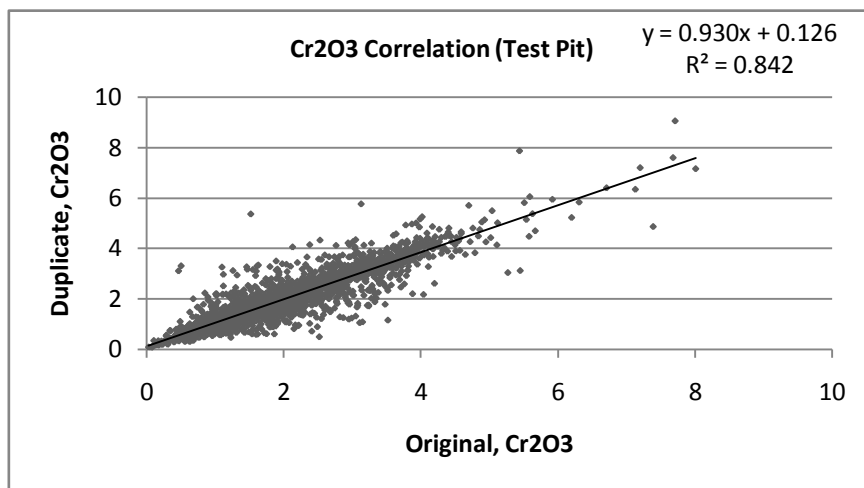
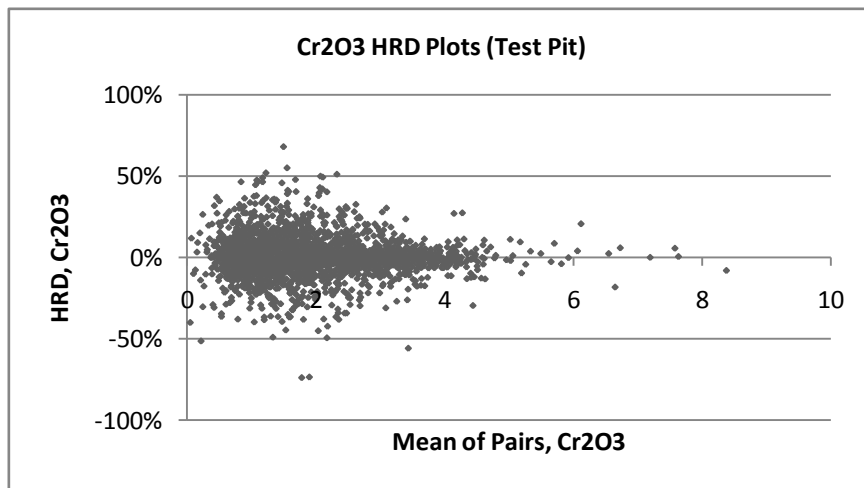
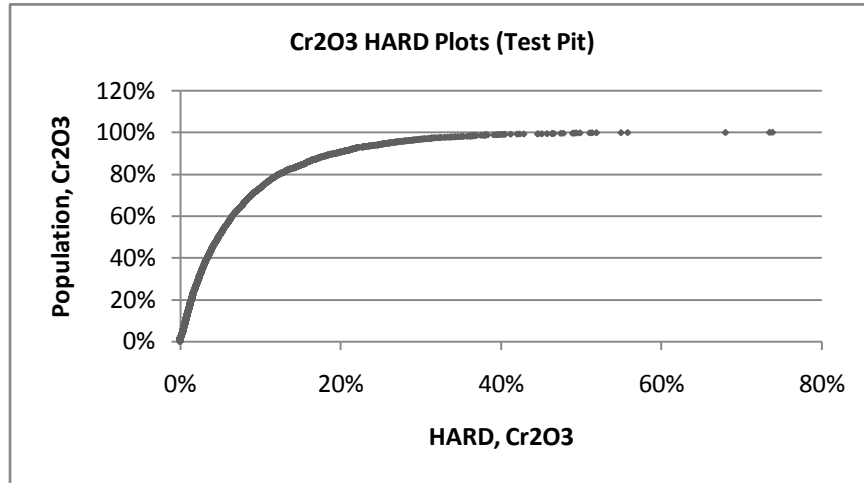


Figure-85. Test Pit Internal Repeat (Duplicate) Plots for Cr2O3

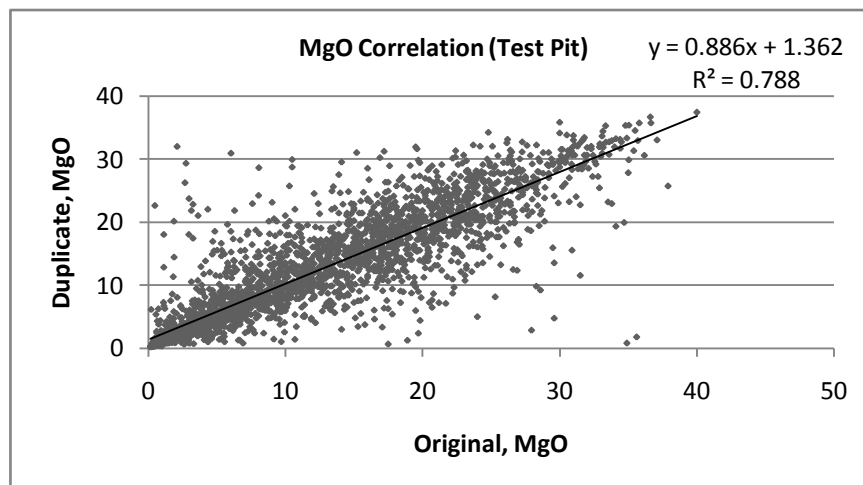
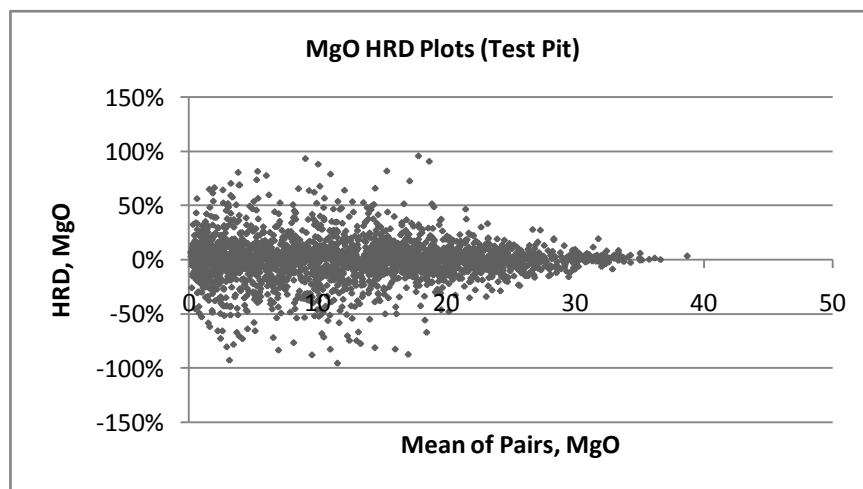
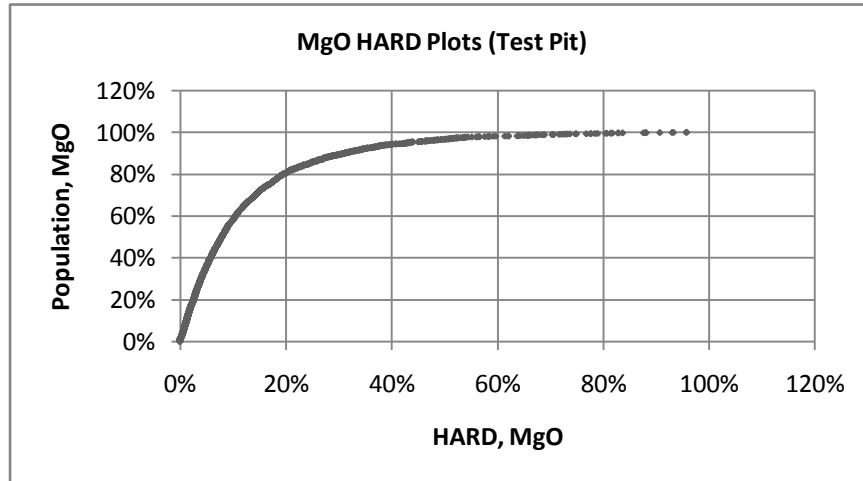


Figure-86. Test Pit Internal Repeat (Duplicate) Plots for MgO

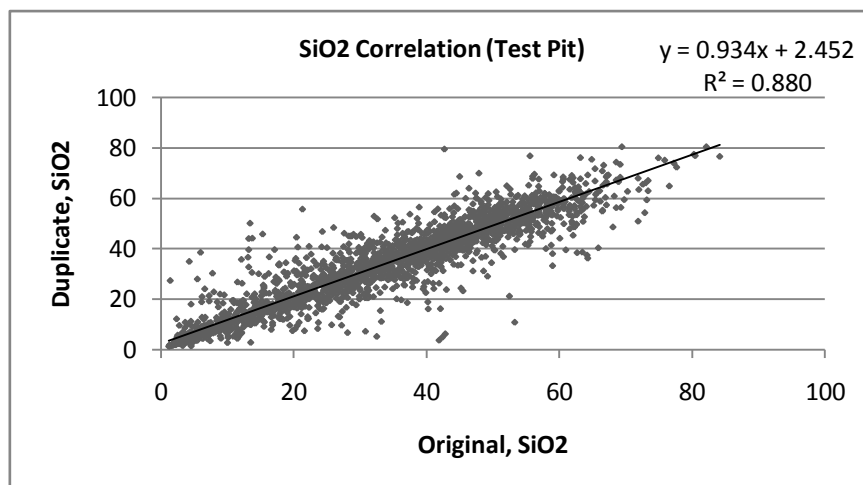
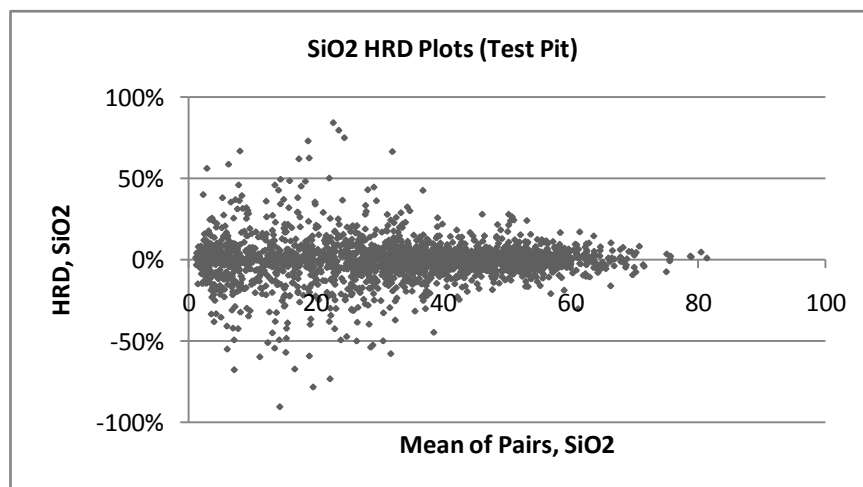
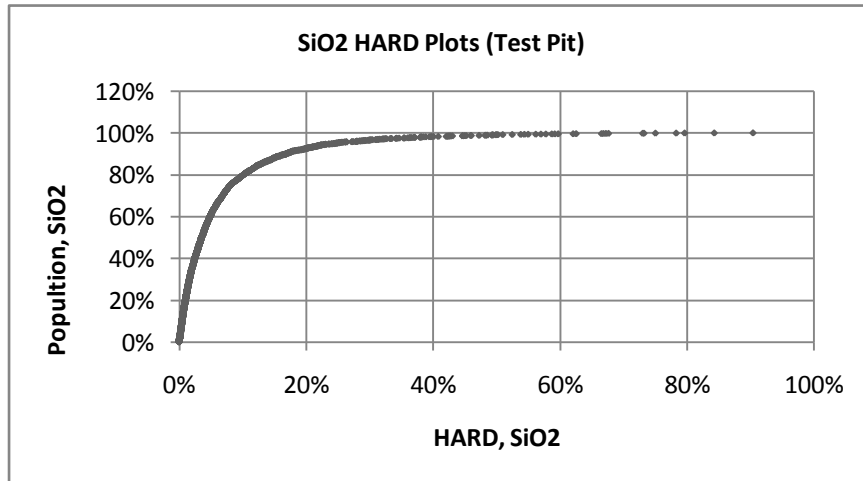


Figure-87. Test Pit Internal Repeat (Duplicate) Plots for SiO2

9.2.2 External Repeats for INC

A total of 7,128 re-check samples were sent to ITS-BNC to check reliability of the ITS-Manila analysis. Results of the analysis of the re-check samples (**Table-16**) showed the following observations, **Figures 88 to 94**.

- Ni, Fe, Cr₂O₃, Al₂O₃, MgO and SiO₂ – good accuracy with average HARD ranging from 0.40% to 3%. More than 90% of the pairs have HARD below 10%. Correlation plots have a correlation coefficient of more than 99% indicating good precision;
- Co - moderate accuracy with an average HARD of 3%. Around 89% of the pairs have HARD below 10%. Correlation plots have a correlation coefficient of more than 99% indicating good repeatability;

Attribute	Ni	Co	Fe	Al ₂ O ₃	Cr ₂ O ₃	MgO	SiO ₂
No. Pairs	7,128	7,128	7,128	7,128	7,128	7,128	7,128
Mean, Original	1.25	0.084	23.52	3.05	1.81	13.48	35.66
Mean , Duplicate	1.25	0.084	23.52	3.05	1.82	13.46	35.59
Difference	0.00	0.000	0.00	0.00	- 0.010	0.02	0.07
% Difference	0.1%	-0.1%	0.0%	0.0%	-0.5%	0.1%	0.20 %
Ave. HARD	0.7%	3.0%	0.3%	1.0%	0.9%	0.7%	0.4%
Corr. Coeff (R ²)	0.99	0.99	0.99	0.99	0.99	0.99	0.99
% Pairs >10% HARD	0%	11%	0%	0%	0%	0%	0%
% Pairs below 10% HARD	100%	89%	100%	100%	100%	100%	100%

Table-16. QA/QC Results of External Repeats (Re-Check) of INC Test Pits and Drill Holes

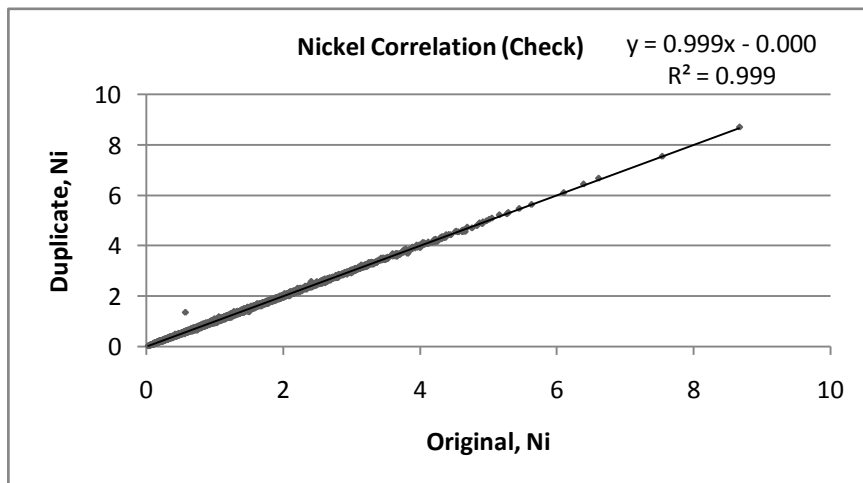
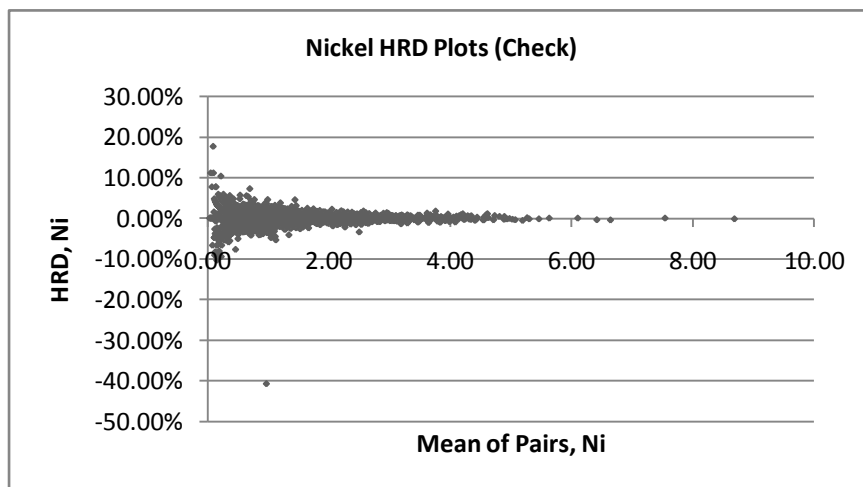
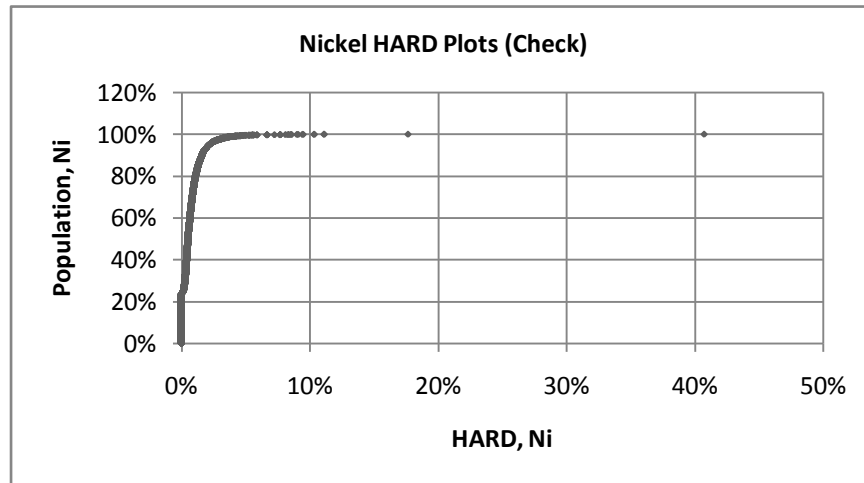


Figure-88. External Repeat (Check) Plots for Nickel

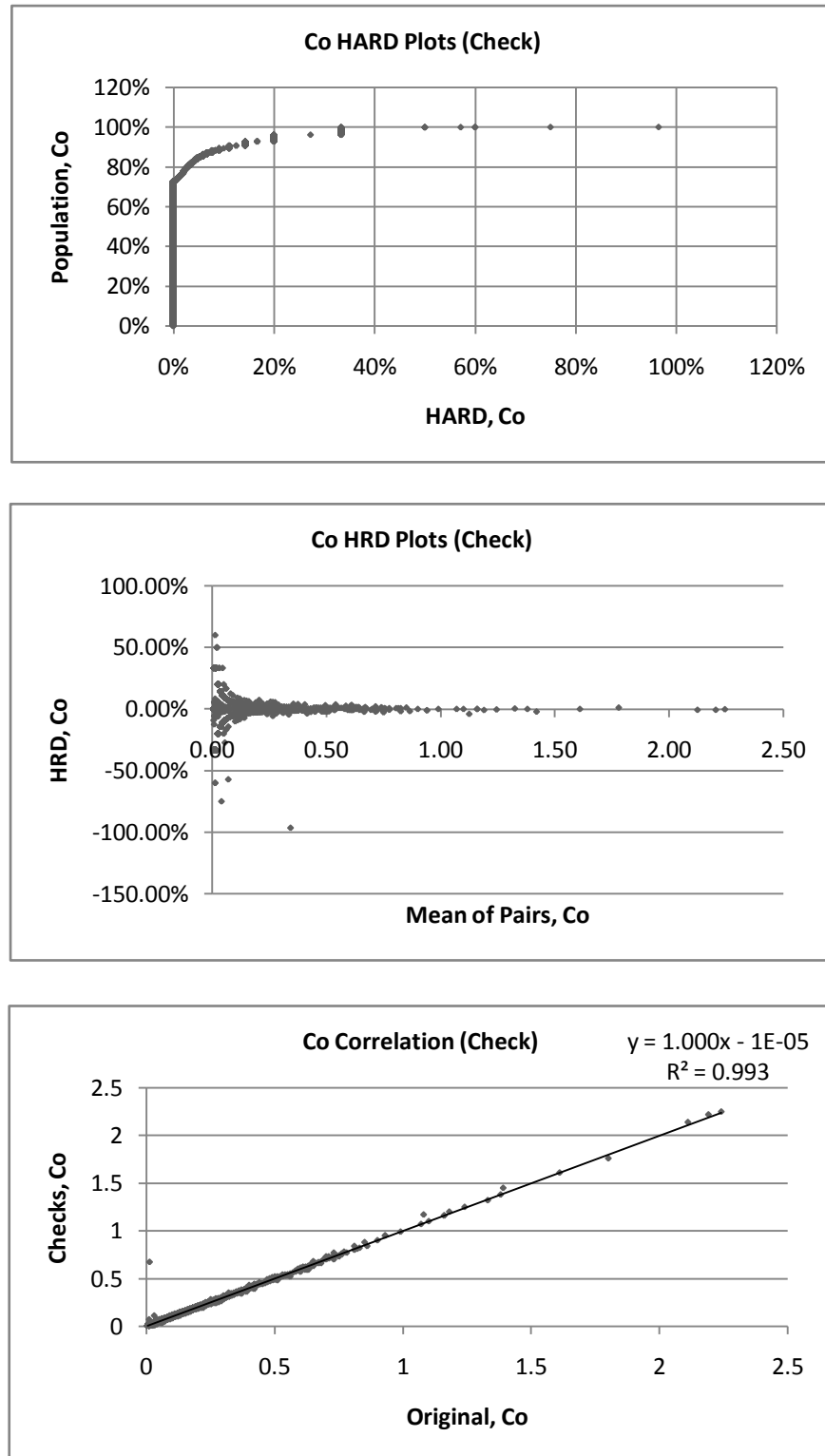


Figure-89. External Repeat (Check) Plots for Cobalt

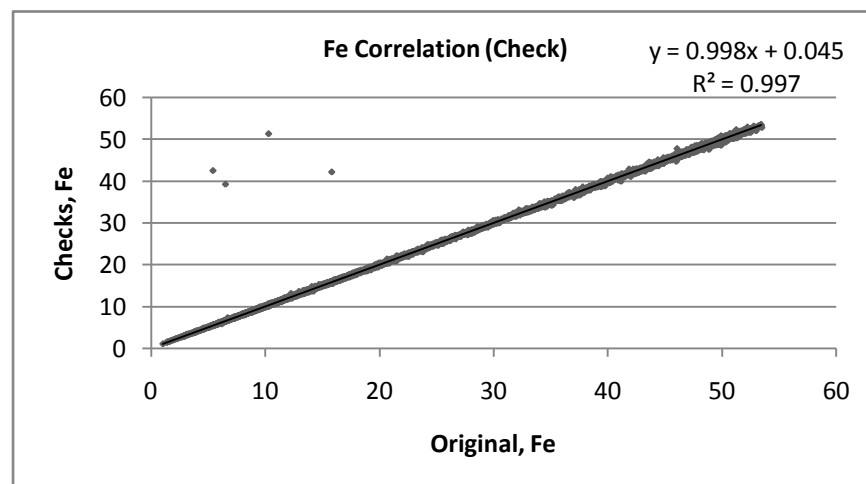
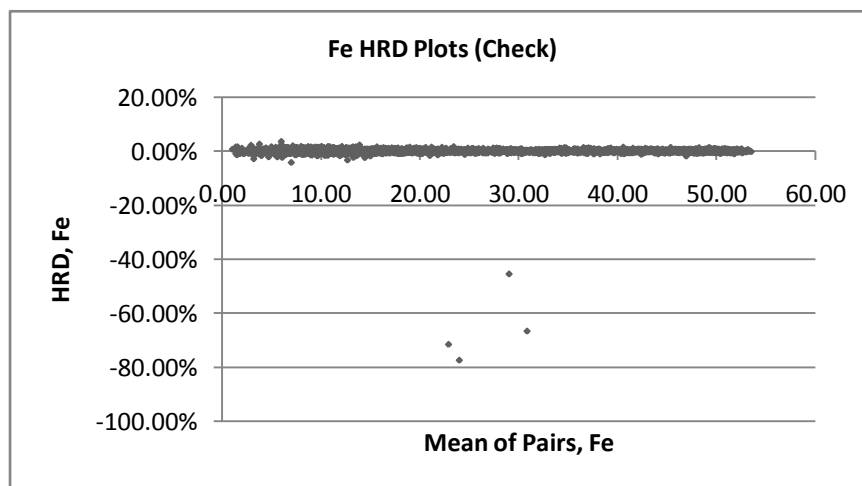
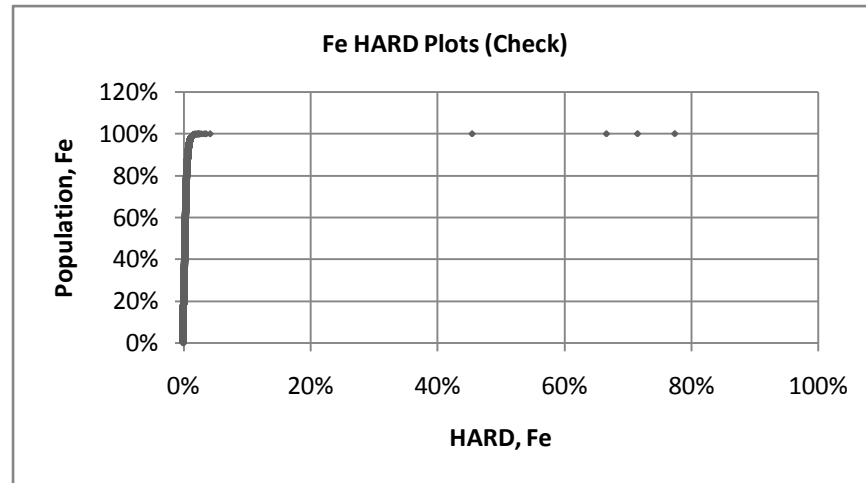


Figure-90. External Repeat (Check) Plots for Iron

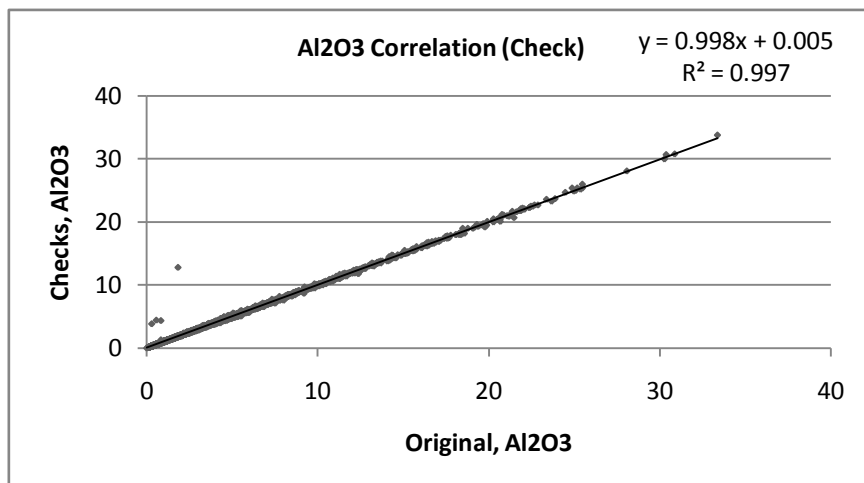
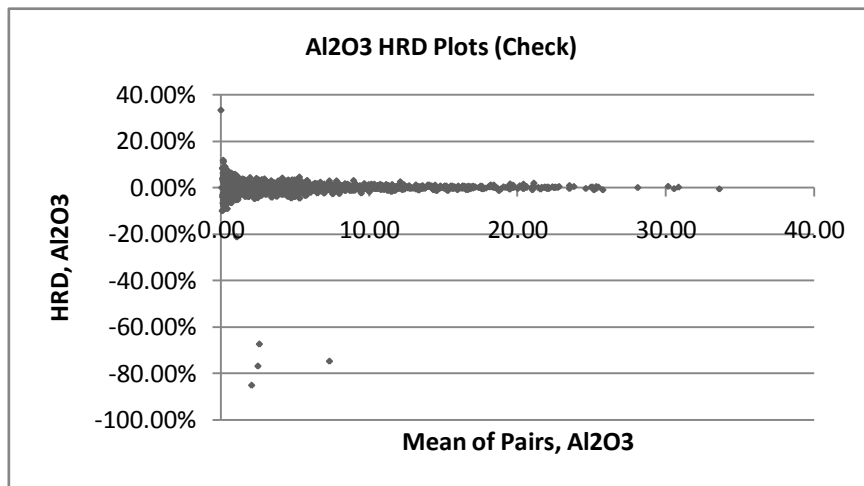
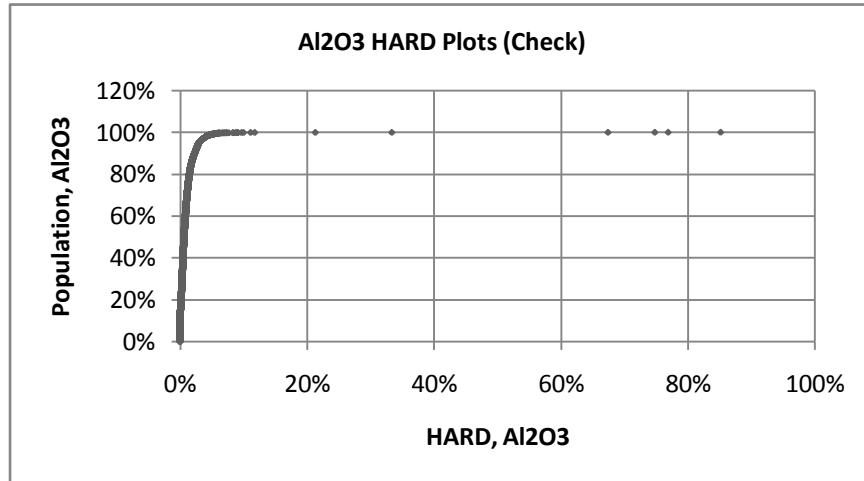


Figure-91. External Repeat (Check) Plots for AI2O3

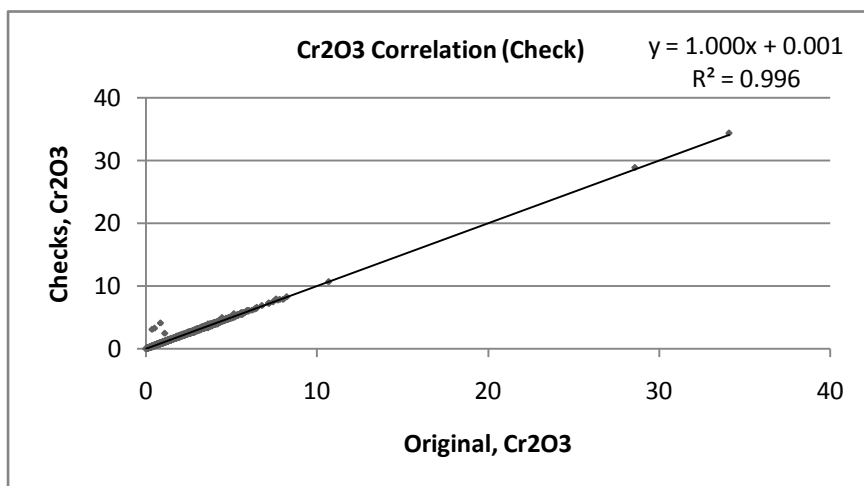
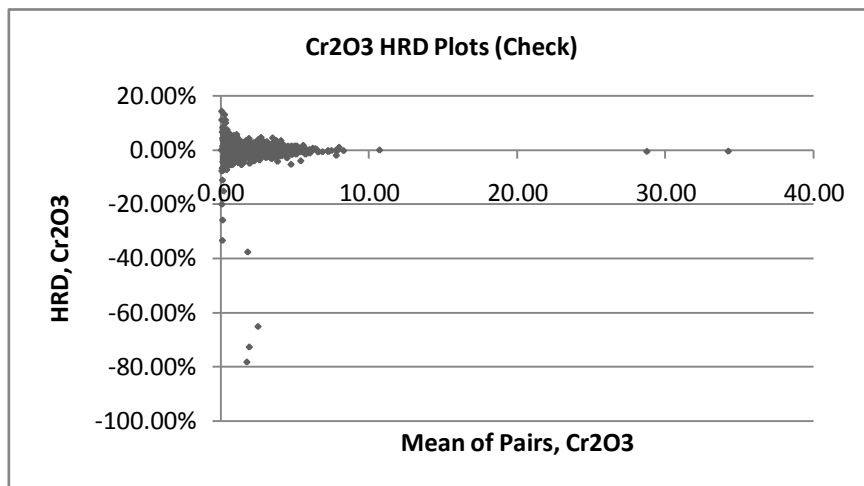
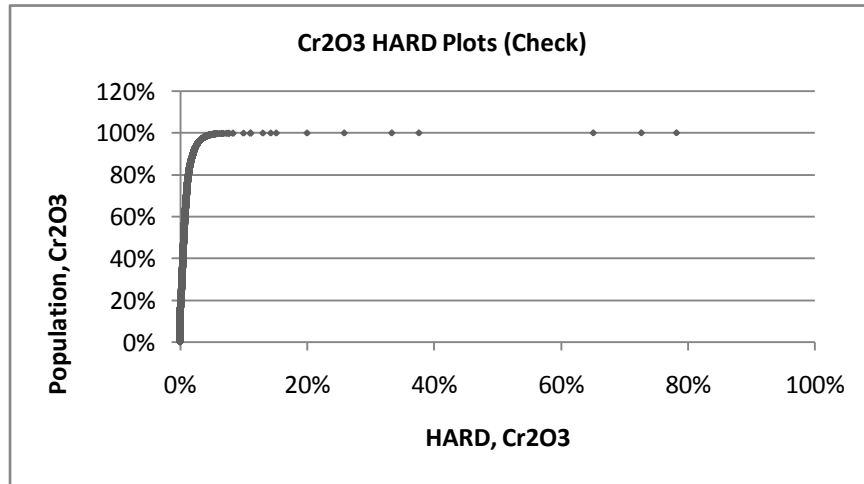


Figure-92. External Repeat (Check) Plots for Cr2O3

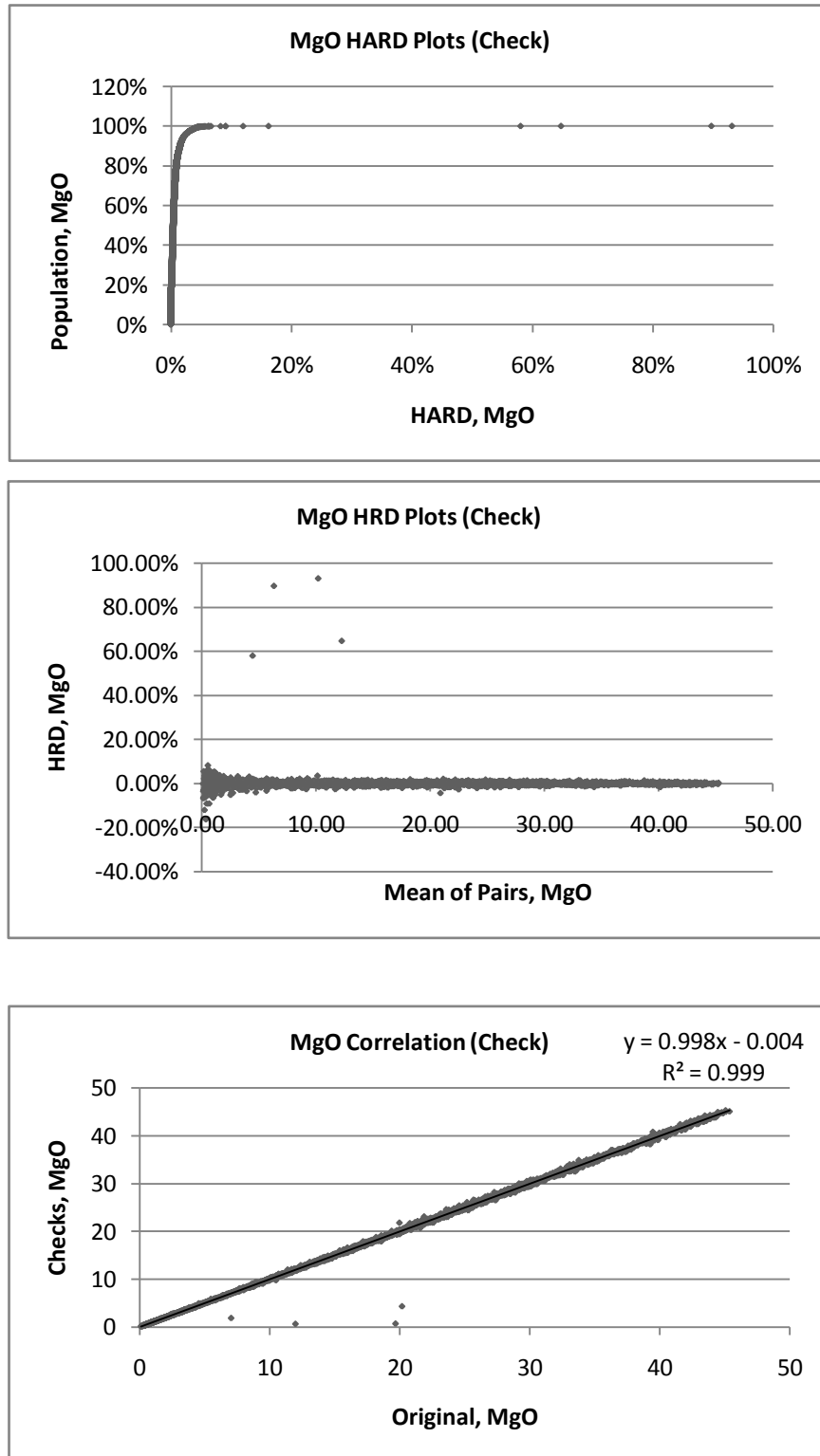


Figure-93. External Repeat (Check) Plots for MgO

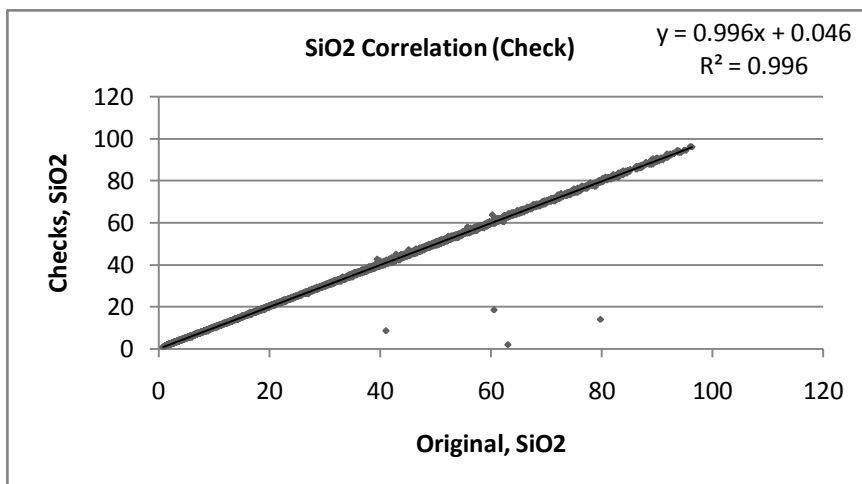
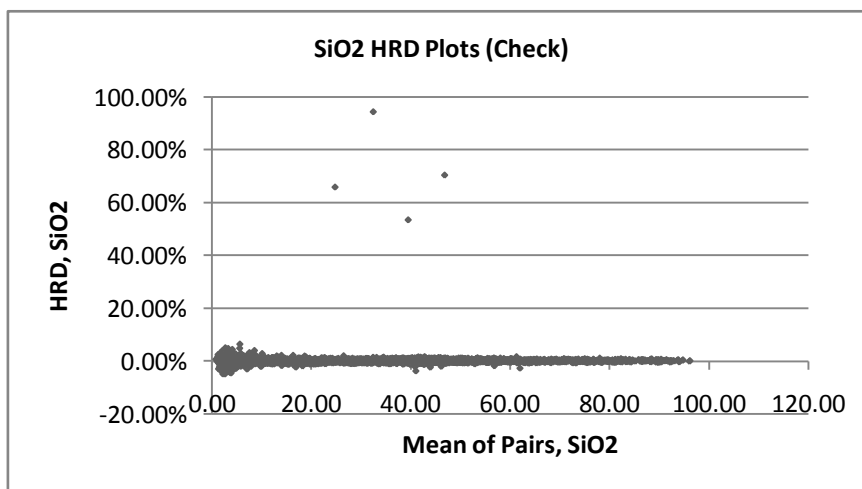
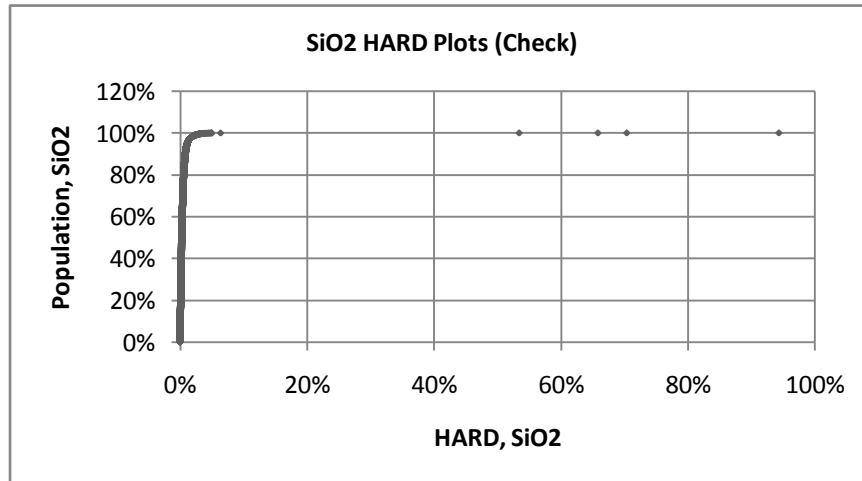


Figure-94. External Repeat (Check) Plots for SiO2

INC Mineral Resource Evaluation (PMRC-CP Technical Report)

9.2.3 Laboratory Internal Standards (*Excerpts from TMM Report*)

The QA/QC program used 40 types and 4,547 determinations were obtained for 14 elements (including LOI). Results show excellent accuracy across the analytical range.

Results show very high accuracy for Ni and Fe including standards CECA 609-1, SARM47, LTRT 6,7, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, GBM900-8 and SARM-5.

Less precise results are observed for low-level (usually <0.1%Ni) standards for nickel, as these are less than 10 times the detection limit. Fe assays remain accurate. These standards include SSCH-1, SARM5, JSS 831-1, IPT48, 61, High Silica, GBW 07403, 07407, IOS23 and 23B. As these levels are also of no economic interest, accuracy at these low values of nickel is of limited importance.

Data for the standards were not made available (unpreserved) to the CP and, hence no validation has been made.

9.2.4 Laboratory Blanks (*Excerpts from TMM Report*)

The QA/QC program used 2,205 blanks.

Results show virtually no contamination for Ni and Fe except for a single outlier (at 0.04%), which is less than 10 times the detection limit (0.01%) and certainly less than the range of interest for Ni and Fe, hence is negligible. Elements well above previous results include Ca, Cr, K, Na, P and Si which might be indicative of contamination due to manual handling and dust at very low levels of <10 times detection limits.

Data for the blanks were not made available (unpreserved) to the CP and, hence no validation has been made.

9.2.5 Drill Hole and Test Pit Validation by Jinchuan

Jinchuan Group Company, Ltd. as part of their possible joint-venture arrangement with INC/TMM conducted a brief due diligence on the INC Nickel Project from November to December 2011. Activities included the following:

- Drilling of 62 drill holes with total meterage of 1,230m and 1,355 samples collected and analyzed by ITS.
- Re-sampling of 21 test pits and collection of 127 channel samples for analyses by ITS.
- Analyses of 81 duplicate and 43 standard samples by ITS.

Based on the review of Jinchuan, laboratory results from the collected core samples generated consistent assays with previous INC results received. Mineralization was confirmed in the drill cores and matched the received assays with no material inconsistencies observed. The Jinchuan report on this due diligence was not made available to CP and information was gathered from other reliable sources.

9.2.6 CP Review of Jinchuan Validation

Available information on the Jinchuan due diligence consisting of about twenty one (21) re-sampled test pits and thirty six (36) twinning holes drilled by Jinchuan/JGS on November- December 2011 to validate the resource estimates of INC was reviewed by the CP. The average separation distance of the twin drill holes to the INC drill holes was 1.31 meters. Comparison of the two (2) datasets using the half absolute relative difference (HARD) showed an average difference from 0.50% to 2.0%. Correlation plots also revealed a correlation coefficient (R^2) ranging from 0.50 to 0.75. The validation of INC by Jinchuan showed no significant difference. **Table-17** shows the summary of the validation.

Attribute	Ni	Co	Fe
No. Pairs	57.00	57.00	57.00
Mean, INC	1.05	0.04	17.05
Mean , Jinchuan	1.07	0.04	17.68
Difference	-0.02	0.00	-0.63
% Difference	-2%	0%	-4%
Ave. HARD	1%	0.5%	2%
Correlation Coefficient (R^2)	0.75	0.50	0.73
Separation, m	1.31	1.31	1.31

Table-17. Drill Hole/Test Pit Validation by Jinchuan

The available coarse rejects from the Jinchuan due diligence study consisting of seven hundred ninety-two (792) samples were sent to ITS-Manila (internal repeats) and Ostrea (external repeats) to check the integrity of the Jinchuan validation sampling results. The results showed good precision and accuracy for both nickel and iron but with a significant bias for cobalt. Good repeatability however was observed on nickel, cobalt and iron. **Tables 18 and 19** show the summary of the results of the QA/QC.

Attribute	Ni	Co	Fe
No. Pairs	792.00	792.00	792.00
Mean, Original (ITS-Manila)	1.11	0.05	16.59
Mean , Duplicate (ITS-Manila)	1.10	0.05	16.87
Difference	0.01	0.00	-0.28
% Difference	0.9%	-0.2%	-1.7%
Ave. HARD	1.4%	11.8%	1.4%
Correlation Coefficient (R ²)	0.99	0.99	0.99
% Pairs >10% HARD	1%	41%	1%
% Pairs below 10% HARD	99%	59%	99%

Table-18. DH/TP Validation of Jinchuan Samples (Internal Repeats)

Attribute	Ni	Co	Fe
No. Pairs	792.00	792.00	792.00
Mean, Original (ITS-Manila)	1.11	0.05	16.59
Mean , Re-Check (Ostrea)	1.04	0.03	15.95
Difference	0.07	0.02	0.64
% Difference	6.7%	66.7%	4.0%
Ave. HARD	5.3%	18.2%	2.8%
Corr. Coeff (R ²)	0.97	0.93	0.99
% Pairs >10% HARD	12%	69%	1%
% Pairs below 10% HARD	88%	31%	99%

Table-19. Drill Hole/Test Pit Validation of Jinchuan Samples (External Repeats)

The location map of the Jinchuan validation program is given in **Figure-95**.

The plots for drill hole/test pit validation are shown in **Figures-96 to 104**.

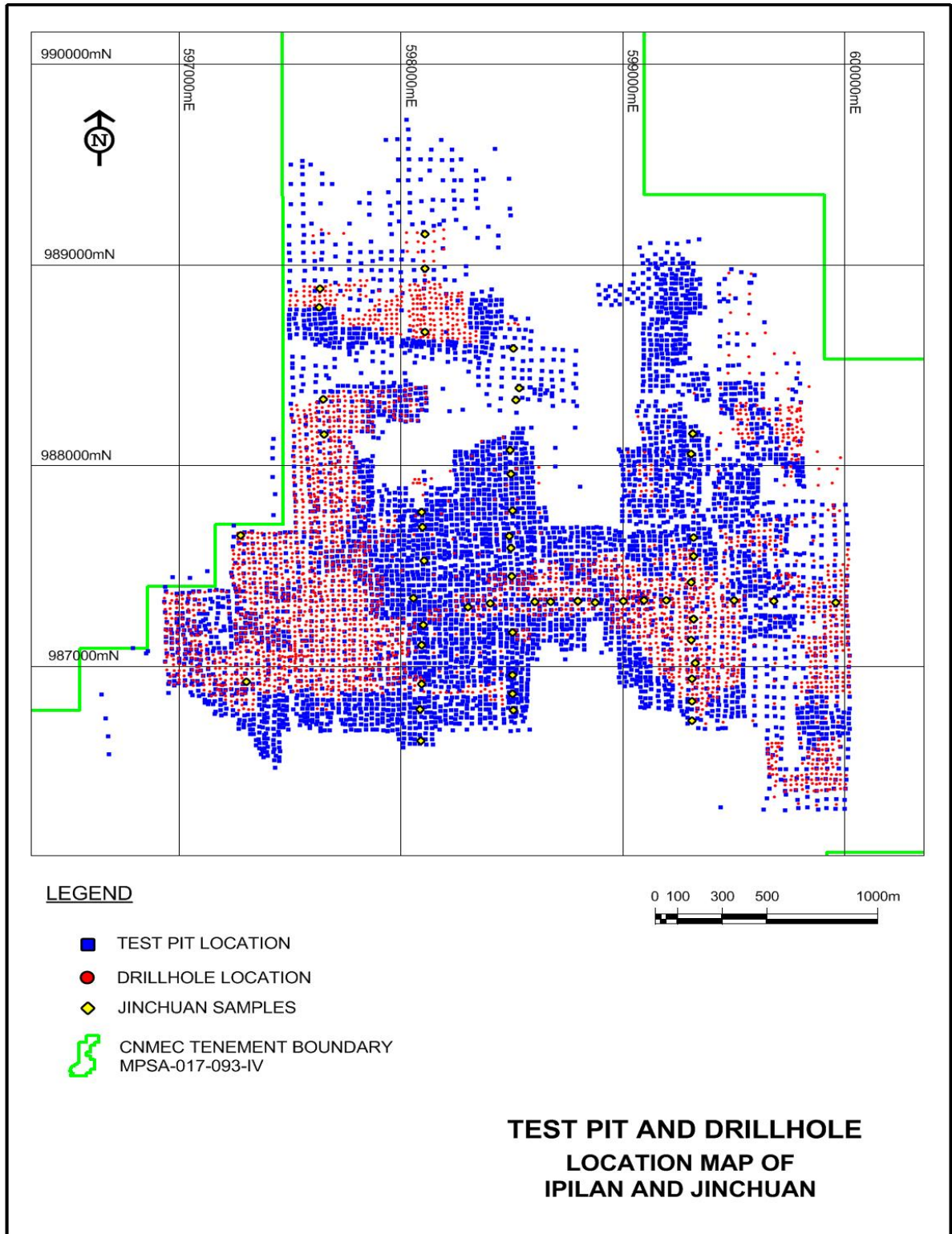


Figure-95. Location Map Showing the Jinchuan Validation Sampling Program

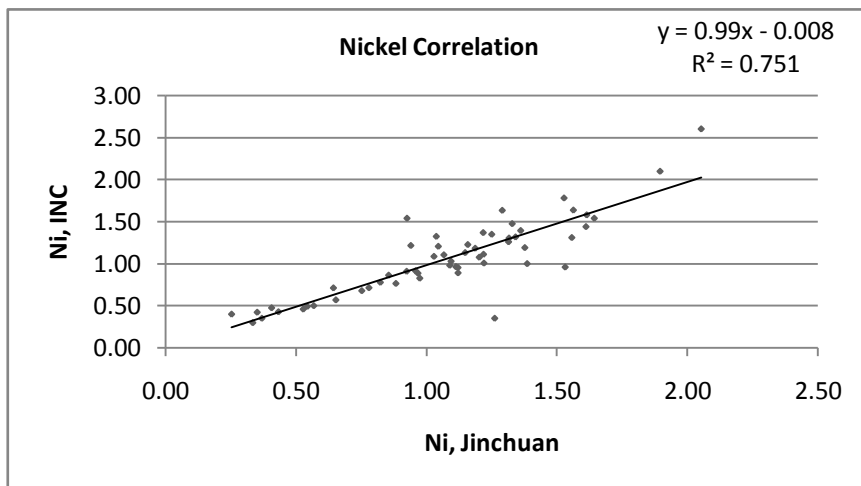
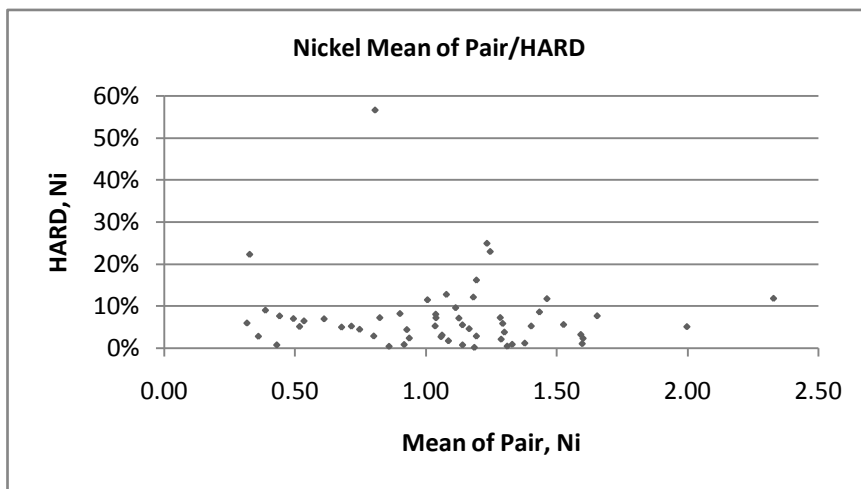
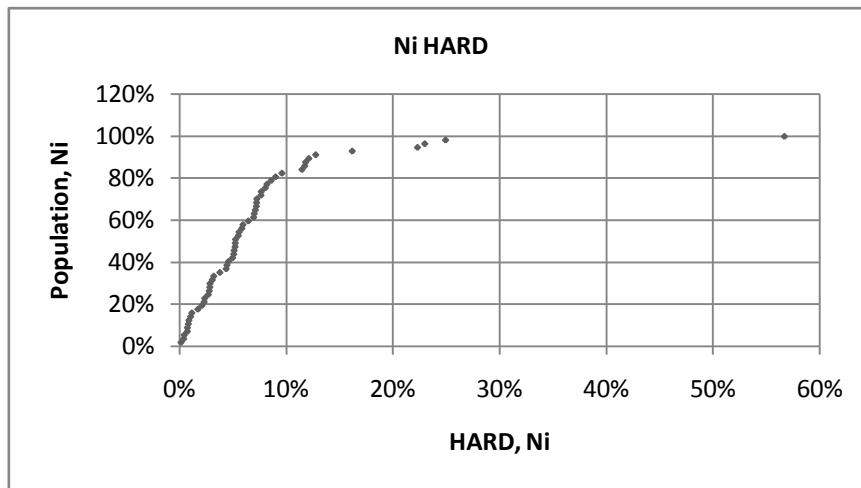


Figure-96. Drill Hole/Test Pit Validation (INC vs Jinchuan Nickel Samples)

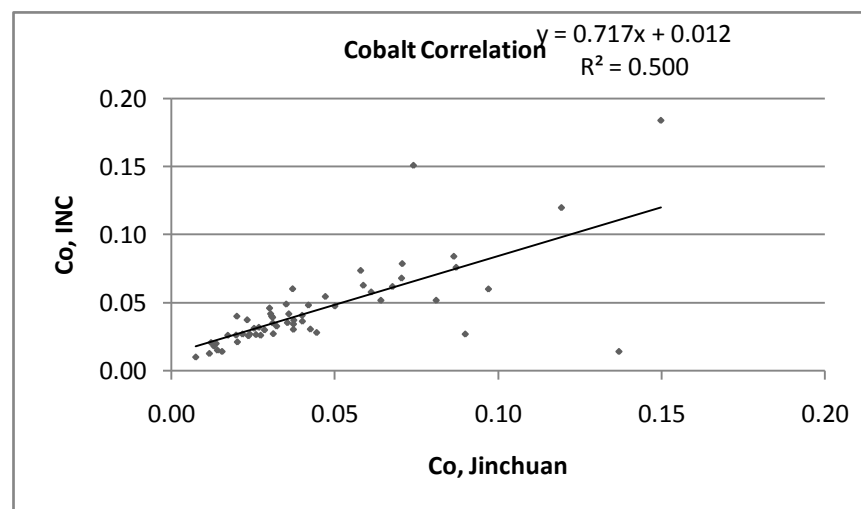
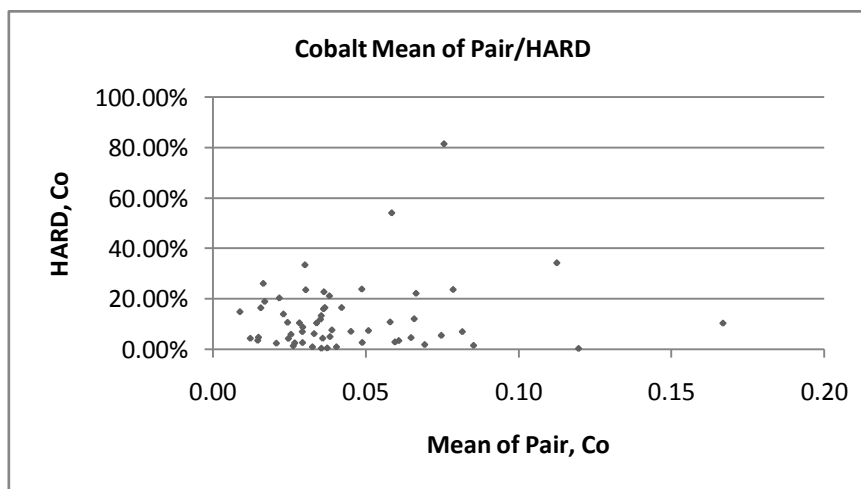
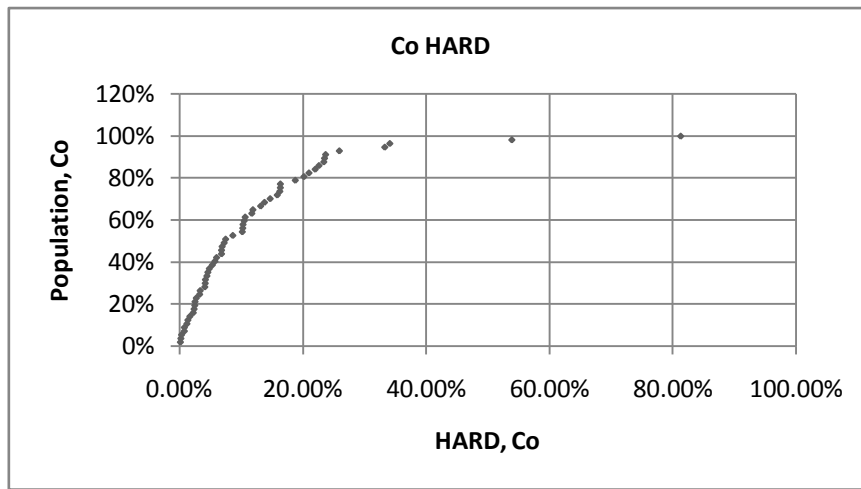


Figure-97. Drill Hole/Test Pit Validation (INC vs Jinchuan Cobalt Samples)

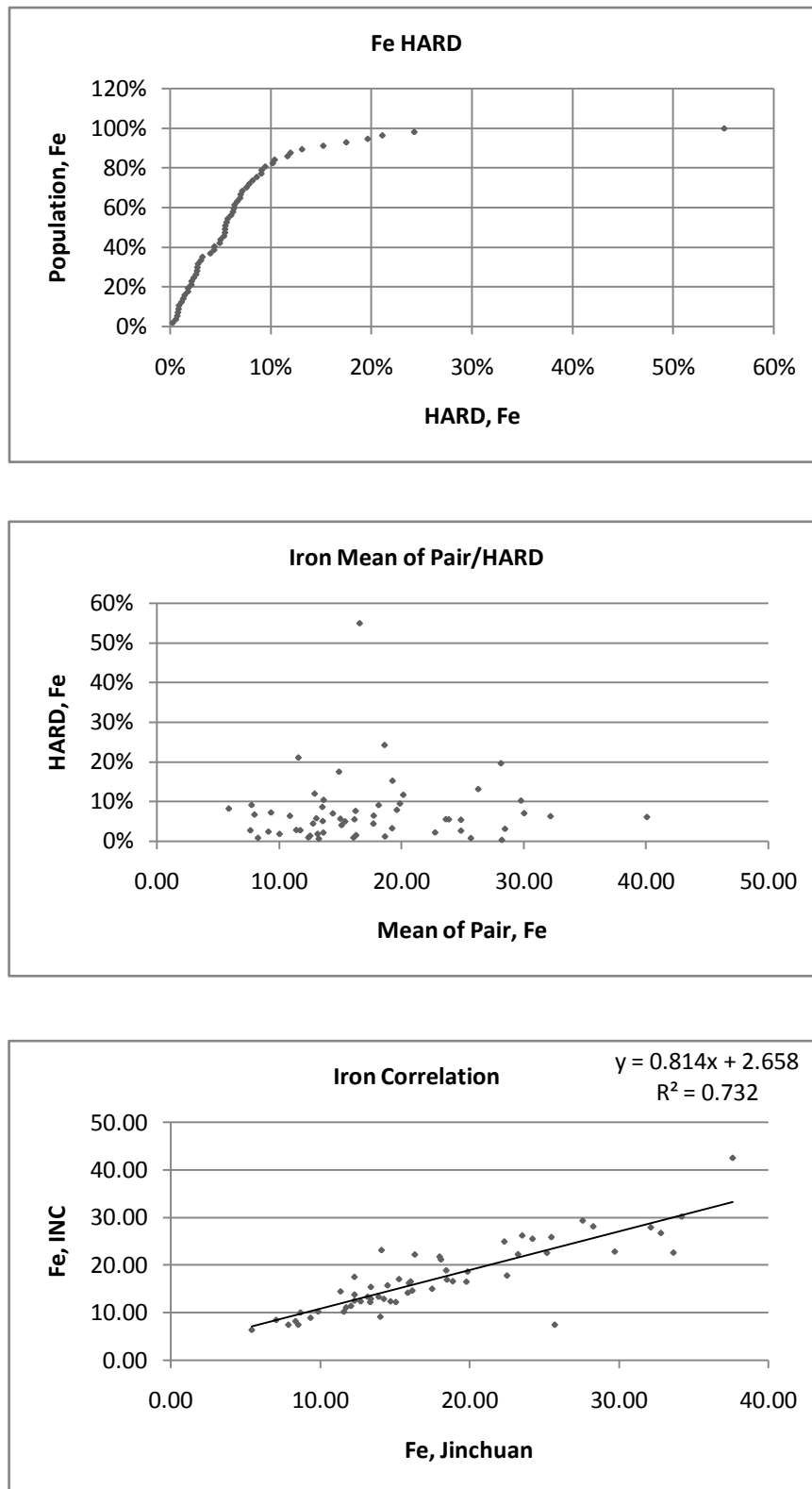


Figure-98. Drill Hole/Test Pit Validation (INC vs Jinchuan Iron Samples)

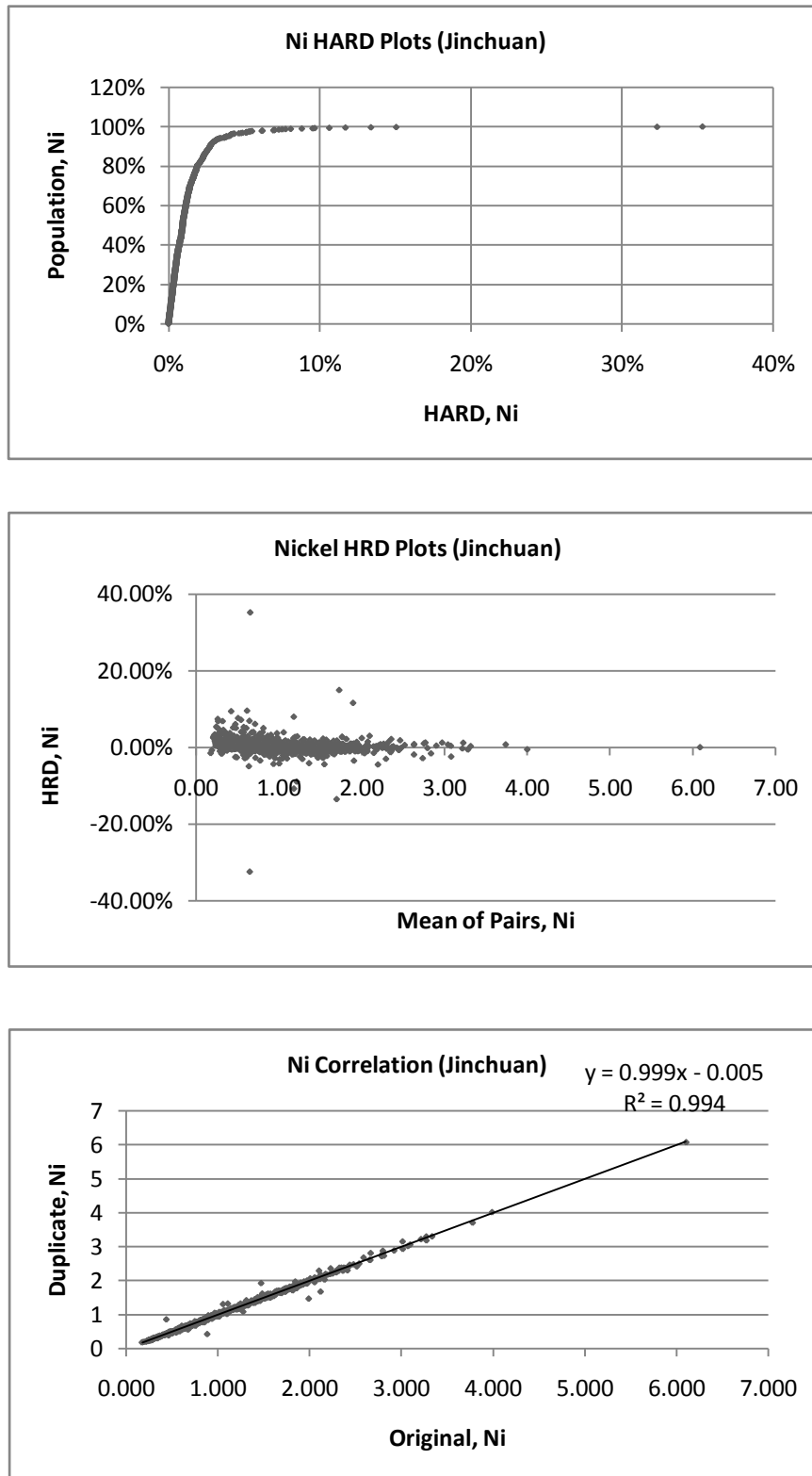


Figure-99. Drill Hole/Test Pit Validation Internal Repeat (Duplicate) Plots for Nickel

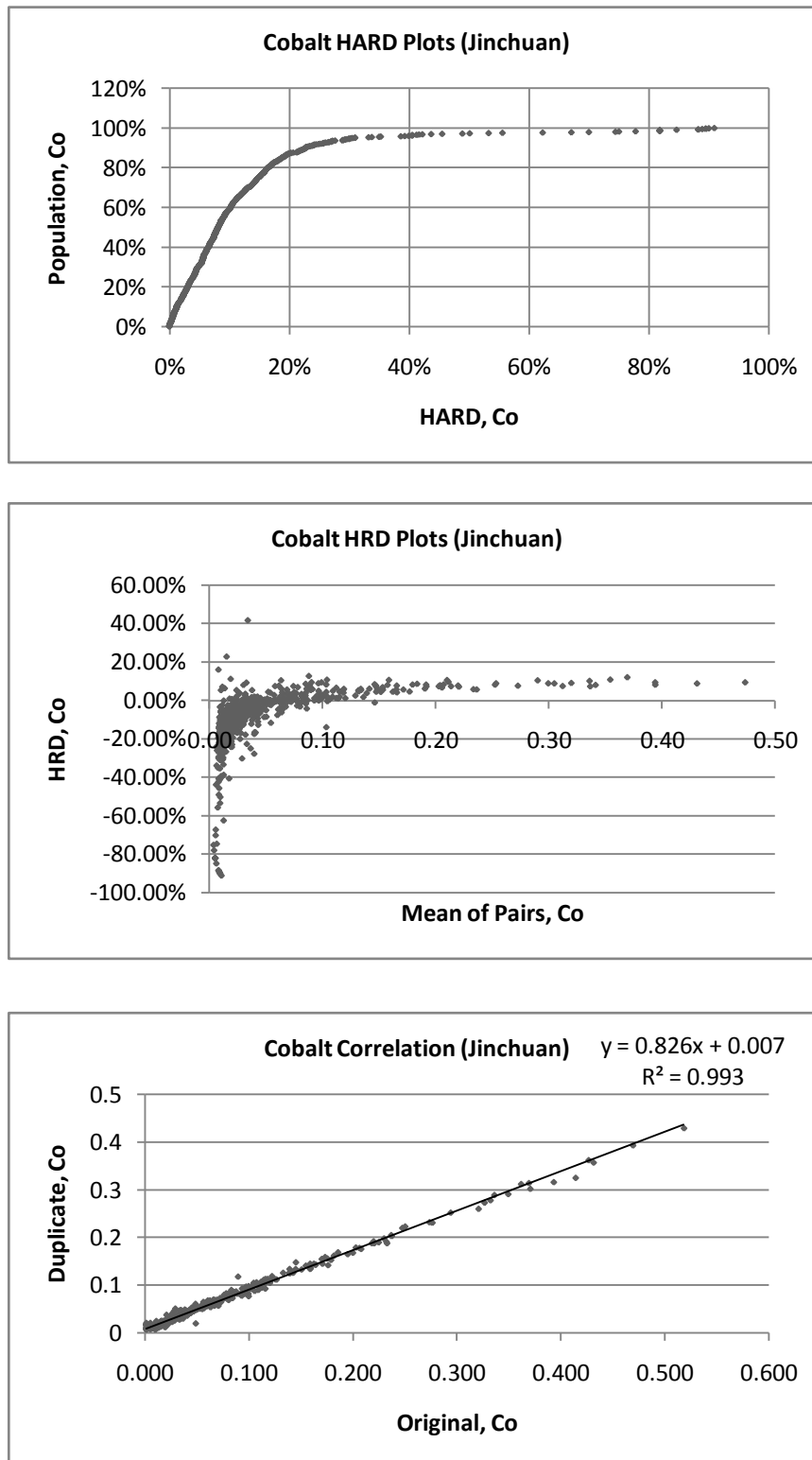


Figure-100. Drill Hole/Test Pit Validation Internal Repeat (Duplicate) Plots for Cobalt

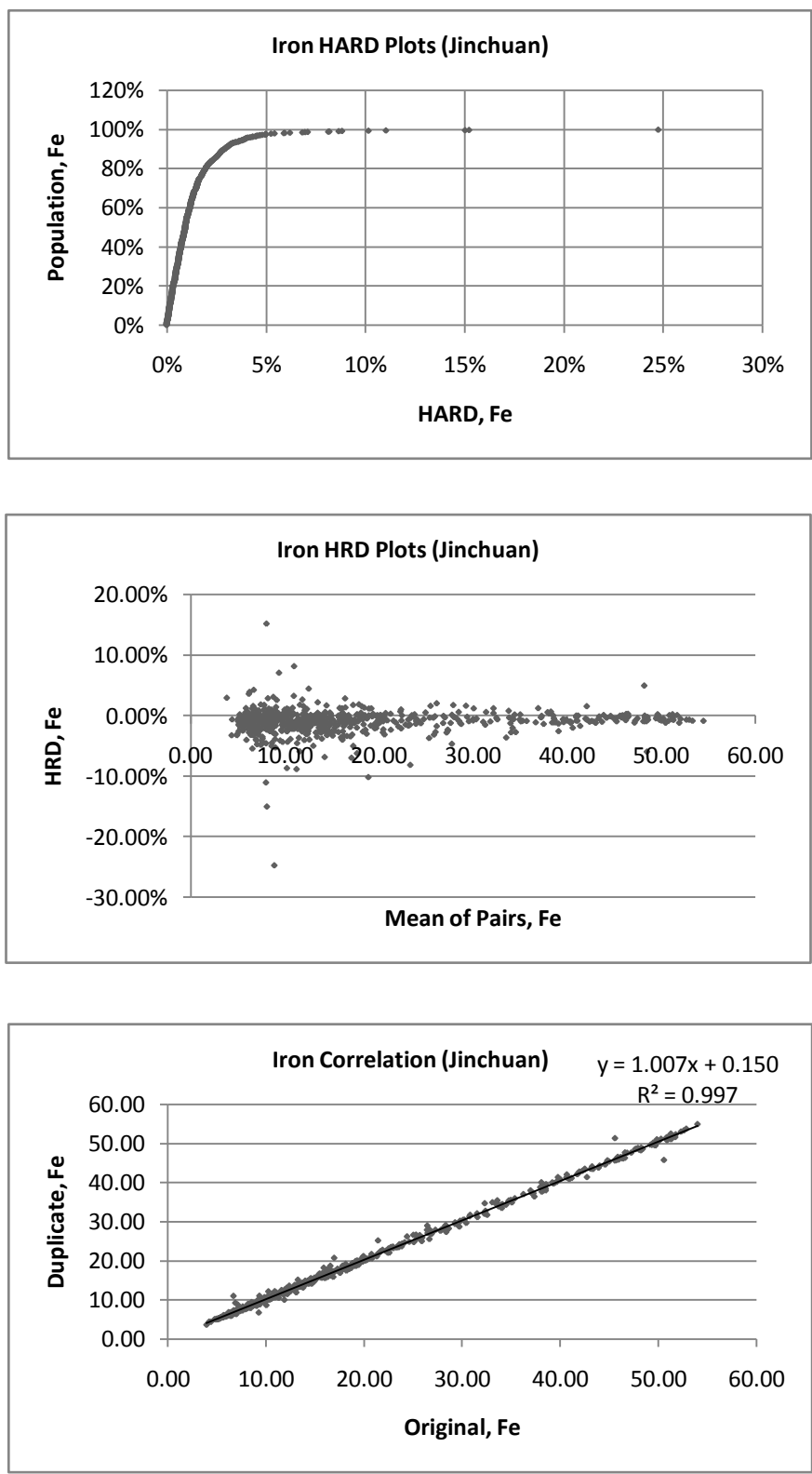


Figure-101. Drill Hole/Test Pit Validation Internal Repeat (Duplicate) Plots for Iron

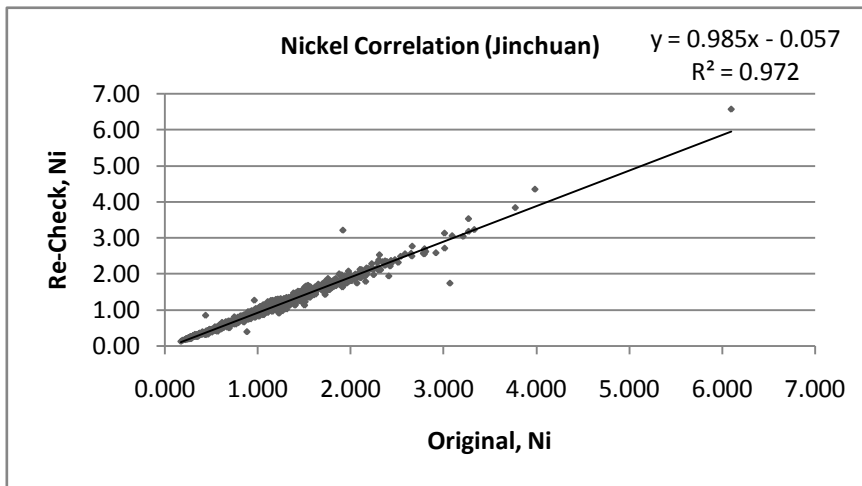
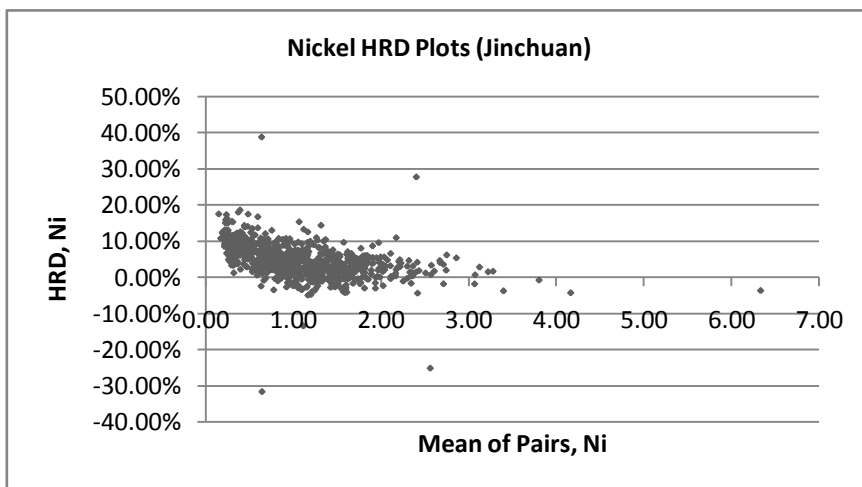
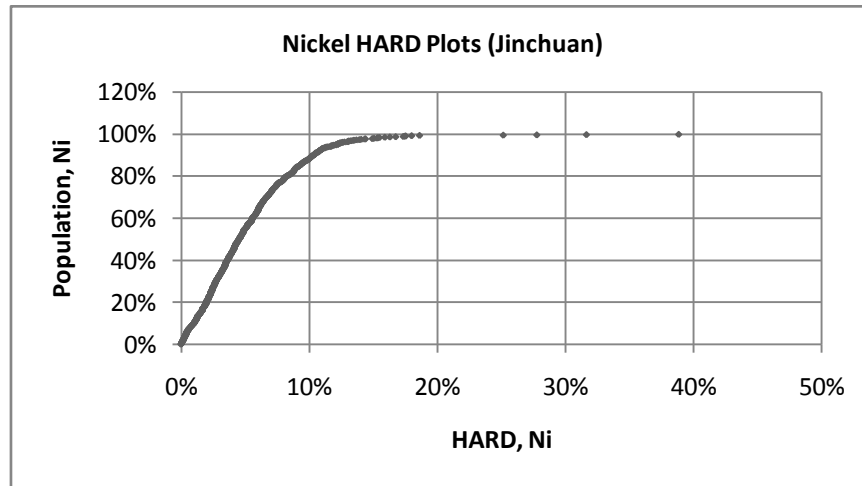


Figure-102. Drill Hole/Test Pit Validation External Repeat (Re-Check) Plots for Nickel

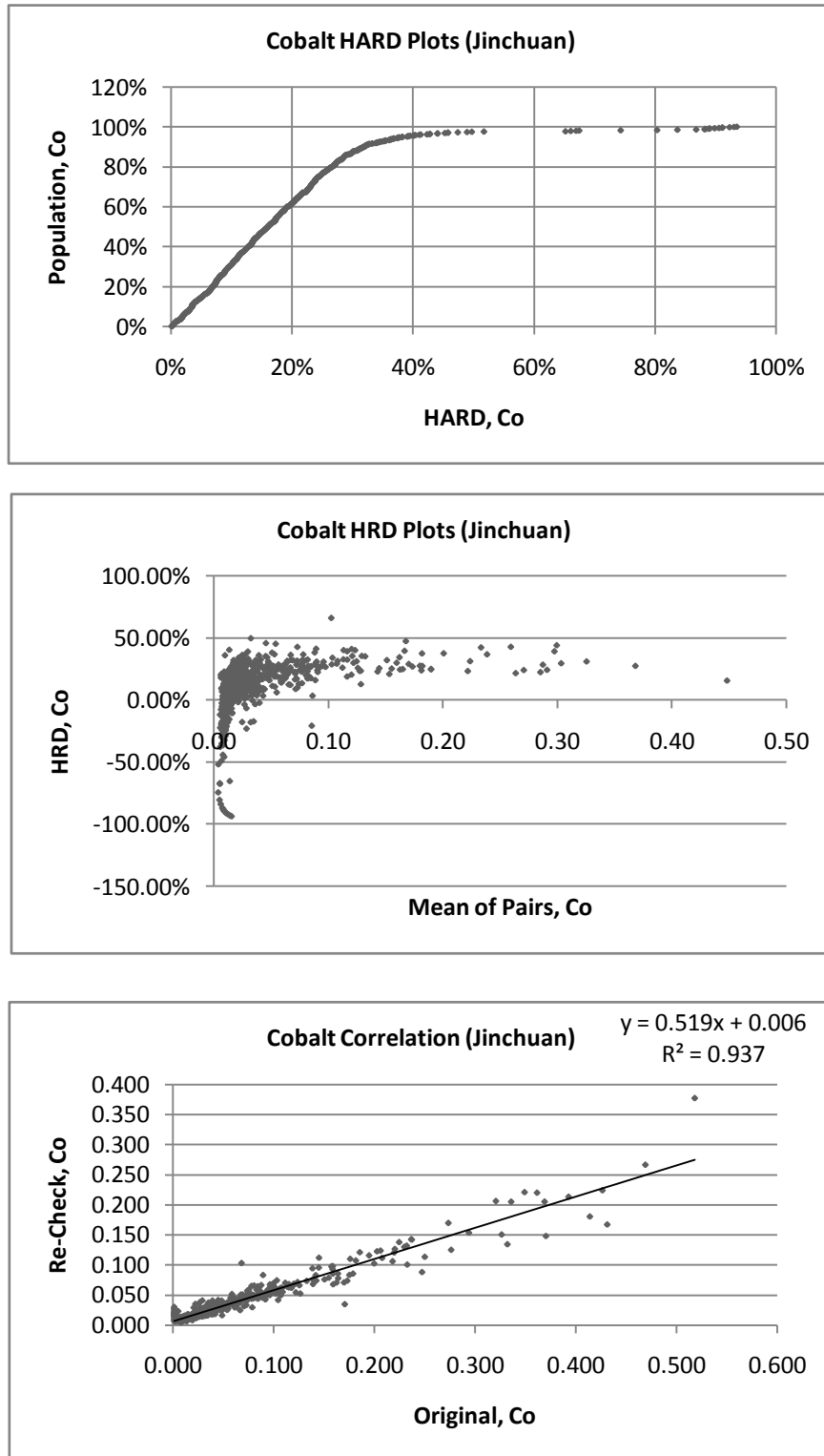


Figure-103. Drill Hole/Test Pit Validation External Repeat (Re-Check) Plots for Cobalt

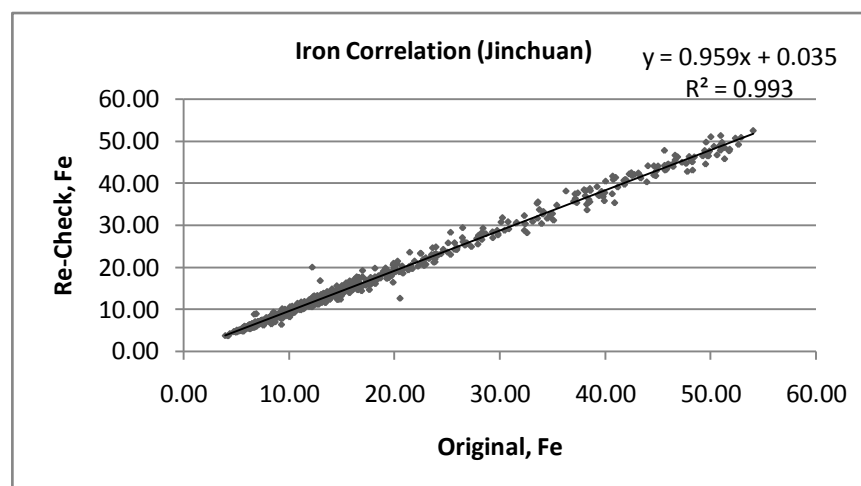
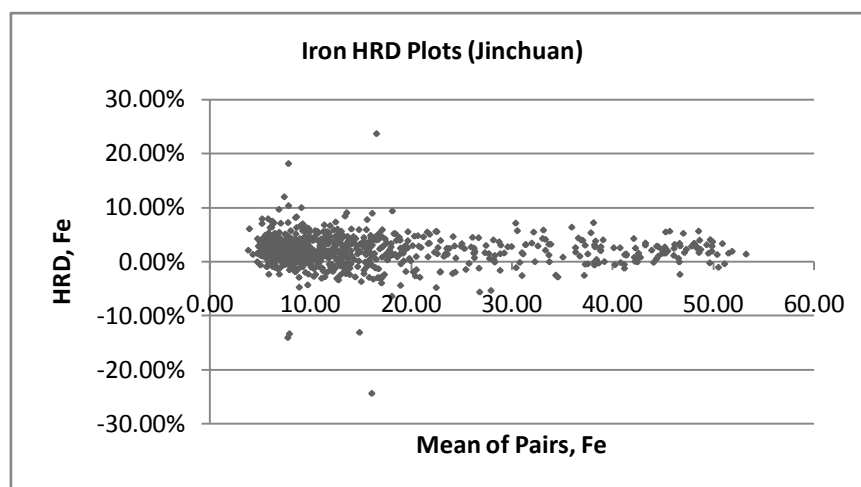
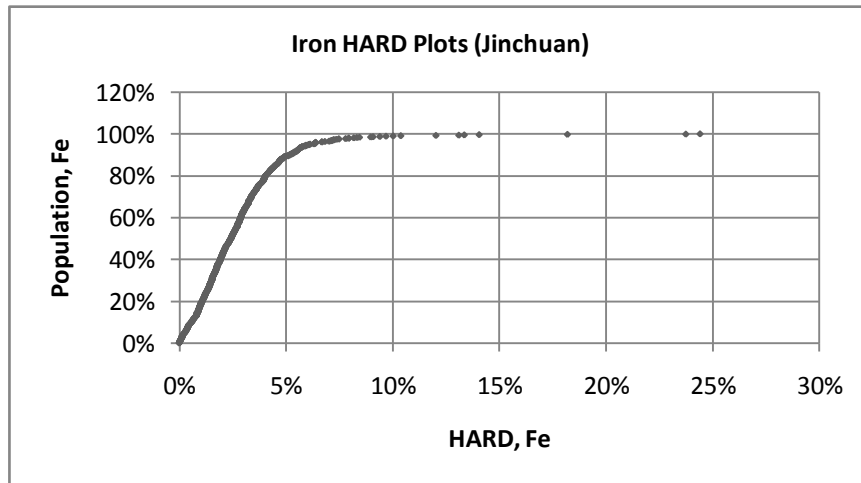


Figure-104. Drill Hole/Test Pit Validation External Repeat (Re-Check) Plots for Iron

9.3 Statement of CP on QA/QC

The QA/QC process indicated the following: that there is no significant assay bias; that with the significant amount of samples used in the estimation and the normal distribution and small range of sample grades within each estimation domain, the observed scatter of repeat data have no material and adverse impact on the resource estimate. The sources of uncertainty on precision related to certain elements have been identified and quantified, and its related effects in estimation have been considered acceptable. Contributors to uncertainty on precision include:

- Natural variability of geology/mineralization of deposit,
- Field sampling,
- Field sample preparation,
- Laboratory preparation, and
- Analytical error.

Using the results of QA/QC, considerations were made when assigning PMRC classifications to the resource estimates.

The CP deems that the QA/QC protocols implemented is sufficient and acceptable for the purpose of the block modelling resource estimation.

10.0 MINERAL RESOURCE ESTIMATE

10.1 INC Database Preparation

The INC database was created in MS Excel format incorporating all information of the test pits and drill holes such as hole ID, coordinates, collar elevation, intervals, depth, lithology, sample analyses, etc. The INC database was reformatted and further subdivided into three (3) main tables: DCollar, DSample and DSurvey.

The DCollar Table contains HoleID, Coordinates, Elevation, Projection and Total Depth. The DSample Table contains HoleID, SampleID, Lithology, Depth From, Depth To, and Assays of Ni, Co, Fe, MgO, Cr2O3, SiO2, Al2O3 and Lithology. The DSurvey Table contains HoleID, Azimuth, Dip and Total Depth. These table structures are necessary to generate and calculate the mineral resource. The fields were then re-formatted and imported into the GEMCOM Surpac v6.3.2 database.

All 3,154 drill holes and 1,906 test pits with a total of 66,554 samples complete with required data were used in the mineral resource computation. The location of drill holes and test pits are shown in **Figure-105**.

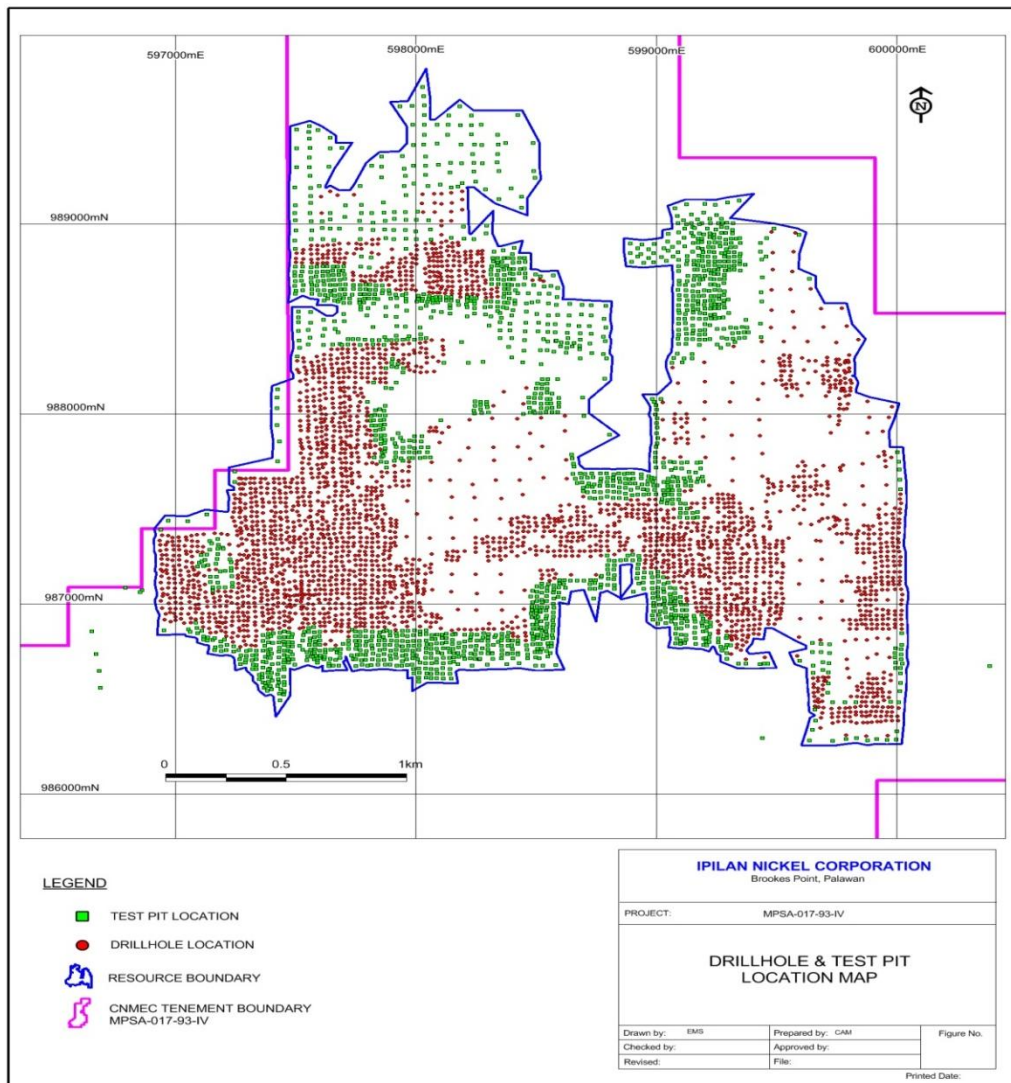


Figure-105. Map Showing Drill Hole and Test Pit Locations

10.2 Integrity of Database

Data validation was done to check the integrity of the database provided by INC which is discussed in the succeeding sections of this report.

10.3 Data Verification and Validation

The verification or validation procedures involve detecting the following:

- Detection and removal of erroneous data as well as duplicate entries;
- Possible existence of orphan holes or samples. This problem involves samples with no collar information. The drill holes and test pits were plotted to check for tower spots which indicate wrong collar elevation, typographical errors in the drill hole and test pit collar and sample tables. Minor errors of this type were detected and corrected accordingly;
- Different collar depth and sample maximum run of a hole. In a sample database, one criterion that should be met to ensure that the samples will be processed is that the collar depth should be the same as the maximum hole run. This validation procedure is automatically executed by the sample verify data function. No errors were detected in the sample database;
- The drill holes and test pits were all vertically oriented. Collar locations were checked against the actual surface topographic survey with only minimal variances in surface versus collar elevations. To address the issue of generating air of underground collars, all the collar elevations were snapped to the actual surveyed topographic surfaces;
- Lithological log validation. The lithological log validation ensures that the lithological codes are consistent. Errors of this form arise due to typographical mistakes. The lithological codes of the database are L (Limonite), S (Saprolite) and B (Bedrock). The validation results showed no error in this form.

All drill hole and test pit locations were based on actual collar surveys using surveying instruments Differential Global Positioning System (DGPS) and Total Stations with regular calibrations of at least twice a year from the National Mapping Resource Information Administration (NAMRIA).

After the minor corrections on the validation process, the corrected and validated data was saved into the MS Access database format for statistical analysis.

10.4 Data Quality Review

The review of the drilling and sampling procedures indicates that good practices were used by INC during the various drilling and test pitting programs. These practices were guided by the INC Exploration Protocol.

Both the internal and external duplicates have reasonable correlations and the sources of uncertainty on precision related to certain elements have been identified and quantified, and its related effects in estimation have been considered acceptable. The results of the independent re-assays, however, were acceptable with only minor scatter and no observed bias.

INC Mineral Resource Evaluation (PMRC-CP Technical Report)

The observed minor scatter is insignificant and has no impact on the resource estimate given the great number of samples used in the estimation and the generally normal distribution and small range of sample grades within each estimation domain.

10.5 Data Verification Statement

The digital database used as the basis for resource estimation has been verified to be supported by certified assay certificates and/or original drill logs together with an acceptable QA/QC program. The supporting documentation is sufficient to enable the use of the database in a Mineral Resource estimate following the guidelines set forth by the PMRC Code.

10.6 Basic Statistics

Basic statistical analysis was done to determine any biases/variances in the analytical results which may be due to inherent geological characteristics of the deposit or in sampling, preparation and laboratory analyses. The analysis considered all available assay results from 3,154 drill hole and 1,906 test pit database. Summary of data used in the statistical analysis is shown in **Table-20**.

Hole Type	Test Pits	Drill Holes	Total/Ave.
Ave. Depth (m)	5.17	17.15	12.64
No. Holes	1,906	3,154	5,060
Meterage (m)	9,855	54,096	63,951
No. Samples	10,129	56,425	66,554

Table-20. Test Pit Summary- Statistical Analysis

Statistical analysis of the sample data was done to determine the standard deviation, mean and coefficient of variation. Some of the data fields have showed a relatively low coefficient of variation (<1.0) which indicates that the dispersion of grades is close to its mean. It also means that the lithological domains are not that geostatistically complex and that simple modelling techniques are applicable. Some high fliers have been observed in the database. This means that top-cutting of high fliers is necessary. A formula of top-cut value = mean + (1.96 x standard deviation) was applied to determine the top-cut values prior to the conduct of basic statistical analysis.

The multimodal distribution of Fe grades in the database indicates three distinct populations that coincide with the three major geological domains. This suggests that the laterite profile is complete with the limonite zone, saprolite zone and with a thin transition zone in between. This was evident with the abrupt change of lithology as encountered in the test pit samples.

Various results of basic statistics for the original and topcut samples are shown in **Tables-21 to 30**. Histograms and probability plots are given in **Figures- 106 to 109**.

INC Mineral Resource Evaluation (PMRC-CP Technical Report)

Item/Field	Ni	Co	Fe	Al2O3	Cr2O3	MgO	SiO2
Non-nul records	66,554	66,554	66,554	66,554	66,554	66,554	66,554
Minimum value	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Maximum value	8.67	2.24	55.18	33.40	34.10	45.70	96.90
Mean	1.10	0.07	21.02	2.41	1.66	16.24	37.90
Weighted Mean	1.11	0.07	21.47	2.46	1.69	15.72	37.63
Variance	0.31	0.01	222.48	6.76	1.42	162.19	336.86
Standard deviation	0.56	0.09	14.92	2.60	1.19	12.74	18.35
Std error of mean	0.00	0.00	0.06	0.01	0.01	0.05	0.07
Geometric mean	0.96	0.04	16.33	1.51	1.29	8.95	29.37
Log Variance	0.31	1.00	0.51	0.94	0.52	1.82	0.83
Variance	0.31	0.01	222.48	6.76	1.42	162.19	336.86
Mean	1.11	0.07	21.47	2.46	1.69	15.72	37.63
Stdev	0.56	0.09	14.92	2.60	1.19	12.74	18.35
Coefficient of Variation	0.50	1.29	0.69	1.06	0.70	0.81	0.49

Table-21. Basic Statistics (All Samples)

Variable	Ni	Co	Fe	Al2O3	Cr2O3	MgO	SiO2
Number of samples	18,296	18,296	18,296	18,296	18,296	18,296	18,296
Minimum value	0.08	0.01	3.69	0.18	0.26	0.13	0.70
Maximum value	4.23	2.24	55.18	33.40	34.10	42.20	91.50
Mean	1.11	0.15	42.42	4.91	3.23	2.47	13.90
Median	1.09	0.12	44.48	4.45	3.19	1.28	10.20
Geometric Mean	1.05	0.11	41.49	4.42	3.13	1.56	9.05
Variance	0.12	0.02	61.22	6.10	0.70	9.57	150.82
Standard Deviation	0.35	0.12	7.82	2.47	0.84	3.09	12.28
Coefficient of variation	0.31	0.83	0.18	0.50	0.26	1.25	0.88
Skewness	0.71	3.16	-1.10	2.23	3.63	4.09	1.37
Kurtosis	5.69	29.46	4.36	12.11	113.87	31.41	5.28
Natural Log Mean	0.05	-2.25	3.73	1.49	1.14	0.44	2.20
Log Variance	0.11	0.87	0.05	0.21	0.07	0.81	0.96
Topcut Value	-	0.39	-	-	-	8.53	37.97

Table-22. Limonite Sample Statistics (No Topcut)

INC Mineral Resource Evaluation (PMRC-CP Technical Report)

Variable	Ni	Co	Fe	Al ₂ O ₃	Cr ₂ O ₃	MgO	SiO ₂
Number of samples	39,231	39,231	39,231	39,231	39,231	39,231	39,231
Minimum value	0.06	0.01	1.27	0.03	0.04	0.15	1.86
Maximum value	8.67	2.19	51.76	31.40	10.70	44.12	95.20
Mean	1.24	0.04	14.35	1.58	1.18	19.03	46.90
Median	1.15	0.03	12.45	1.02	1.01	19.30	44.90
Geometric Mean	1.11	0.03	13.08	1.15	1.06	15.48	45.77
Variance	0.35	0.00	42.46	3.59	0.38	93.90	103.34
Standard Deviation	0.59	0.05	6.52	1.90	0.62	9.69	10.17
Coefficient of variation	0.48	1.06	0.45	1.20	0.52	0.51	0.22
Skewness	1.19	8.50	1.21	5.12	1.99	0.04	0.58
Kurtosis	6.75	211.03	4.57	41.22	10.89	2.21	4.29
Natural Log Mean	0.10	-3.43	2.57	0.14	0.05	2.74	3.82
Log Variance	0.25	0.48	0.18	0.50	0.22	0.58	0.05
Topcut Value	2.40	0.13	-	5.29	-	-	-

Table-23. Saprolite Sample Statistics (No Topcut)

Variable	Ni	Co	Fe	Al ₂ O ₃	Cr ₂ O ₃	MgO	SiO ₂
Number of samples	9025	9025	9025	9025	9025	9025	9025
Minimum value	0	0	0	0	0	0	0
Maximum value	4.52	0.74	49.73	25.50	28.60	45.70	96.90
Mean	0.47	0.01	6.60	0.99	0.54	32.08	47.44
Median	0.40	0.01	6.37	0.44	0.49	34.70	42.90
Variance	0.06	0.00	2.63	4.18	0.14	99.31	118.23
Standard Deviation	0.24	0.01	1.62	2.04	0.38	9.97	10.87
Coefficient of variation	0.51	0.82	0.25	2.07	0.70	0.31	0.23
Skewness	2.33	26.69	7.53	5.76	46.28	-1.37	2.32
Kurtosis	18.14	1423.38	157.92	43.52	3352.02	4.44	8.21
Topcut value	0.94	-	9.78	4.99	-	-	-

Table-24. Bedrock Sample Statistics (No Topcut)

INC Mineral Resource Evaluation (PMRC-CP Technical Report)

Variable	Ni	Co	Fe	Al2O3	Cr2O3	MgO	SiO2
Number of samples	18,296	18,296	18,296	18,296	18,296	18,296	18,296
Minimum value	0.08	0.01	3.69	0.18	0.26	0.13	0.70
Maximum value	4.23	0.39	55.18	33.40	34.10	8.53	37.97
Mean	1.11	0.14	42.42	4.91	3.23	2.27	13.43
Median	1.09	0.12	44.48	4.45	3.19	1.28	10.20
Geometric Mean	1.05	0.10	41.49	4.42	3.13	1.53	8.96
Variance	0.12	0.01	61.22	6.10	0.70	4.86	119.32
Standard Deviation	0.35	0.10	7.82	2.47	0.84	2.20	10.92
Coefficient of variation	0.31	0.70	0.18	0.50	0.26	0.97	0.81
Skewness	0.71	0.84	-1.10	2.23	3.63	1.58	0.78
Kurtosis	5.69	3.01	4.36	12.11	113.87	4.55	2.47
Natural Log Mean	0.05	-2.26	3.73	1.49	1.14	0.43	2.19
Log Variance	0.11	0.84	0.05	0.21	0.07	0.74	0.93

Table-25 Limonite Sample Statistics (Topcut Applied)

Variable	Ni	Co	Fe	Al2O3	Cr2O3	MgO	SiO2
Number of samples	39,231	39,231	39,231	39,231	39,231	39,231	39,231
Minimum value	0.06	0.01	1.27	0.03	0.04	0.15	1.86
Maximum value	7.54	0.13	51.76	5.29	10.70	44.12	95.20
Mean	1.24	0.04	14.35	1.43	1.18	19.03	46.90
Median	1.15	0.03	12.45	1.02	1.01	19.30	44.90
Geometric Mean	1.11	0.03	13.08	1.13	1.06	15.48	45.77
Variance	0.35	0.00	42.46	1.33	0.38	93.90	103.34
Standard Deviation	0.59	0.03	6.52	1.15	0.62	9.69	10.17
Coefficient of variation	0.48	0.73	0.45	0.81	0.52	0.51	0.22
Skewness	1.14	1.66	1.21	1.99	1.99	0.04	0.58
Kurtosis	6.17	5.27	4.57	6.61	10.89	2.21	4.29
Natural Log Mean	0.10	-3.44	2.57	0.12	0.05	2.74	3.82
Log Variance	0.25	0.43	0.18	0.44	0.22	0.58	0.05

Table-26. Saprolite Sample Statistics (Topcut Applied)

Variable	Ni	Co	Fe	Al2O3	Cr2O3	MgO	SiO2
Number of samples	9025	9025	9025	9025	9025	9025	9025
Minimum value	0	0	0	0	0	0	0
Maximum value	0.94	0.74	9.78	4.99	28.60	45.70	96.90
Mean	0.46	0.01	6.53	0.80	0.54	32.08	47.44
Median	0.40	0.01	6.37	0.44	0.49	34.70	42.90
Variance	0.04	0.00	1.37	1.10	0.14	99.31	118.23
Standard Deviation	0.20	0.01	1.17	1.05	0.38	9.97	10.87
Coefficient of variation	0.44	0.82	0.18	1.30	0.70	0.31	0.23
Skewness	0.80	26.69	0.11	3.08	46.28	-1.37	2.32
Kurtosis	2.90	1423.38	5.09	11.76	3352.02	4.44	8.21

Table-27. Bedrock Sample Statistics (Topcut Applied)

Item/Field	Ni	Co	Fe	Al2O3	Cr2O3	MgO	SiO2	Thickness
Non-nul records	3341	3341	3341	3341	3341	3341	3341	3341
Minimum value	0.35	0.01	16.47	1.4	1.17	0.41	1.77	0.3
Maximum value	2.64	0.77	51.39	18.34	14.68	14.7	58.34	41
Mean	1.05	0.13	40.5	4.93	3.06	3.2	16.6	5.46
Weighted Mean	1.11	0.15	42.44	4.91	3.24	2.45	13.87	10.72
Variance	0.07	0	31.53	4.37	0.38	5.56	79.06	28.73
Standard deviation	0.27	0.07	5.62	2.09	0.61	2.36	8.89	5.36
Std error of mean	0.01	0	0.1	0.04	0.01	0.04	0.15	0.09
Log population	3341	3341	3341	3341	3341	3341	3341	3341
Geometric mean	1.02	0.12	40.09	4.58	3	2.51	14.05	3.6
Log Variance	0.07	0.23	0.02	0.14	0.04	0.49	0.38	0.86

Table-28. Basic Statistics (Limonite Composites)

INC Mineral Resource Evaluation (PMRC-CP Technical Report)

Item/Field	Ni	Co	Fe	Al2O3	Cr2O3	MgO	Sio2	Thickness
Non-nul records	5002	5002	5002	5002	5002	5002	5002	5002
Minimum value	0.23	0.01	5.02	0.33	0.42	0.47	20.56	0.3
Maximum value	5.07	0.67	33.29	23.65	5.66	38.78	79.9	44.5
Mean	1.16	0.04	15.31	1.81	1.25	18.99	45	7.51
Weighted Mean	1.25	0.04	14.51	1.6	1.2	18.64	47.01	12.25
Variance	0.2	0	18.08	2.55	0.18	49.53	56.58	35.58
Standard deviation	0.44	0.03	4.25	1.6	0.42	7.04	7.52	5.97
Std error of mean	0.01	0	0.06	0.02	0.01	0.1	0.11	0.08
Log population	5002	5002	5002	5002	5002	5002	5002	5002
Geometric mean	1.07	0.04	14.76	1.47	1.19	17.16	44.39	5.44
Log Variance	0.16	0.25	0.07	0.34	0.09	0.28	0.03	0.72

Table-29. Basic Statistics (Saprolite Composites)

Item/Field	Ni	Co	Fe	Al2O3	Cr2O3	MgO	Sio2	Thickness
Non-nul records	2922	2922	2922	2922	2922	2922	2922	2922
Minimum value	0	0	0	0	0	0	0	0.2
Maximum value	2.07	0.18	24.99	24.94	8.84	45.2	95.3	16
Mean	0.49	0.01	6.42	0.99	0.53	32.86	47.16	2.78
Weighted Mean	0.47	0.01	6.57	0.97	0.54	32.04	47.59	4.37
Variance	0.04	0	1	3.67	0.05	90.41	111.13	4.41
Standard deviation	0.21	0.01	1	1.92	0.22	9.51	10.54	2.1
Std error of mean	0	0	0.02	0.04	0	0.18	0.2	0.04
Log population	2921	2869	2921	2921	2921	2921	2921	2922
Geometric mean	0.45	0.01	6.34	0.57	0.51	29.76	46.29	2.18
Log Variance	0.17	0.17	0.03	0.65	0.07	0.36	0.03	0.49

Table-30. Basic Statistics (Bedrock Composites)

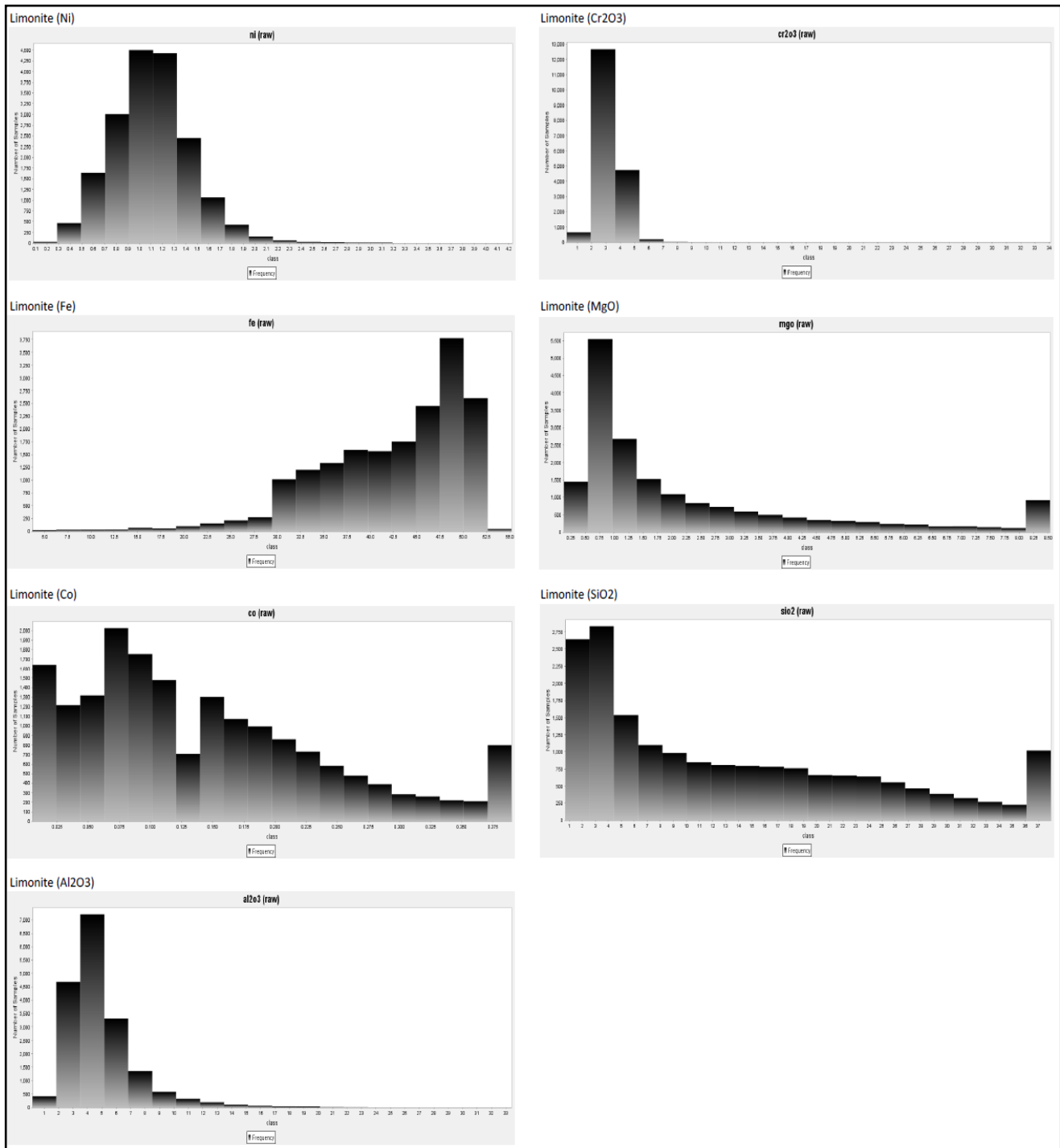


Figure-106. Histogram Plots (Limonite)

INC Mineral Resource Evaluation (PMRC-CP Technical Report)

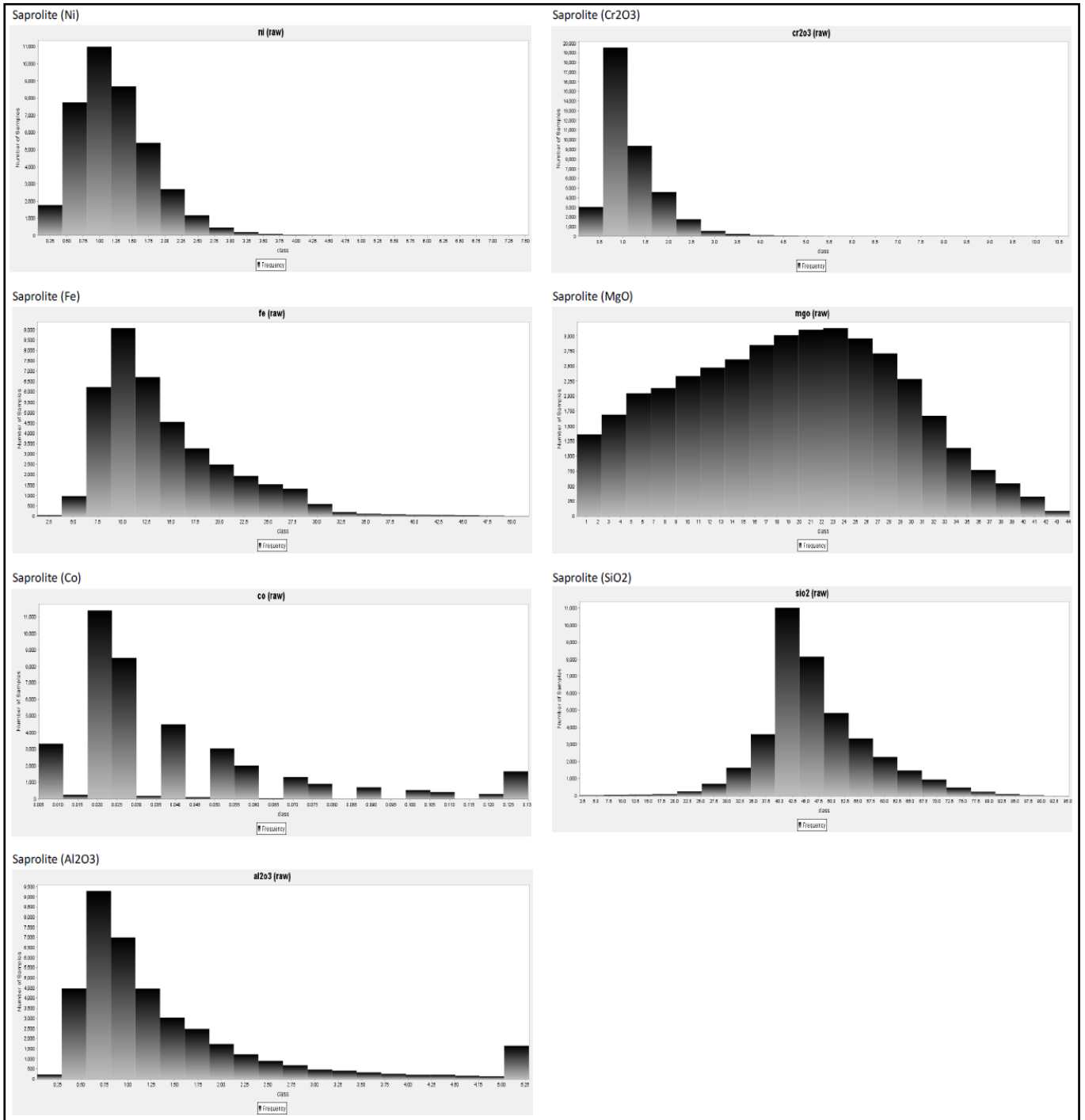


Figure-107. Histogram Plots (Sapolite)

INC Mineral Resource Evaluation (PMRC-CP Technical Report)

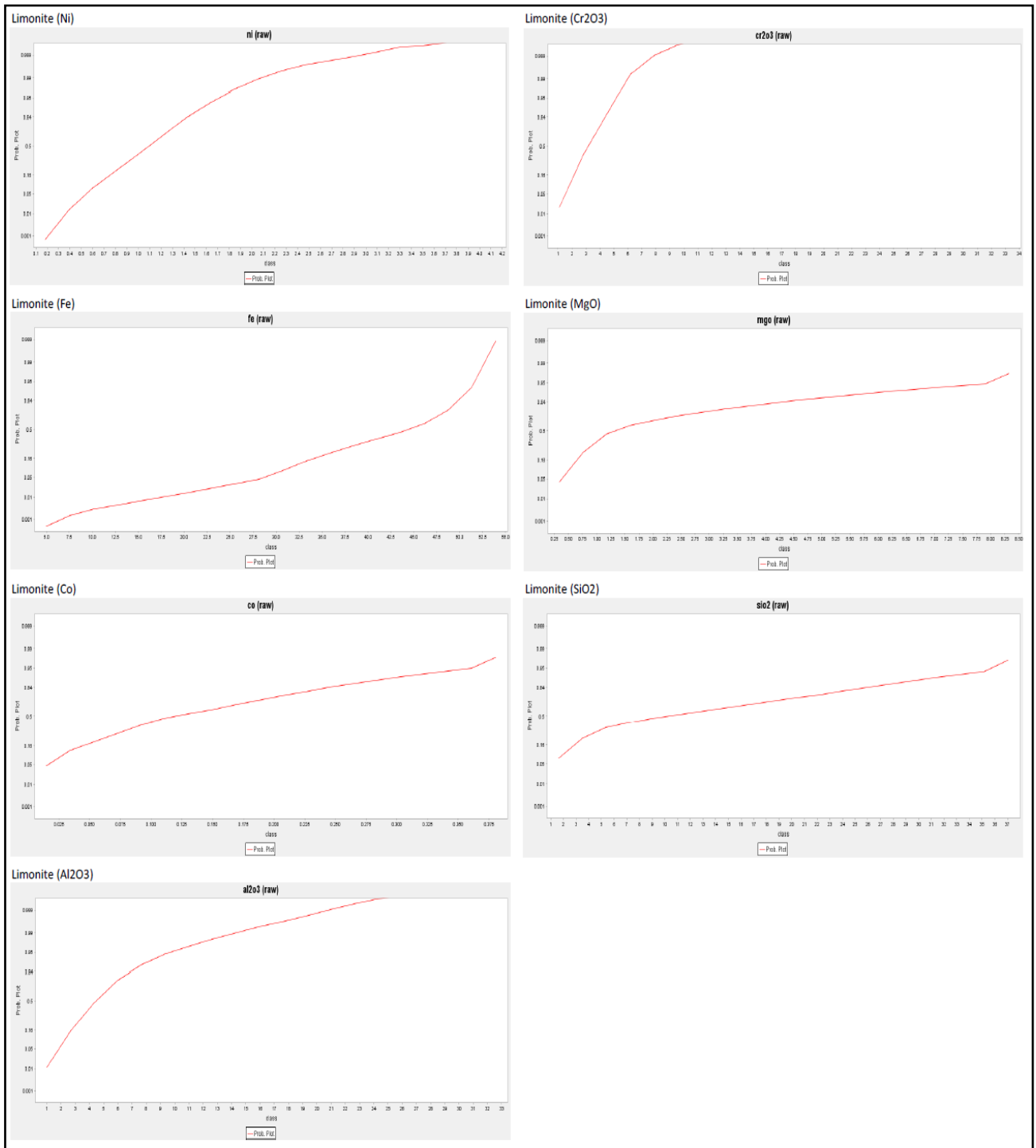


Figure-108. Probability Plots (Limonite)

INC Mineral Resource Evaluation (PMRC-CP Technical Report)

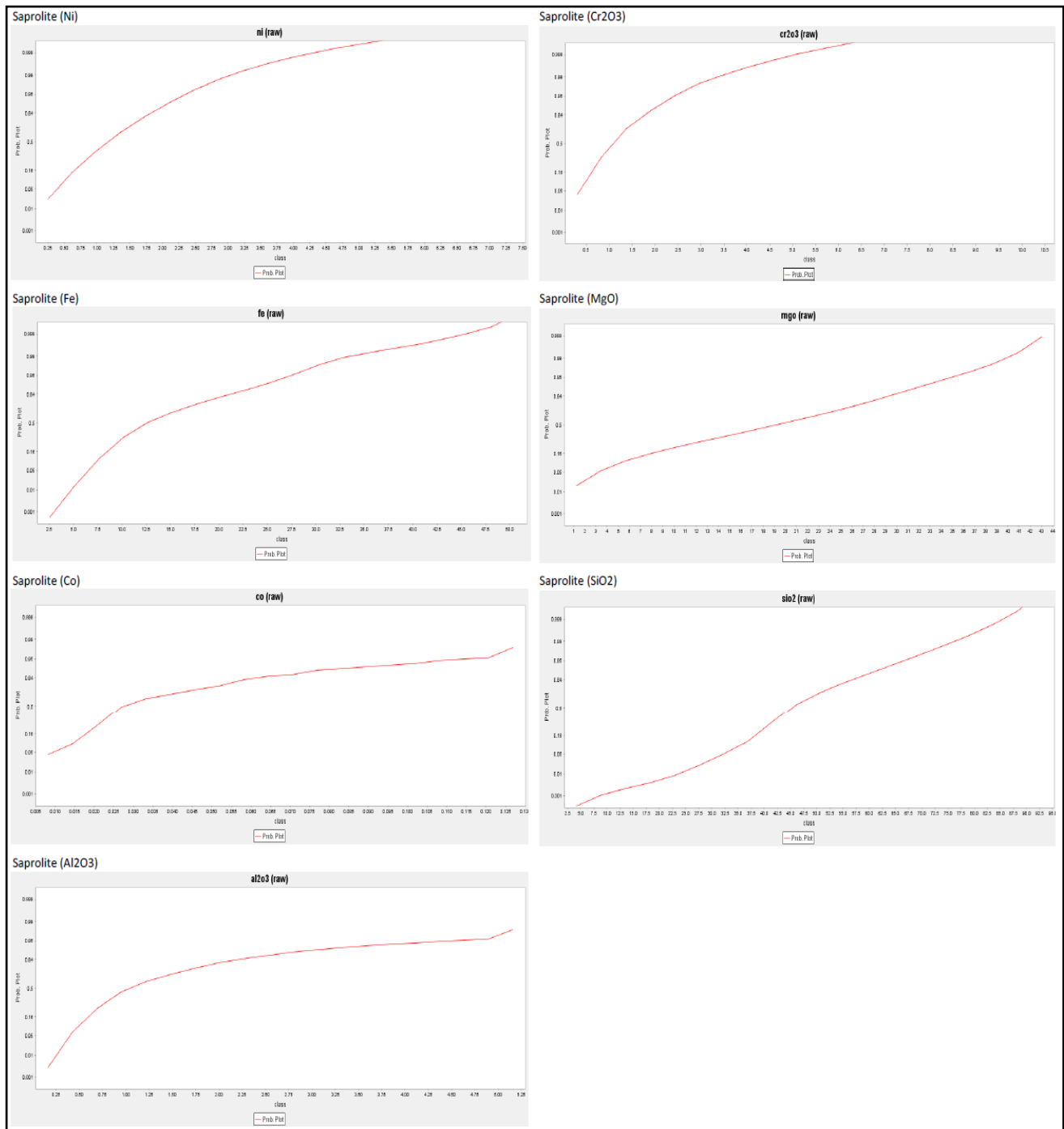


Figure-109. Probability Plots (Saprolite)

10.7 Geostatistical Analysis

After the geological surfaces were generated, samples belonging to their respective lithology were then filtered and a geostatistical analysis performed. Note that the samples according to their lithology had been subjected to prior top cutting to remove the outliers as discussed in the previous sections.

A variogram analyses was done to determine the spatial characteristics of the samples on a per domain basis which indicated a major to semi-major axes having values of 1.0 indicating no horizontal trend variations. The vertical variations (major to minor axes) are however strong indicating strong vertical trend of all elements. The gradual variations and sharp grade discontinuities have been used to subdivide the profile. Variogram interpretations and variogram analyses are shown in **Table-31** and **Figures-110** and **111**.

All assayed elements display some vertical grade trends within the limonite profile. Co, Ni increase gradually with depth within the limonite zone. The base of the limonite is marked primarily by an abrupt increase in MgO, as well as an abrupt decrease in Fe. There is also a significant increase in the Ni grade towards the base of limonite. As observed from the drill hole and test pit samples, Ni increases progressively with depth in limonite and then sharply increases, across the limonite-saprolite boundary. Co also displays progressive enrichment towards the base of the limonite.

Typically Ni grades are <1% at surface and increase with depth at the base of the limonite. The saprolite boundary is typically marked by a sharp increase in Ni grade. The highest Ni grade usually occurs at the top of the saprolite and Ni grade decreases with depth at the base of the saprolite or bedrock. Ni grades are more variable in the saprolite probably due to the occurrence of proportions of less enriched coarse rocks mixed with enriched saprolite fines.

Below this boundary the Ni decreases toward the bedrock interface. Other elements also display some change in average grade with depth as rocks become more common. Ni and MgO display the strongest vertical grade trend in the saprolite. The change in grade with depth for MgO is more pronounced than other elements. SiO₂, MgO could be used to determine saprolite from bedrock.

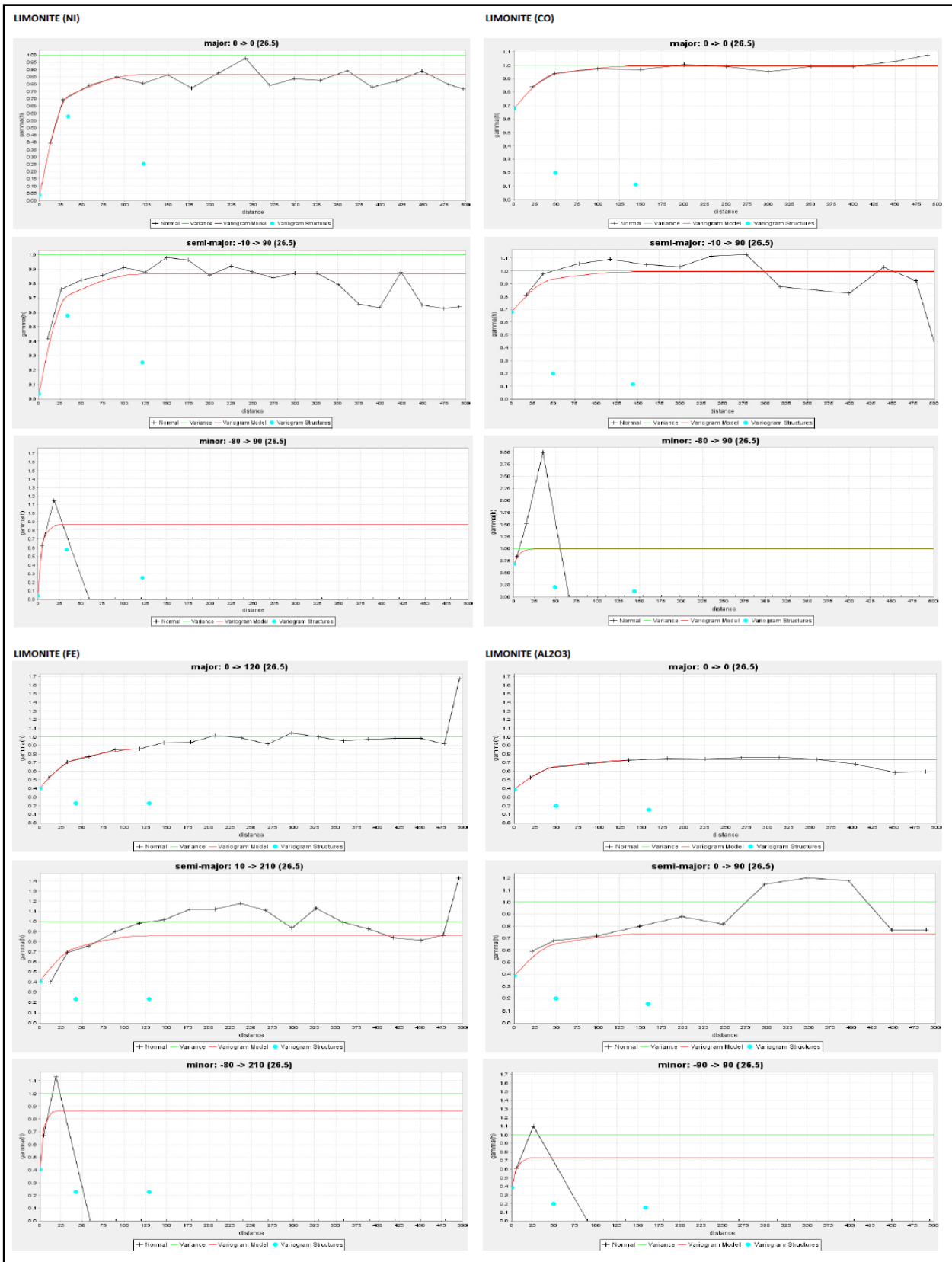
The samples are too few to indicate the bedrock boundary. Hence, no variogram analysis was conducted.

INC Mineral Resource Evaluation (PMRC-CP Technical Report)

Domain	Attributes	Spherical Structure									
		Nugget	Sill 1	Sill 2	Range 1	Range 2	Major/Semi	Major/Minor	Azimuth	Dip	Plunge
Limonite	Ni	0.28	0.39	0.17	55	134	1	5.4	30	0	0
	Co	0.68	0.2	0.11	49	143	1	5.1	0	-10	0
	Fe	0.4	0.22	0.22	42	129	1	7.6	120	10	0
	Al ₂ O ₃	0.38	0.19	0.15	50	159	1	6.2	0	0	0
	Cr ₂ O ₃	0.44	0.22	0.12	43	122	1	10.6	30	0	0
	MgO	0.49	0.13	0.18	49	161	1	3.7	120	0	0
	SiO ₂	0.44	0.15	0.21	42	157	1	6.2	20	-20	0
Saprolite	Ni	0.49	0.35	0.14	42	126	1	3.50	10	-10	0
	Co	0.70	0.17	0.26	57	164	1	3.90	60	0	0
	Fe	0.65	0.24	0.11	49	128	1	6.20	0	-10	0
	Al ₂ O ₃	0.42	0.17	0.09	41	125	1	3.10	70	-10	0
	Cr ₂ O ₃	0.45	0.41	0.17	38	141	1	2.10	0	0	0
	MgO	0.47	0.21	0.25	48	144	1	3.15	30	0	0
	SiO ₂	0.66	0.14	0.12	68	160	1	6.20	0	10	0

Table-31. Variogram Interpretation

Figure-110. Variogram Analysis (Limonite)



INC Mineral Resource Evaluation (PMRC-CP Technical Report)

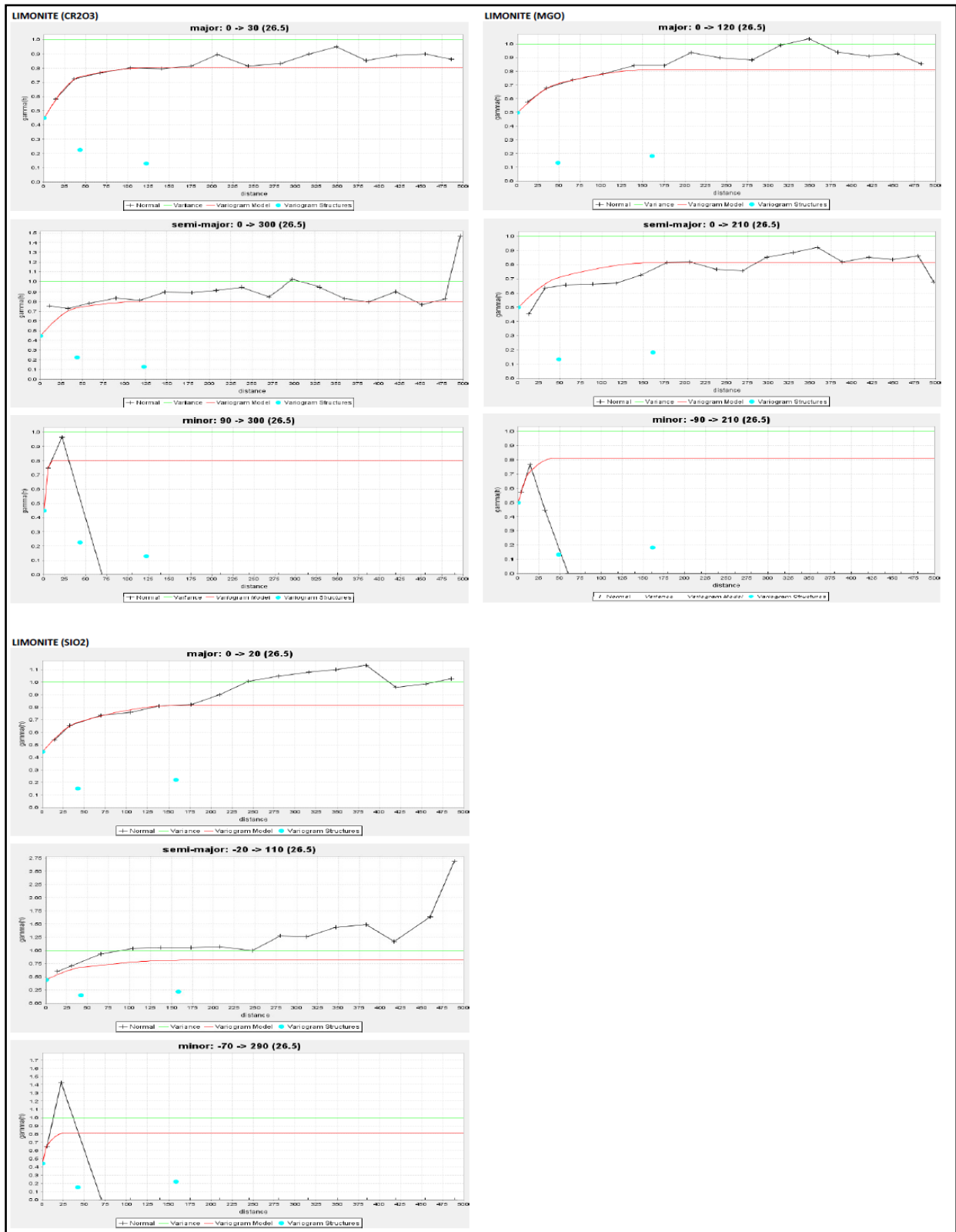
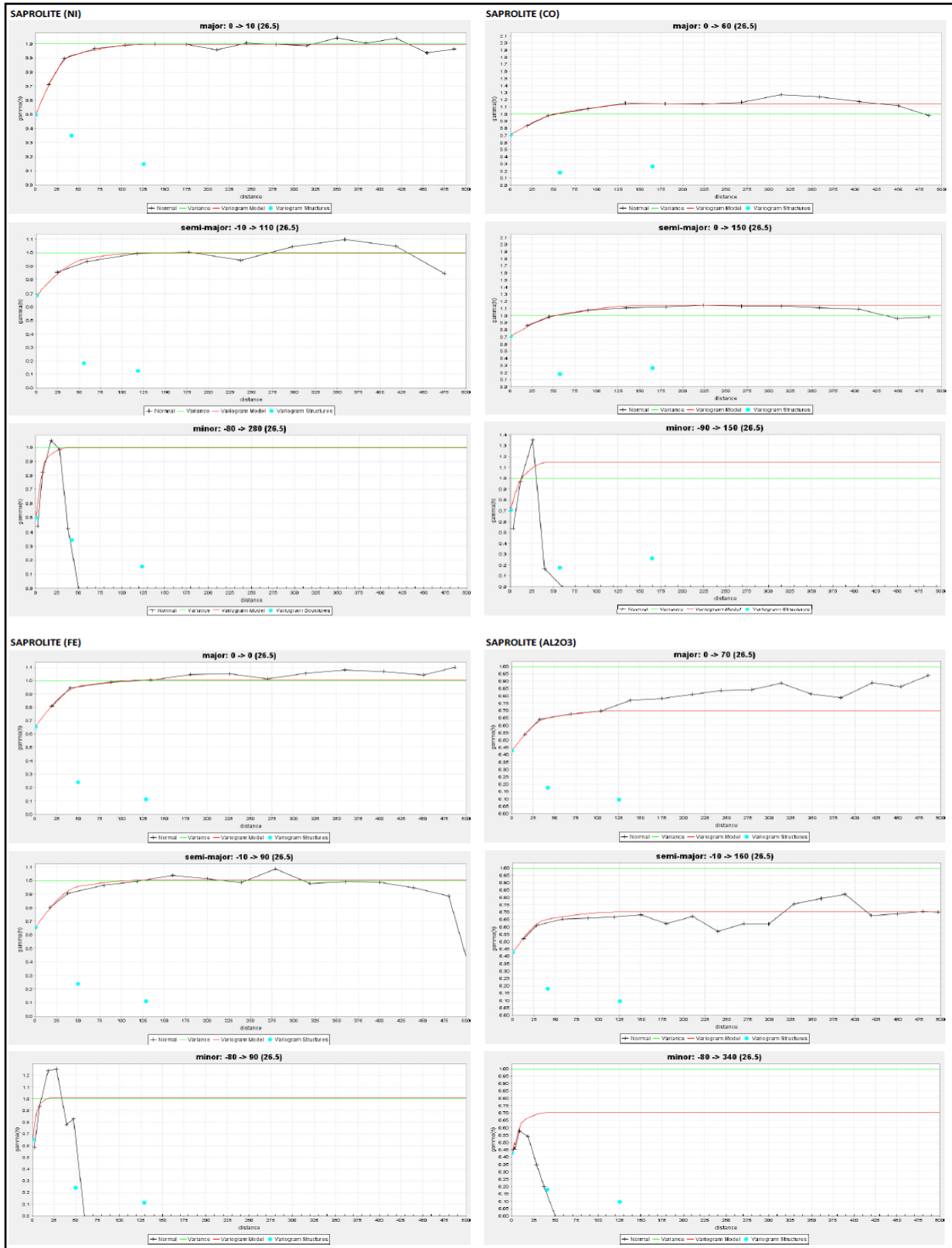
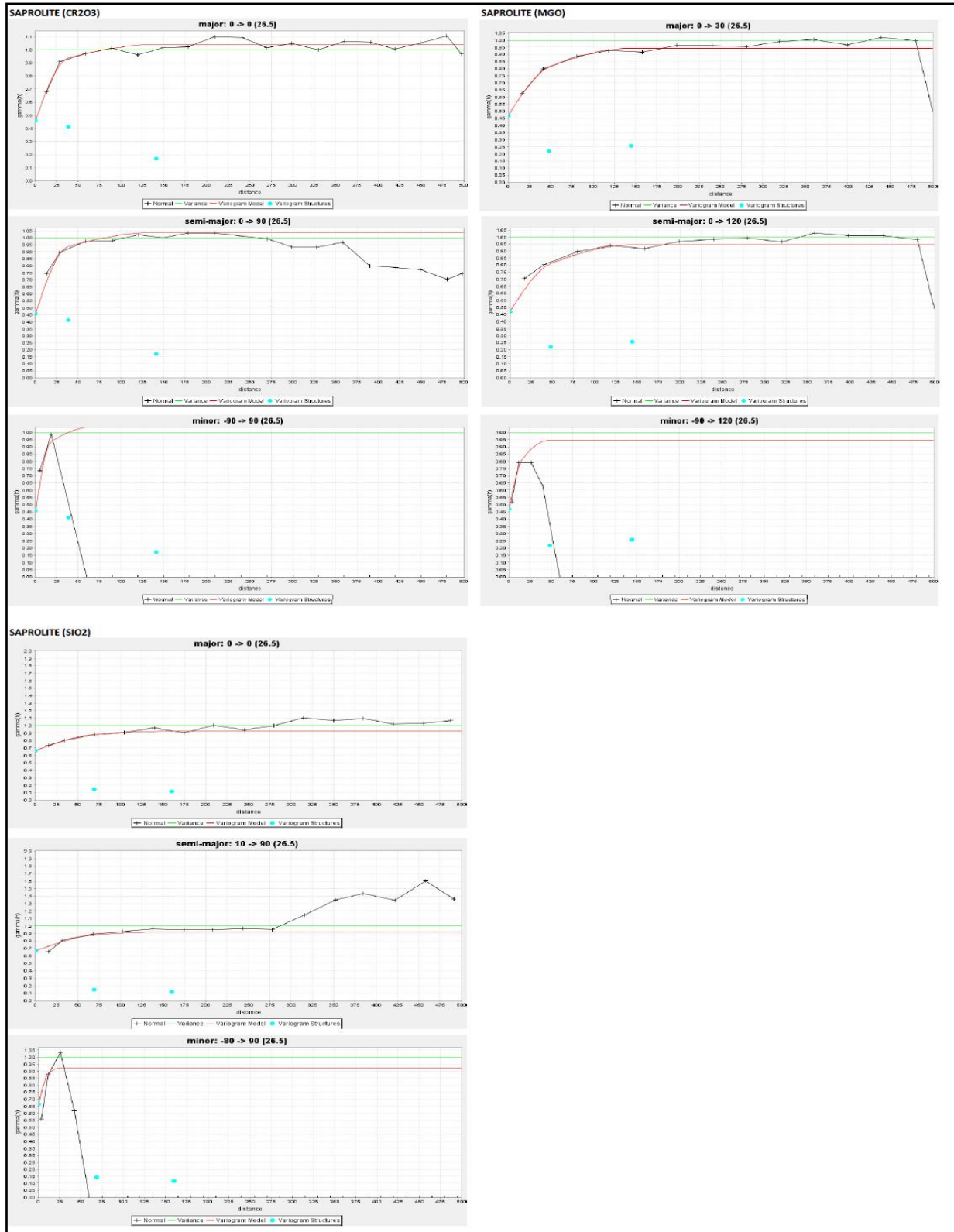


Figure-111. Variogram Analysis (Saprolite)



INC Mineral Resource Evaluation (PMRC-CP Technical Report)



10.8 Geological Surface Generation and Domain Modelling

Major geological zones were interpreted and delineated as surfaces using data from drill hole and test pit assays as shown in **Figure-112**.

The modelling of the geological surfaces involves the following:

- Extraction of the footwall of the domains (Limonite, Saprolite and Bedrock bottoms);
- Digital Terrain Modelling (DTM) of the footwall of the domains;
- Digitizing of geological boundaries to define the horizontal extents of the domain. This boundary was based on the drill hole and test pit edges. Extrapolation to beyond the drill hole and test pit edges was done at a radius of 25m, 50m and 100m generated polygons; and
- Solids modelling of the geological boundaries.

The geologic contact at the bottom of each lithology was extracted into collar points and exported into the Surpac survey and surface generation module. This was triangulated to produce a geological surface. Three (3) bottom surfaces were generated namely limonite, saprolite and bedrock. The geological surfaces were used to delimit the blocks according to lithology.

Geological model boundaries were generated by digitizing a closed string around the periphery of the drilled area and extrapolating by offsetting the string to around 50m distance. A solid was then constructed that would enclose the geological domains, surface topography and exploration boundaries. This became the lateral boundary for the block model.

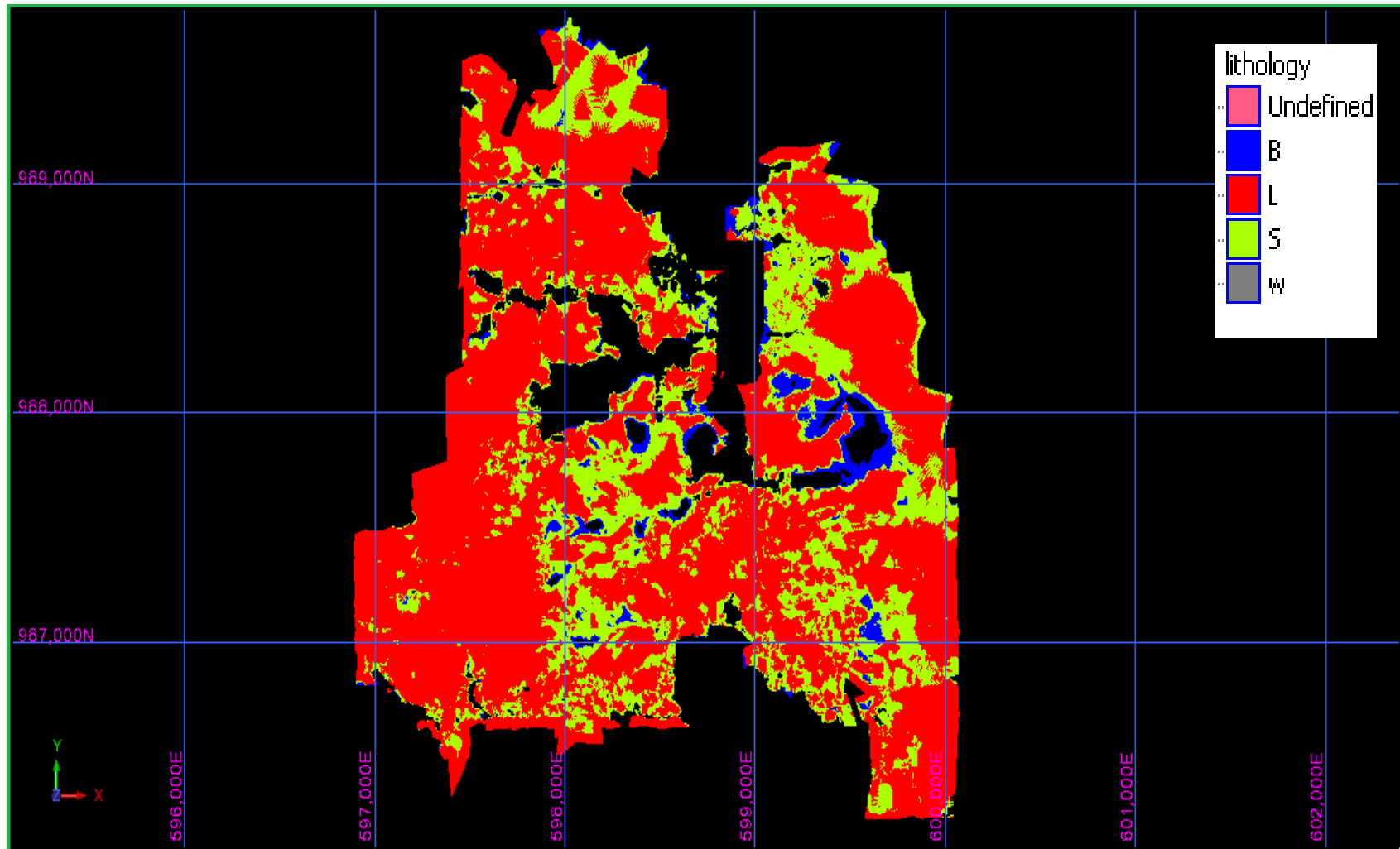


Figure-112. Block Model of Lithological Domains

10.9 Grade Interpolation

The interpreted geological surfaces were used as hard boundaries in the interpolation of the elements and only grades inside each domain were used to interpolate the blocks inside the domain. The grade interpolation was then executed using the Ordinary Kriging (OK) method for the both the limonite and saprolite domains while an Inverse Distance Weighing (IDW) technique as used for bedrock domain.

There was no major horizontal anisotropy identified within the weathering profiles as expected in these types of deposits.

The search ellipse parameters for each element and pass are shown in **Tables-32 to 40**.

Attributes	Pass	Major/Semi	Major/Min	Azimuth	Dip	Plunge	Search Radius	Depth	Min Samples	Max Samples	Descrctization
Ni	1	1	7.5	30	0	0	30	4	3	15	5x5x3
	2	1	7.5	30	0	0	75	10	3	15	5x5x3
	3	1	12	30	0	0	120	10	3	15	5x5x3
Co	1	1	7.5	0	-10	0	30	4	3	15	5x5x3
	2	1	7.5	0	-10	0	75	10	3	15	5x5x3
	3	1	12	0	-10	0	120	10	3	15	5x5x3
Fe	1	1	7.5	120	10	0	30	4	3	15	5x5x3
	2	1	7.5	120	10	0	75	10	3	15	5x5x3
	3	1	12	120	10	0	120	10	3	15	5x5x3
Al2O3	1	1	7.5	0	0	0	30	4	3	15	5x5x3
	2	1	7.5	0	0	0	75	10	3	15	5x5x3
	3	1	12	0	0	0	120	10	3	15	5x5x3
Cr2O3	1	1	7.5	30	0	0	30	4	3	15	5x5x3
	2	1	7.5	30	0	0	75	10	3	15	5x5x3
	3	1	12	30	0	0	120	10	3	15	5x5x3
MgO	1	1	7.5	120	0	0	30	4	3	15	5x5x3
	2	1	7.5	120	0	0	75	10	3	15	5x5x3
	3	1	12	120	0	0	120	10	3	15	5x5x3
SiO2	1	1	7.5	20	-20	0	30	4	3	15	5x5x3
	2	1	7.5	20	-20	0	75	10	3	15	5x5x3
	3	1	12	20	-20	0	120	10	3	15	5x5x3

Table-32. Search Ellipse Parameters for Limonite at 25m Grid

INC Mineral Resource Evaluation (PMRC-CP Technical Report)

Attributes	Pass	Major/Semi	Major/Min	Azimuth	Dip	Plunge	Search Radius	Depth	Min Samples	Max Samples	Descretization
Ni	1	1	7.5	30	0	0	75	10	3	15	5x5x3
	2	1	12	30	0	0	120	10	3	15	5x5x3
Co	1	1	7.5	0	-10	0	75	10	3	15	5x5x3
	2	1	12	0	-10	0	120	10	3	15	5x5x3
Fe	1	1	7.5	120	10	0	75	10	3	15	5x5x3
	2	1	12	120	10	0	120	10	3	15	5x5x3
Al2O3	1	1	7.5	0	0	0	75	10	3	15	5x5x3
	2	1	12	0	0	0	120	10	3	15	5x5x3
Cr2O3	1	1	7.5	30	0	0	75	10	3	15	5x5x3
	2	1	12	30	0	0	120	10	3	15	5x5x3
MgO	1	1	7.5	120	0	0	75	10	3	15	5x5x3
	2	1	12	120	0	0	120	10	3	15	5x5x3
SiO2	1	1	7.5	20	-20	0	75	10	3	15	5x5x3
	2	1	12	20	-20	0	120	10	3	15	5x5x3

Table-33. Search Ellipse Parameters for Limonite at 50m Grid

Attributes	Pass	Major/Semi	Major/Min	Azimuth	Dip	Plunge	Search Radius	Depth	Min Samples	Max Samples	Descretization
Ni	1	1	12	30	0	0	120	10	3	15	5x5x3
Co	1	1	12	0	-10	0	120	10	3	15	5x5x3
Fe	1	1	12	120	10	0	120	10	3	15	5x5x3
Al2O3	1	1	12	0	0	0	120	10	3	15	5x5x3
Cr2O3	1	1	12	30	0	0	120	10	3	15	5x5x3
MgO	1	1	12	120	0	0	120	10	3	15	5x5x3
SiO2	1	1	12	20	-20	0	120	10	3	15	5x5x3

Table-34. Search Ellipse Parameters for Limonite at 100m Grid

INC Mineral Resource Evaluation (PMRC-CP Technical Report)

Attributes	Pass	Major/Semi	Major/Min	Azimuth	Dip	Plunge	Search Radius	Depth	Min Samples	Max Samples	Descretization
Ni	1	1	5	10	-10	0	35	7	3	15	5x5x3
	2	1	3.75	10	-10	0	75	20	3	15	5x5x3
	3	1	6	10	-10	0	120	20	3	15	5x5x3
Co	1	1	5	60	0	0	35	7	3	15	5x5x3
	2	1	3.75	60	0	0	75	20	3	15	5x5x3
	3	1	6	60	0	0	120	20	3	15	5x5x3
Fe	1	1	5	0	-10	0	35	7	3	15	5x5x3
	2	1	3.75	0	-10	0	75	20	3	15	5x5x3
	3	1	6	0	-10	0	120	20	3	15	5x5x3
Al2O3	1	1	5	70	-10	0	35	7	3	15	5x5x3
	2	1	3.75	70	-10	0	75	20	3	15	5x5x3
	3	1	6	70	-10	0	120	20	3	15	5x5x3
Cr2O3	1	1	5	0	0	0	35	7	3	15	5x5x3
	2	1	3.75	0	0	0	75	20	3	15	5x5x3
	3	1	6	0	0	0	120	20	3	15	5x5x3
MgO	1	1	5	30	0	0	35	7	3	15	5x5x3
	2	1	3.75	30	0	0	75	20	3	15	5x5x3
	3	1	6	30	0	0	120	20	3	15	5x5x3
SiO2	1	1	5	0	10	0	35	7	3	15	5x5x3
	2	1	3.75	0	10	0	75	20	3	15	5x5x3
	3	1	6	0	10	0	120	20	3	15	5x5x3

Table-35. Search Ellipse Parameters for Saprolite at 25m Grid

Attributes	Pass	Major/Semi	Major/Min	Azimuth	Dip	Plunge	Search Radius	Depth	Min Samples	Max Samples	Descretization
Ni	1	1	3.75	10	-10	0	75	20	3	15	5x5x3
	2	1	6	10	-10	0	120	20	3	15	5x5x3
Co	1	1	3.75	60	0	0	75	20	3	15	5x5x3
	2	1	6	60	0	0	120	20	3	15	5x5x3
Fe	1	1	3.75	0	-10	0	75	20	3	15	5x5x3
	2	1	6	0	-10	0	120	20	3	15	5x5x3
Al2O3	1	1	3.75	70	-10	0	75	20	3	15	5x5x3
	2	1	6	70	-10	0	120	20	3	15	5x5x3
Cr2O3	1	1	3.75	0	0	0	75	20	3	15	5x5x3
	2	1	6	0	0	0	120	20	3	15	5x5x3
MgO	1	1	3.75	30	0	0	75	20	3	15	5x5x3
	2	1	6	30	0	0	120	20	3	15	5x5x3
SiO2	1	1	3.75	0	10	0	75	20	3	15	5x5x3
	2	1	6	0	10	0	120	20	3	15	5x5x3

Table-36. Search Ellipse Parameters for Saprolite at 50m Grid

INC Mineral Resource Evaluation (PMRC-CP Technical Report)

Attributes	Pass	Major/Semi	Major/Min	Azimuth	Dip	Plunge	Search Radius	Depth	Min Samples	Max Samples	Descretization
Ni	1	1	6	10	-10	0	120	20	3	15	5x5x3
Co	1	1	6	60	0	0	120	20	3	15	5x5x3
Fe	1	1	6	0	-10	0	120	20	3	15	5x5x3
Al2O3	1	1	6	70	-10	0	120	20	3	15	5x5x3
Cr2O3	1	1	6	0	0	0	120	20	3	15	5x5x3
MgO	1	1	6	30	0	0	120	20	3	15	5x5x3
SiO2	1	1	6	0	10	0	120	20	3	15	5x5x3

Table-37. Search Ellipse Parameters for Saprolite at 100m Grid

Parameters	Pass 1	Pass 2	Pass 3
Max Search Radius	35	75	120
Max Depth	7	20	20
Min Samples	3	3	3
Max Samples	15	15	15
Descretization	5x3x3	5x3x3	5x3x3
Max/ Semi	1	1	1
Maj/Min	5	3.75	6
Azimuth	0	0	0
Dip	0	0	0
Plunge	0	0	0

Table-38. IDW Search Ellipse Parameters for Bedrock at 25m Grid

Parameters	Pass 1	Pass 2
Max Search Radius	75	120
Max Depth	20	20
Min Samples	3	3
Max Samples	15	15
Descretization	5x3x3	5x3x3
Max/ Semi	1	1
Maj/Min	3.75	6
Azimuth	0	0
Dip	0	0
Plunge	0	0

Table-39. IDW Search Ellipse Parameters for Bedrock at 50m Grid

Parameters	Pass 1
Max Search Radius	120
Max Depth	20
Min Samples	3
Max Samples	15
Descretization	5x3x3
Max/ Semi	1
Maj/Min	6
Azimuth	0
Dip	0
Plunge	0

Table-40. IDW Search Ellipse Parameters for Bedrock at 100m Grid

10.10 Mineral Resource Estimation – Block Modelling

The block model, which was constructed using Gemcom Surpac v6.3.2, was defined using the geological domain constraints to generate volumetrics, block cell sizes, origin, extents, rotation and block cell attributes

Pre-defined values (constants) were assigned in each block cell and these are:

- Lithological Codes – Three (3) lithological codes were assigned namely Limonite (L), Saprolite (S) and Bedrock (B) using the constraint functions as bounded by lithological surfaces (bottom), digital terrain model of the topographic surface and block model boundaries;
- Grid – Three (3) drilling grids namely 25, 50 and 100 were assigned into each block cell based on the domains of drill hole/test pit spacing. This grid was the basis for the assignment of search radius and classification based on the PMRC guidelines;
- Dry Bulk Density - The dry bulk density values were adapted from the previous mineral resource evaluation reports done by Snowden (November 2008) and R. Flores (June 2010) which is given below, **Table-41**.

Domain	Dry bulk density (dmt/cum)
Limonite	1.10
Saprolite	1.30

Table-41. Dry Bulk Density

Topographic map of the deposit area that was used in the block model is based from actual topographic survey. A digital terrain model was constructed to serve as the top constraint of the block model (**Figure-113**).

No Mining depletions were applied to the block model since the area has not yet been mined.

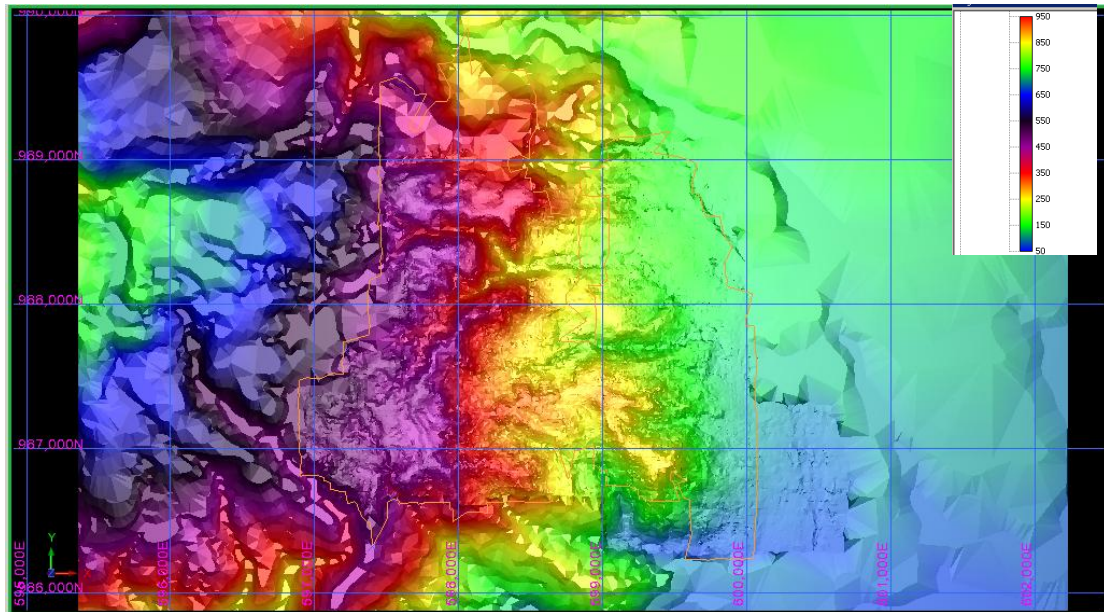


Figure-113. Digital Terrain Model of Topography

Block model parameters and block model attributes are shown in **Table-42** and **Table-43**, respectively.

Type	North (Y)	East (X)	Level (Z)
Minimum Coordinates	986,000	596,000	1.50
Maximum Coordinates	990,000	601,000	661.50
Block Size	25	25	3
Sub-blocks	6.25	6.25	0.75
Rotation	0	0	0

Table-42. Block Model Parameters

Attributes	Description
ni	estimated nickel (D2 Field)
co	estimated cobalt (D3 Field)
fe	estimated iron (D4 Field)
al2o3	estimated aluminum oxide (D5 Field)
cr2o3	estimated chromite (D6 Field)
MgO	estimated magnesium oxide (D7 Field)
sio2	estimated Silica (D8 Field)
num_ni	number of nickel samples used to estimate block grade
num_co	number of cobalt samples used to estimate block grade
num_fe	number of iron samples used to estimated block grade
num_al2o3	number of aluminum oxide samples used to estimate block grade
num_cr2o3	number of chromite samples used to estimate block grade
num_MgO	number of magnesium oxide samples used to estimate block grade
num_sio2	number of silicate samples used to estimate block grade
lithology	lithology (L for Limonite, S for Saprolite and B for Bedrock)
oreclass	INC defined ore classification
material	Marketable ore type (LG, MG, HG, etc.)
classification	PMRC classification of resources (mes - measured, ind - indicated and inf - inferred)
sg	Dry bulk density (in dry tonnes/cum). Default value is 1.1
block_vol	volume of a cell in a block model, cum. Formula: $_{xext} *_{yext} *_{zext}$
mass	Weight in dry tonnes of a cell in a block model. Formula: $block_vol * sg$
pass	Interpolation routine number (1 - first pass, 2 - 2nd pass, etc.)
grid	drilling grid pattern (25x25, 50x50, 100x100m grid)

Table-43. Block Model Attributes

10.11 Model Validation

Upon completion of the grade interpolation, a block model validation was carried out by statistical distribution comparison to check the block model grades as against the sample grades. The details of the observation are as follows:

- The results of the comparison shows that the block grades are consistently lower than the sample grades to within 15%;
- The grades in the block model are smoothed simulating dilution of grades. The smoothing of the grades based on experience is within the allowable range for this particular type of deposit based on the grades derived from the conduct of actual mining in Surigao.

- The review of the analytical comparison indicates that a good correlation exists, as shown in the correlation diagrams. This good correlation of the samples and interpolated block model is further supported when a visual inspection is completed.
- Overall, the model validation confirms that the estimate is representative of the composites and is indicative of the known controls of mineralization and the underlying data used for estimation.

Summary of findings is in **Tables-44** to **45**.

Particular	Ni	Fe
Sample Grade (Mean)	1.11	42.42
Block Grade (Mean)	1.01	37.14
%Variance	9.24%	12.44%
Correlation Coefficient	0.98	0.91

Table-44. Summary of Block Model Validation for Limonite

Particular	Ni	Fe
Sample Grade (Mean)	1.24	14.35
Block Grade (Mean)	1.09	14.62
%Variance	12.06%	-1.86%
Correlation Coefficient	0.99	0.98

Table-45. Summary of Block Model Validation for Saprolite

Correlations of blocks vs. samples for limonite and saprolite are given in **Figures-114 and 115**.

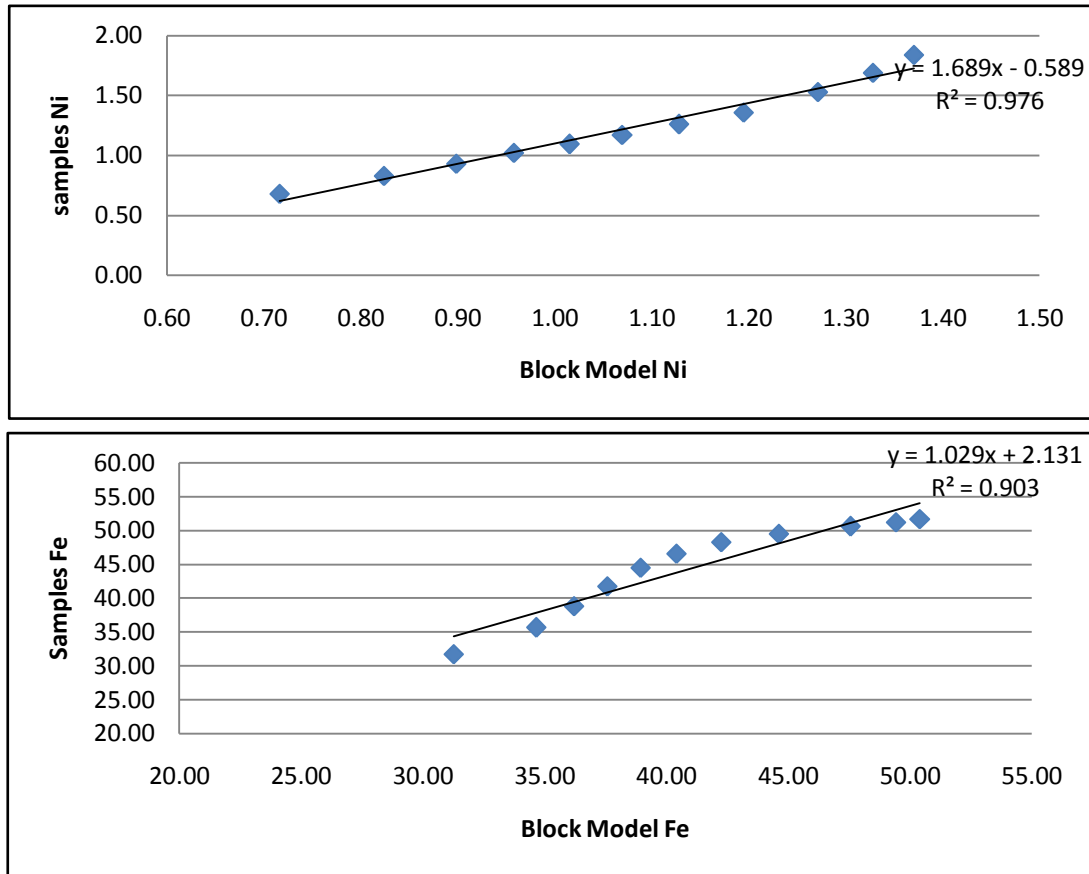


Figure-114. Correlation of Blocks vs Samples (Limonite)

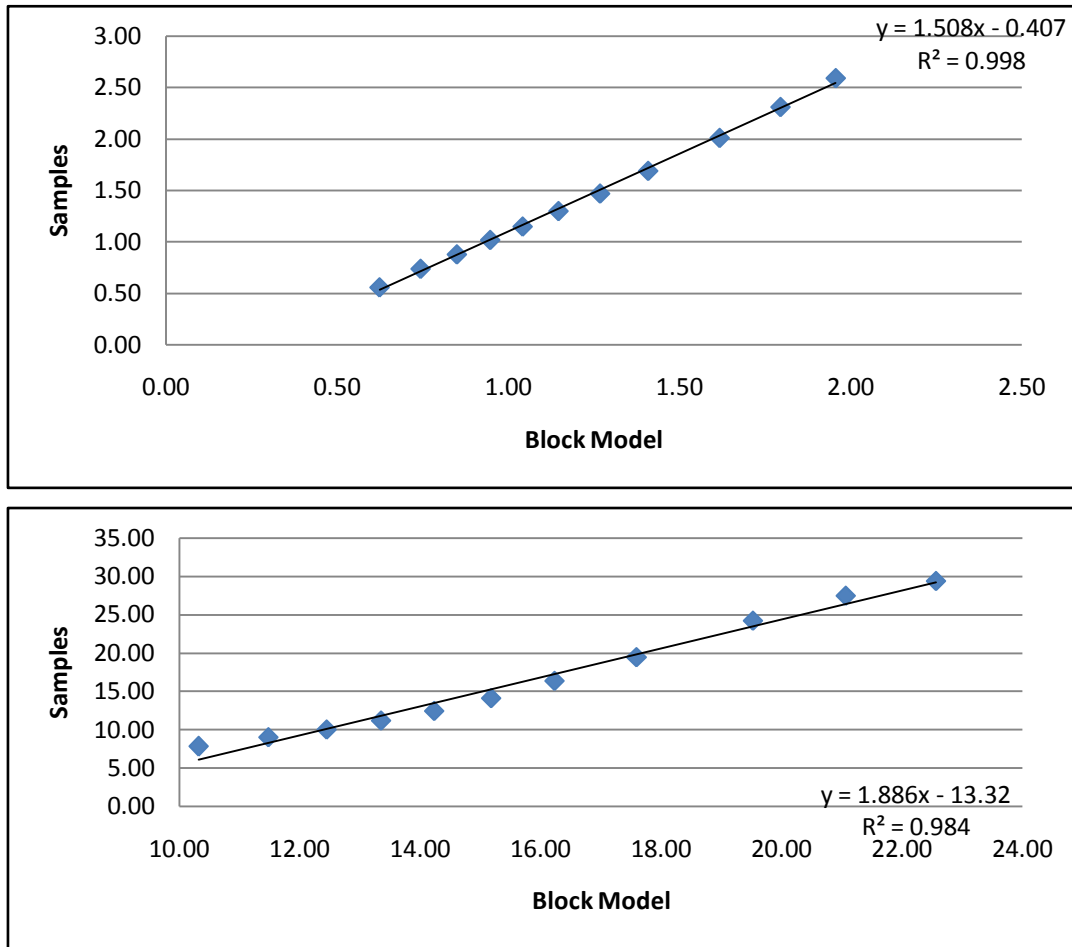


Figure-115. Correlation of Blocks vs Samples (Saprolite)

10.12 Mineral Resource Categories Used

The mineral resource categories used are based on the 2007 edition of the Philippine Mineral Reporting Council (PMRC) Code and its implementing rules and regulations.

Resources for this deposit were estimated to PMRC standards and involve resource categories of measured, indicated or inferred status. These resource categories as outlined in “The 2007 Philippine Mineral Reporting Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (The PMRC Code)” include:

- A **‘Mineral Resource’** refers to the concentration or occurrence of material of intrinsic economic interest in or on the Earth’s crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and sampling. Mineral Resources are subdivided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.

In this report, the term Mineral Resource refers to the mineral resource that has been blocked by the Company by means of either test pitting and/or core drilling that was properly located and the samples systematically analyzed in order to determine the vertical extent of the limonite/saprolite development. The horizontal limits were defined by means of geological mapping and incorporation of a surface topographic survey. The cut-off thickness is based on technological operational constraints and current market specifications.

- A **‘Measured Mineral Resource’** is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity.

In this report, the term Measured Mineral Resource refers to nickel laterite resource that has been drilled to an average grid of 50m x 50m in the case of limonite material which has a more consistent grade trend resulting in high confidence level in estimates and 25m x 25m for saprolite material which has a higher variability in grades due to the unpredictable occurrence of unmineralized rocks within the enriched saprolite profile.

- An **‘Indicated Mineral Resource’** is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource, but has a higher level of confidence than that applying to an Inferred Mineral Resource.

In this report, the term Indicated Mineral Resource refers to nickel laterite resource that has been drilled to an average grid of 100m x 100m for limonite material and 50m x 50m for saprolite material.

- An **'Inferred Mineral Resource'** is that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, working and drill holes which may be limited or of uncertain quality and reliability. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource.

In this report, the term Inferred Mineral Resource refers to nickel laterite resource that has been drilled to an average grid of 200m x 200m for limonite material and 100m x 100m for saprolite material.

The choice of the appropriate category of Mineral Resource depends upon the quantity, distribution and quality of data available and the level of confidence that attaches to those data.

The appropriate Mineral Resource category must be determined by a Competent Person or Persons.

In summary, the classification of Mineral Resources according to confidence categories (i.e. Measured, Indicated or Inferred) for PMRC Standards (**Table-46**) is dependent on the average spacing of data points from which reliable laterite thickness and laterite quality can be obtained. The geological complexity, deposit continuity and quality of the limonite/saprolite deposits being evaluated dictate the level of drilling density required to meet the PMRC Standards.

Domain	Grid	Pass 1	Pass 2	Pass 3
Limonite	25	Measured	Measured	Indicated
	50	Measured	Indicated	-
	100	Indicated	-	-
Saprolite	25	Measured	Indicated	Inferred
	50	Indicated	Inferred	-
	100	Inferred	-	-

Table-46. PMRC Classification Based on Grade Interpolation

The block model showing PMRC Classification is shown in **Figure-116**.

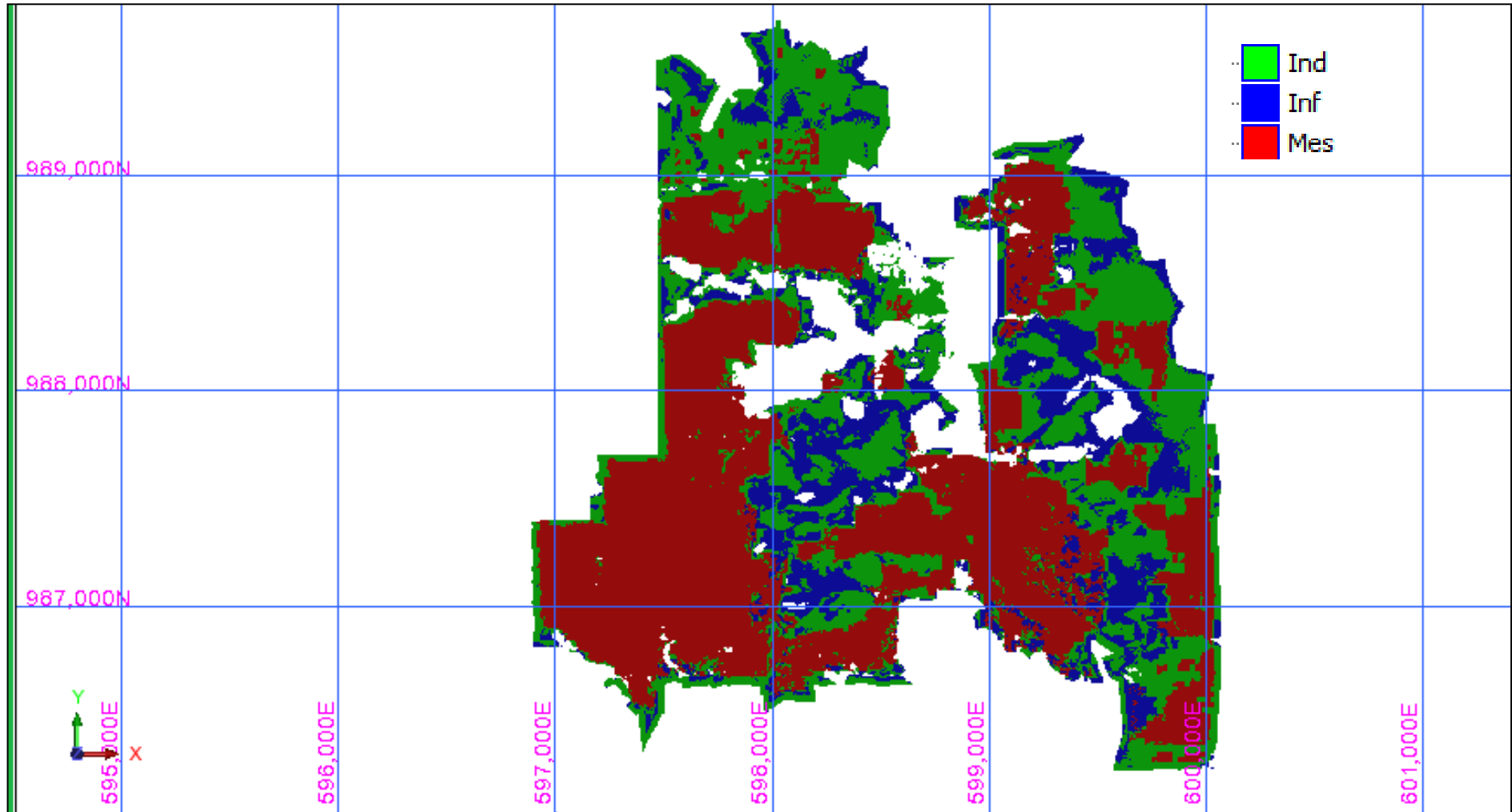


Figure-116. Block Model Showing PMRC Classification

10.13 Statement of Mineral Resources

Resource classification was thoroughly evaluated and also correlated with previous resource reports.

Saprolite material is highly variable due to the unpredictable occurrence of poorly mineralized rocks within the Ni enriched weathered/saprolite profile. The lower resource classification applied for saprolite reflects the lower confidence in the prediction of saprolite grades and volumes.

Based on the above resource categories, the estimated mineral resources are given in **Table-47**.

Material	Classification	DMT	Ni	Fe	Sg
Low Grade Ni>=0.70%; Fe>=48%	Measured	2,218,000	1.07	49.6	1.1
	Indicated	293,000	1.01	49.7	1.1
	Subtotal	2,511,000	1.06	49.6	1.1
Medium Grade Ni>=0.80% <1.50%; Fe<48%	Measured	28,233,000	1.15	23.6	1.2
	Indicated	10,193,000	1.05	25.2	1.2
	Subtotal	38,426,000	1.12	24.0	1.2
High Grade Ni>=1.5%; Fe<48%	Measured	8,363,000	1.75	16.5	1.3
	Indicated	706,000	1.69	16.1	1.3
	Subtotal	9,069,000	1.75	16.5	1.3
Combined	Measured	38,814,000	1.27	23.6	1.2
	Indicated	11,192,000	1.09	25.3	1.2
	Total	50,006,000	1.23	24.0	1.2

Table-47. Statement of Measured and Indicated Mineral Resources as at 03 October 2014

The grade tonnage data for the measured and indicated mineral resources are given in **Table-48** and the corresponding grade tonnage curves are shown in **Figures-117** to **119**.

INC Mineral Resource Evaluation (PMRC-CP Technical Report)

Domain Ni Cut-off	Limonite				Saprolite				Total			
	DMT	Ni	Fe	Sg	DMT	Ni	Fe	Sg	DMT	Ni	Fe	Sg
0.0												
0.1												
0.2												
0.3	23,345,700	1.05	39.2	1.1	36,808,600	1.21	14.4	1.3	60,154,300	1.15	24.1	1.2
0.4	23,332,300	1.05	39.2	1.1	36,673,400	1.21	14.4	1.3	60,005,700	1.15	24.1	1.2
0.5	23,138,700	1.05	39.3	1.1	36,183,300	1.22	14.4	1.3	59,322,000	1.16	24.1	1.2
0.6	22,571,600	1.06	39.5	1.1	35,088,500	1.24	14.5	1.3	57,660,100	1.17	24.3	1.2
0.7	21,486,600	1.08	39.7	1.1	33,398,200	1.27	14.5	1.3	54,884,800	1.20	24.3	1.2
0.8	19,923,000	1.11	39.8	1.1	31,142,500	1.31	14.5	1.3	51,065,500	1.23	24.4	1.2
0.9	17,210,300	1.15	40.2	1.1	28,374,300	1.36	14.4	1.3	45,584,600	1.28	24.1	1.2
1.0	13,731,100	1.20	40.5	1.1	25,163,100	1.41	14.4	1.3	38,894,200	1.34	23.6	1.2
1.1	9,646,900	1.27	40.9	1.1	21,522,100	1.47	14.4	1.3	31,169,000	1.41	22.6	1.2
1.2	5,916,200	1.34	40.6	1.1	17,860,200	1.54	14.4	1.3	23,776,400	1.49	20.9	1.3
1.3	3,024,100	1.43	40.5	1.1	14,347,300	1.61	14.4	1.3	17,371,400	1.58	19.0	1.3
1.4	1,504,900	1.53	40.3	1.1	10,978,700	1.69	14.4	1.3	12,483,600	1.67	17.5	1.3
1.5	715,400	1.63	40.0	1.1	8,207,100	1.77	14.4	1.3	8,922,500	1.75	16.5	1.3
1.6	332,900	1.72	39.2	1.1	5,988,800	1.84	14.4	1.3	6,321,700	1.84	15.7	1.3
1.7	150,600	1.82	37.3	1.1	4,184,000	1.93	14.5	1.3	4,334,600	1.93	15.3	1.3
1.8	69,300	1.92	35.3	1.1	2,791,500	2.02	14.5	1.3	2,860,800	2.02	15.0	1.3
1.9	30,500	2.03	33.8	1.1	1,760,400	2.12	14.5	1.3	1,790,900	2.11	14.8	1.3
2.0	13,700	2.12	35.6	1.1	1,113,500	2.21	14.4	1.3	1,127,200	2.21	14.6	1.3
2.1	4,600	2.25	35.3	1.1	698,500	2.31	14.3	1.3	703,100	2.31	14.4	1.3
2.2	3,000	2.28	33.5	1.1	422,800	2.42	14.2	1.3	425,800	2.41	14.3	1.3
2.3	2,900	2.29	33.5	1.1	248,200	2.54	14.3	1.3	251,100	2.54	14.6	1.3
2.4	500	2.40	39.4	1.1	152,200	2.66	14.5	1.3	152,700	2.66	14.6	1.3

Table-48. Statement of Measured and Indicated Mineral Resources by Nickel Cut-off Grade

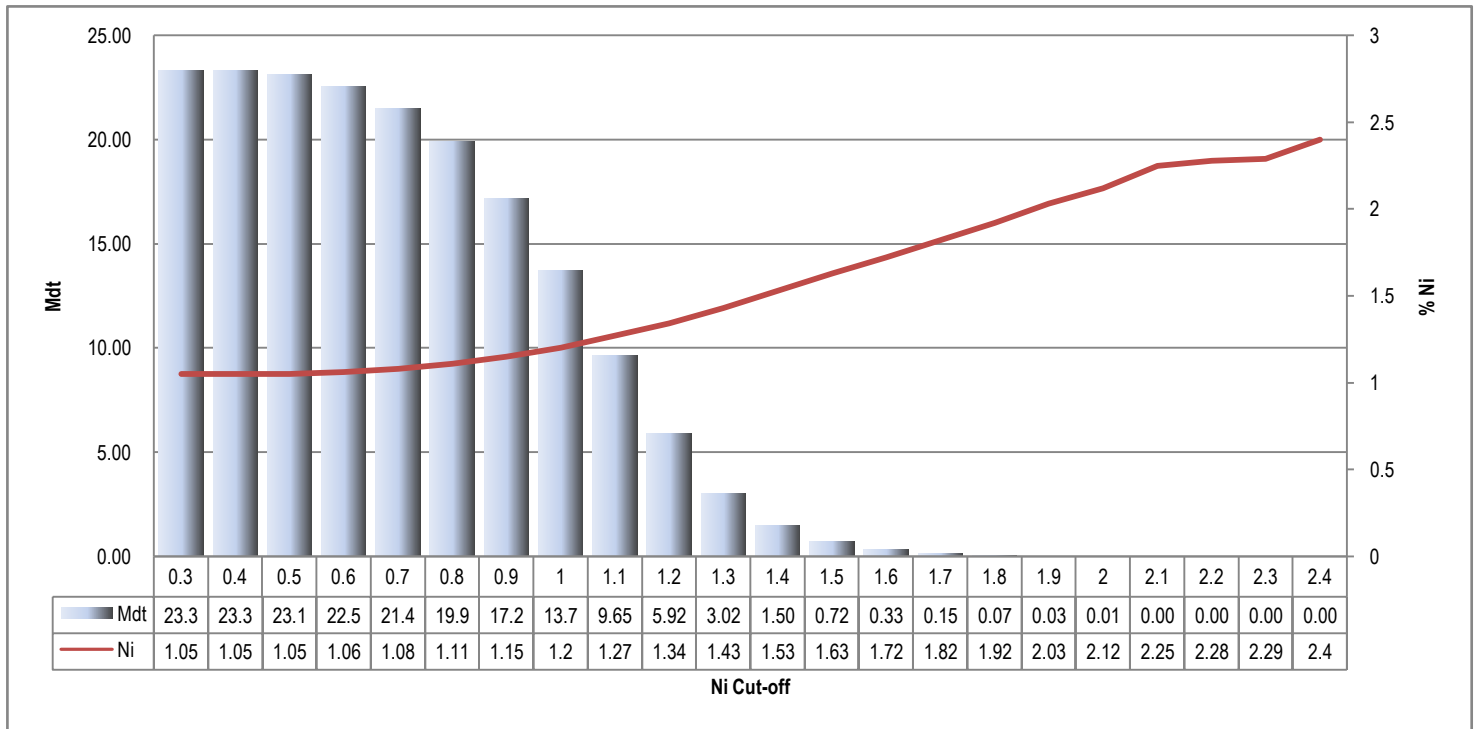


Figure-117. Limonite Grade-Tonnage Distribution (Measured and Indicated Mineral Resource)

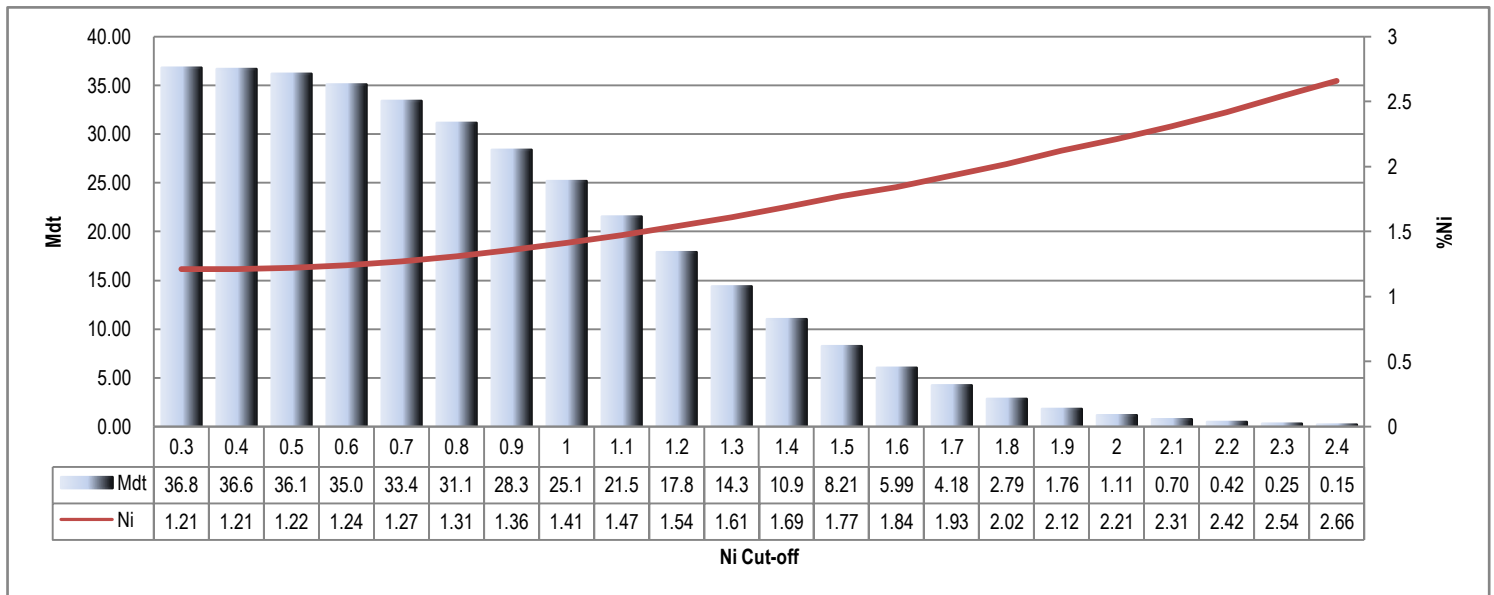


Figure-118. Saprolite Grade-Tonnage Distribution (Measured and Indicated Mineral Resource)

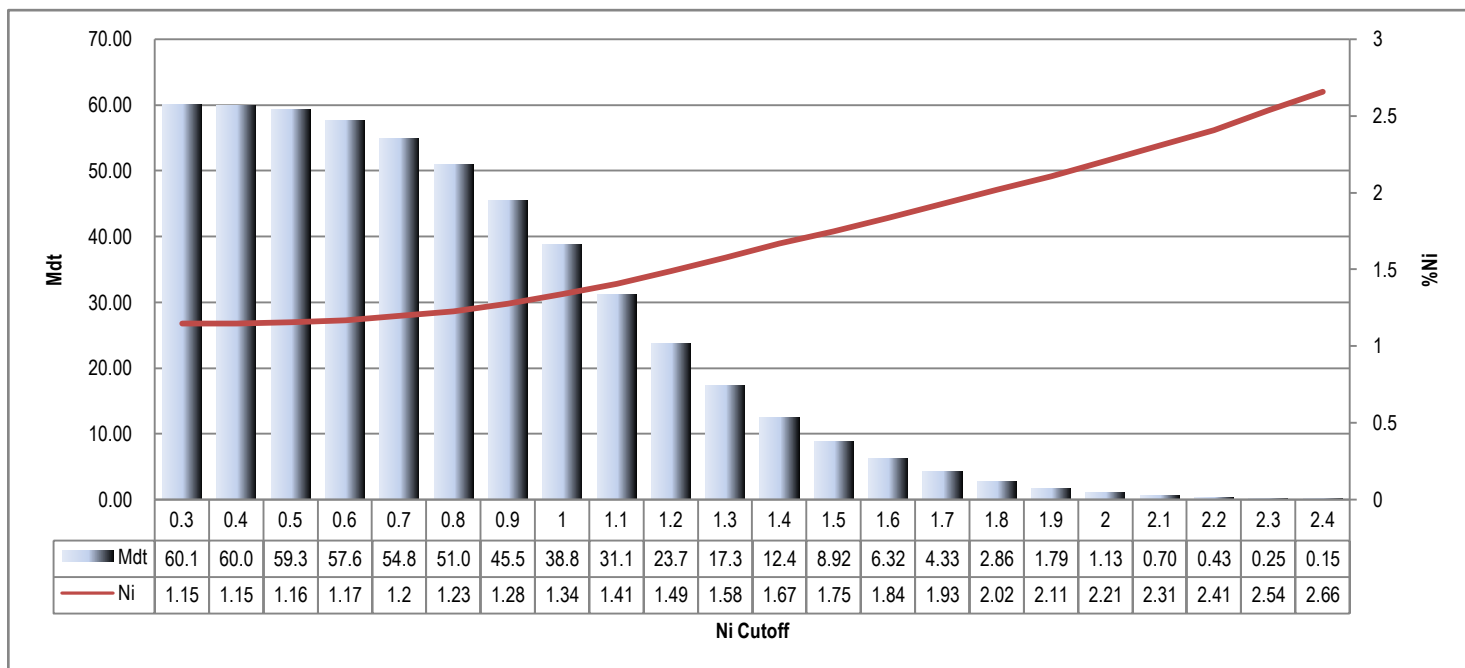


Figure-119. Limonite and Saprolite Grade-Tonnage Distribution (Measured + Indicated Mineral Resource)

10.14 Resource Estimates Including Inferred Resources

PMRC regulations do not allow inclusion of Inferred Resources in Statement of Mineral Resources. However, with additional drilling, these resources may be upgraded into Indicated or Measured Resources. These Inferred Resources are presented in **Tables-49** and **50** and grade tonnage curves are shown in **Figures-120** to **122**.

Material	Classification	DMT	Ni	Fe	Sg
Low Grade Ni>=0.70%; Fe>=48%	Inferred	13,000	0.88	49.7	1.1
Medium Grade Ni>=0.80% <1.50%; Fe<48%	Inferred	6,394,000	1.04	17.3	1.3
High Grade Ni>=1.5%; Fe<48%	Inferred	571,000	1.70	14.2	1.3
Total		6,978,000	1.09	17.1	1.3

Table-49. Statement of Inferred Mineral Resources

INC Mineral Resource Evaluation (PMRC-CP Technical Report)

Domain	Limonite				Saprolite				Total			
	DMT	Ni	Fe	Sg	DMT	Ni	Fe	Sg	DMT	Ni	Fe	Sg
0.0												
0.1												
0.2												
0.3												
0.4	1,038,200	1.03	37.5	1.1	11,137,800	0.91	14.3	1.3	12,176,000	0.92	16.3	1.3
0.5	1,037,700	1.03	37.5	1.1	10,844,400	0.92	14.4	1.3	11,882,100	0.93	16.4	1.3
0.6	1,020,800	1.04	37.5	1.1	9,686,700	0.96	14.5	1.3	10,707,500	0.97	16.7	1.3
0.7	929,900	1.08	37.6	1.1	7,985,200	1.03	14.6	1.3	8,915,100	1.04	17.0	1.3
0.8	846,500	1.11	37.6	1.1	6,314,000	1.11	14.4	1.3	7,160,500	1.11	17.1	1.3
0.9	755,200	1.14	37.5	1.1	4,816,000	1.18	14.1	1.3	5,571,200	1.18	17.3	1.3
1.0	590,200	1.20	37.5	1.1	3,543,900	1.27	14.0	1.3	4,134,100	1.26	17.4	1.3
1.1	437,400	1.25	37.5	1.1	2,419,700	1.37	13.8	1.3	2,857,100	1.35	17.5	1.3
1.2	273,300	1.31	37.7	1.1	1,728,600	1.46	13.7	1.3	2,001,900	1.44	17.0	1.3
1.3	112,300	1.41	37.5	1.1	1,253,900	1.54	13.7	1.3	1,366,200	1.53	15.7	1.3
1.4	49,800	1.48	37.3	1.1	899,900	1.62	13.8	1.3	949,700	1.61	15.0	1.3
1.5	13,600	1.57	36.7	1.1	596,300	1.71	13.8	1.3	609,900	1.71	14.3	1.3
1.6	2,700	1.73	37.4	1.1	376,400	1.81	14.1	1.3	379,100	1.81	14.2	1.3
1.7	1,200	1.85	38.3	1.1	237,900	1.90	14.3	1.3	239,100	1.90	14.4	1.3
1.8	1,200	1.85	38.3	1.1	130,200	2.03	14.4	1.3	131,400	2.03	14.6	1.3
1.9	1,200	1.85	38.3	1.1	82,100	2.14	14.0	1.3	83,300	2.13	14.4	1.3
2.0					61,500	2.20	14.0	1.3	61,500	2.20	14.0	1.3
2.1					36,600	2.31	13.8	1.3	36,600	2.31	13.8	1.3
2.2					27,100	2.37	14.1	1.3	27,100	2.37	14.1	1.3
2.3					15,700	2.46	14.6	1.3	15,700	2.46	14.6	1.3
2.4					12,800	2.48	14.2	1.3	12,800	2.48	14.2	1.3

Table-50. Statement of Inferred Mineral Resources by Nickel Cut-off Grade

INC Mineral Resource Evaluation (PMRC-CP Technical Report)

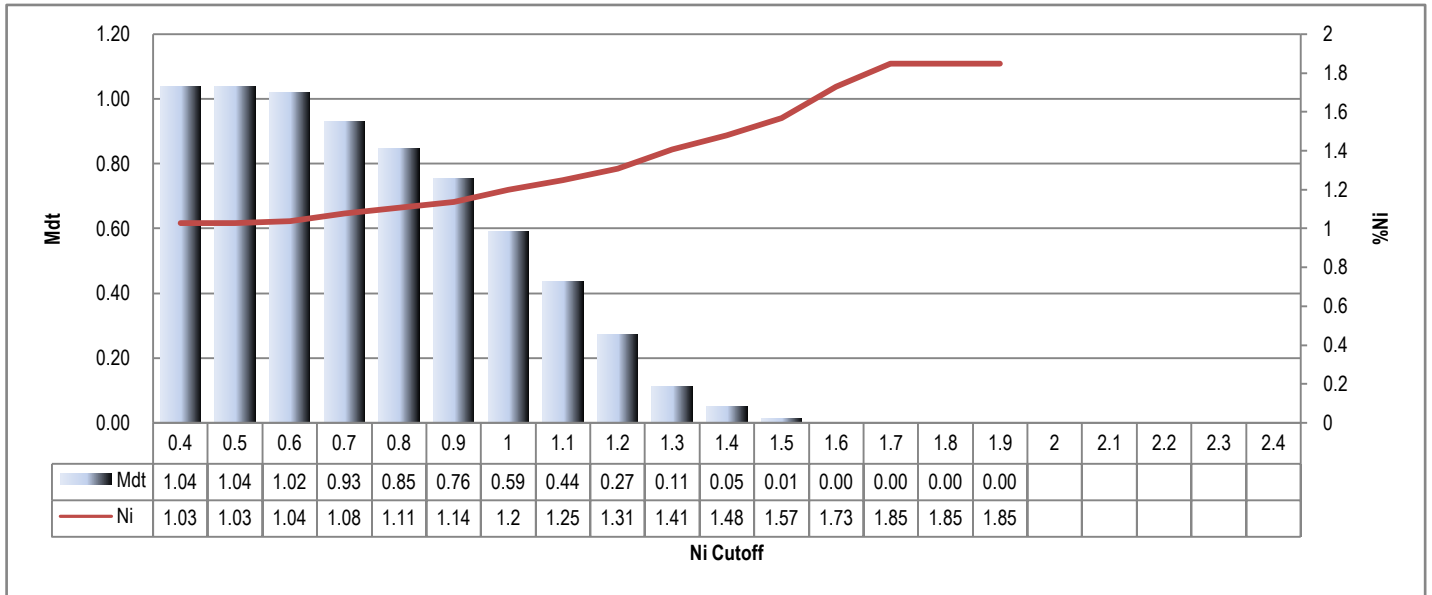


Figure-120. Limonite Grade-Tonnage Distribution (Inferred Mineral Resource)

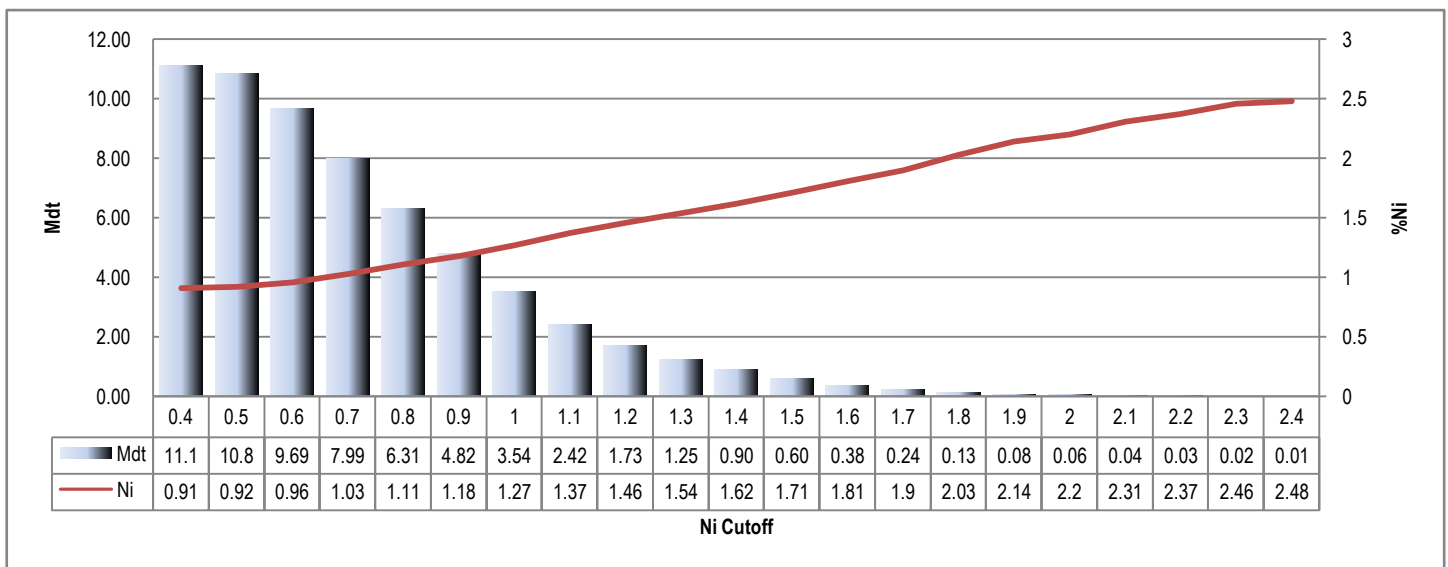


Figure-121. Saprolite Grade-Tonnage Distribution (Inferred Mineral Resource)

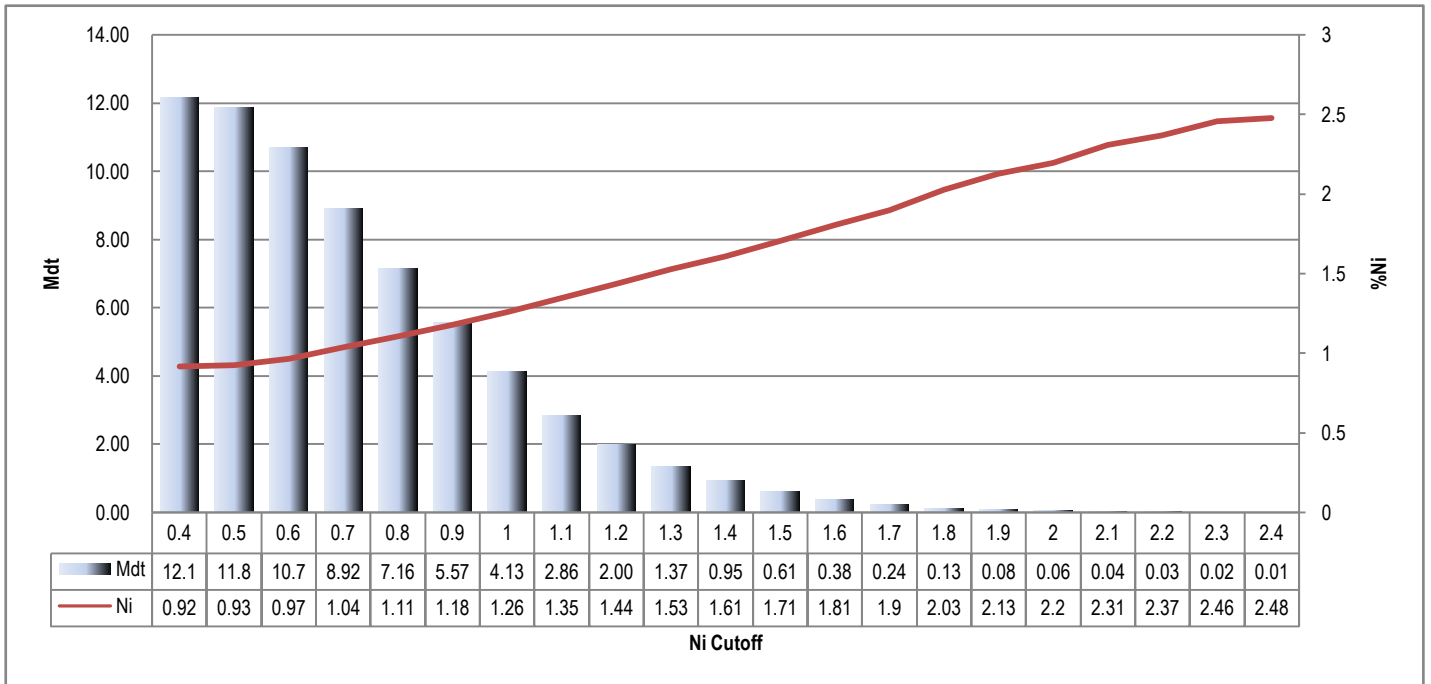


Figure-122. Limonite and Saprolite Grade-Tonnage Distribution (Inferred Mineral Resource)

10.15 Current PMRC Estimate vs. Previous Resource Estimates

The resource estimates used identical data with the exception of excluded data in the current PMRC Resource Estimate presented in this Technical Report. The current estimate also has different cut-off grades compared to the previous estimates.

No direct comparison was made between the current and previous estimates.

10.16 Exploration Potential

Possible potential areas are interpreted at the northern side of the tenement, at peripheral areas and at inferred resource areas where about 7,000,000 DMT have been estimated.

With the objective of possibly increasing the resource inventory, INC will consider implementing an exploration program to delineate and assess these other potential areas.

11.0 INTERPRETATION AND CONCLUSIONS

11.1 Synthesis of all the Data

Available data from the INC exploration were validated to warrant resource estimation for the INC Nickel Project and this was conducted in accordance with criteria defined within the PMRC Guidelines for reporting Mineral Resources.

The mineral resource evaluation conducted indicated that the INC Nickel Project has substantial PMRC- compliant nickel laterite resource comparable to operating nickel mines in the Philippines.

Resource reporting highlights are summarized in **Table-51** and include:

Criteria	Explanation
Sampling Techniques and Data <i>(criteria in this group apply to all succeeding groups)</i>	
<i>Core Sampling</i>	<ul style="list-style-type: none"> Sampling practice has aimed to consistently keep sample intervals around 1 m, but still sampled lithological zones separately. An Exploration Protocol has been adopted for the exploration programs.
<i>Drilling Type</i>	<ul style="list-style-type: none"> Only NQ/BQ core drilling on regular 200, 100, 50 and 25m grids has been used for resource definition.
<i>Core Logging</i>	<ul style="list-style-type: none"> Geologists have logged all drill cores to consistent standards, detailing color, hardness, recovery and lithology. Logging has been encoded and completed for sampled interval allowing integration of the data with assays and application of logging in interpretation and estimation.
<i>Sample Type</i>	<ul style="list-style-type: none"> Whole NQ/BQ core was used for sampling and assaying except for occasional core duplicate samples.
<i>Core Recovery</i>	<ul style="list-style-type: none"> Minor low recoveries at surface due to compaction and presence of cavities. Limonite recovery is generally excellent at almost 100%. Saprolite recovery is consistently above ~85%. Overall total core recovery is very high at 96.4%. There are only a small number of very low recovery intervals.

INC Mineral Resource Evaluation (PMRC-CP Technical Report)

Assay QA/QC	<ul style="list-style-type: none"> Assays were conducted by Intertek Testing Services, Inc. in Manila and at the BNC Lab (Intertek operated) in Quezon, Palawan. The Intertek laboratory analyses of samples generally, show acceptable repeatability and bias to be acceptable for use in resource estimation. The data is accurate and of acceptable precision especially for Ni and Fe. The database is of high integrity.
Verification	<ul style="list-style-type: none"> Verification of the limonite and saprolite by twin DHs or test pits was made by Jinchuan on Nov. – Dec. 2011.
DH Locations	<ul style="list-style-type: none"> All drill hole collars have been surveyed by reputable survey groups. The accuracy has been validated by field checks conducted by Jinchuan (Dec. 2011) and CP (July 2014.).
Data Density	<ul style="list-style-type: none"> Good correlation of thickness and grade are evident in the limonite suggesting the regular 50 m drilling grid is adequate to define the resource to a high degree of confidence (measured). Significant variability in the proportion of rock and fines in the saprolite has led to greater variance in the expected grade and hence would require closer-spaced drilling.
Reporting of Exploration Results <i>(Criteria listed in the preceding group apply also to this group.)</i>	
Land Tenure	<ul style="list-style-type: none"> INC has assured and binding legality of tenure rights.
Exploration	<ul style="list-style-type: none"> All resource data used were compiled by INC and TMM. These were then independently validated by the CP.
Data Aggregation	<ul style="list-style-type: none"> Drilling data were composited to an optimized 1 m composite to remove potential bias, which could result from small or uneven sample intervals.
Balanced Reporting	<ul style="list-style-type: none"> All core drill hole data with complete assay results was used. Some test pit data were excluded to avoid laterite profile truncation that could lead to distorted resource modelling and estimation.
Estimation and Reporting of Mineral Resources <i>(Criteria listed in the first group, and where relevant in the second group, apply also to this group.)</i>	
Database Integrity	<ul style="list-style-type: none"> Minor drill hole database errors were discovered and these typographical errors were corrected from hard copy drill log sheets.
Geological Interpretation	<ul style="list-style-type: none"> Continuity of the limonite and saprolite thickness was established by core drilling. Interpolation was done conservatively as necessary.
Estimation Method	<ul style="list-style-type: none"> Ordinary Kriging (OK) was used for all grade estimation. Appropriate block sizes were made to allow accurate volume estimation and representation of the topographic undulation. Small blocks have maintained the strong vertical grade trend within the resource.
Cut-off Grades	<ul style="list-style-type: none"> (1) $\geq 0.70\%$ Ni, $\geq 48\%$ Fe; (2) $\geq 0.80\%$ Ni to $< 1.5\%$ Ni, $< 48\%$ Fe and (3) $\geq 1.5\%$ Ni, $< 48\%$ Fe
Mining and Metallurgical Factors	<ul style="list-style-type: none"> None were applied for resource estimation.
Audits	<ul style="list-style-type: none"> Jinchuan Group Limited, Inc. conducted a due diligence on November- December 2011.

<i>Relationships</i>	<ul style="list-style-type: none"> <i>The strong vertical trend is well defined and typical for tropical Ni laterite deposits. Topography and weathering are the dominant geological controls. Both topography and grade trends have been considered by the resource estimation approach.</i>
<i>Tonnage Factors</i>	<ul style="list-style-type: none"> <i>All density and tonnage factors were calculated as dry in-situ tons.</i>
<i>Bulk Density</i>	<ul style="list-style-type: none"> <i>The density values applied were derived from field tests/measurements using the ASTM Bulk Density Sand Cone Technique done on test pit samples of necessary material/matrix type.</i>

Table-51. Resource Estimation/Classification Highlights

11.2 Adequacy of Data, Overall Data Integrity and Areas of Uncertainty

Overall the data used in the resource estimate for the INC Nickel Project is deemed adequate and the quality conforms within the specified limits required of the specific resource classification. The various statistical studies support the estimation results. The perceived uncertainty like saprolite consistency has been addressed with the lower resource classification applied. The sources of uncertainty on precision related to certain elements have been identified and quantified, and its related effects in estimation have been considered acceptable.

Possible additional inferred resources which have not been drilled to specified drill hole spacing were not included for resource reporting since these are not PMRC compliant. However, the inferred resources were likewise estimated and are recommended for additional drilling to upgrade them into indicated/measured mineral resources.

11.3 Overall Conclusions of the Competent Person

The Competent Person (CP) has ensured that the resource estimation is in accordance with the guidelines provided by the 2007 PMRC Code. Discussions on reporting highlights as presented in **Table-51** include salient comments for the items raised in “**Table-1 of the PMRC Code**” to support the mineral resource statement and classification for release to the public and guide their future exploration program to attain an excellent level of compliance.

The Competent Person (CP) has reported the resource estimation within the accuracy of the data provided.

11.4 CP Statement

The Competent Person (CP) believes that the level of accuracy/precision reported here is appropriate for the classification of the resource and the methods used for the estimate. The resource estimate reported may be considered valid within industry applicable limits and standards.

12.0 RECOMMENDATIONS

To further enhance the level of accuracy for PMRC Resource Reporting and upgrade the mineral resource inventory and classification, the following are recommended:

INC Mineral Resource Evaluation (PMRC-CP Technical Report)

- Conduct additional density testing for all the lithological domains in order to get a more accurate resource and reserve estimate in preparation for mining operations;
- Update the resource estimate on deposits with Inferred Resources (~7,000,000 DMT) thru in-fill drilling at designated grid spacing to upgrade these to Measured Resources;
- Carry out additional geological mapping on the northern side of the tenement and at peripheral areas to delineate potential laterite deposits; and
- Conduct test drilling in other potential exploration areas to increase mineral resource inventory.



EDGARDO G. GARCIA

Reg. Geologist (PRC License No. 0761)

PMRC (CP No. 10-09-04)

MAusIMM No. 224215

PTR No. 2106083 (Mandaluyong City/Valid till 31 Dec. 2014)

13.0 REFERENCES

- Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves JORC- December 2004 and 2012,
- Flores, R.A.L., Report on the PMRC/JORC Compliant Nickel Laterite Resource Estimate of the Celestial Nickel Mining and Exploration Tenement (MPSA-220-IVB-2005) by Ipilan Nickel Corporation (Ipilan Project) in Brooke's Point, Palawan, Philippines – June 2010,
- Obial, Rudy C., Ph. D., A Primer on the Philippine Mineral Reporting Code for Geologists- December 2009,
- Ross, A.F., MSc., Snowden, Ipilan Resource Estimate, Ipilan Nickel Corporation – November 2008,
- Standards of Disclosure for Mineral Projects “NI 43-101”, The Companion Policy to NI 43-101 and Form 43-101FI.

ANNEX E

Global Ferronickel Holdings, Inc. and Subsidiaries
Audited Consolidated Financial Statements

As at December 31, 2017 and 2016 and

For the Years Ended December 31, 2017, 2016, and 2015



Global Ferronickel Holdings, Inc.

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Global Ferronickel Holdings, Inc. and Subsidiaries is responsible for the preparation and fair presentation of the audited consolidated financial statements including the schedules attached therein, for the years ended December 31, 2017 and 2016 in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Signature:  JOSEPH C. SY

CHAIRMAN

Signature:  DANTE R. BRAVO

PRESIDENT

Signature:  MARY BELLE D. BITUIN


CHIEF FINANCE OFFICER

Signed this _ day of FEB 28 2018.

SUBSCRIBED AND SWORN to before me this APR 13 2018 in MAKATI CITY,
Philippines, affiant exhibiting their:

Joseph C. Sy TIN 189-795-219
Dante R. Bravo TIN 242-508-759
Mary Belle D. Bituin TIN 102-096-952

Doc No. 128;
Page No. 27;
Book No. I;
Series of 2018.


ATTY. EVE/ST. GRACE O. POMARIN
Commission No. M-465
Notary Public for Makati City
Until December 31, 2018
7th Floor Corporate Business Center
151 Paseo de Roxas cor. Amaiz St., Makati City
ROLL NO. 69988 / 03-22-2012
PTR No. 5919831/ 01-11-2017/ Makati City
IBP No. 000585/ 03-31-2017/ Negros Occidental
MCLE Compliance V No. 0025207/ 05-26-2017

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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

COMPANY NAME

G	L	O	B	A	L	F	E	R	R	O	N	I	C	K	E	L	H	O	L	D	I	N	G	S	,	I
N	C	.	A	N	D	S	U	B	S	I	D	I	A	R	I	E	S									

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

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

Form Type

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

Department requiring the report

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

Secondary License Type, If Applicable

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

COMPANY INFORMATION

Company's Email Address www.gfni.com.ph	Company's Telephone Number (632) 519-7888	Mobile Number N/A
No. of Stockholders 1,701	Annual Meeting (Month / Day) 6/28	Fiscal Year (Month / Day) 12/31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON'S ADDRESS

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

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

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



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, 2017 and 2016, 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, 2017, 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, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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



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

Estimation of Ore Reserves

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

The Group's mining properties and mining rights amounting to ₱743.2 million and ₱220.2 million as at December 31, 2017, respectively, are amortized using the units of production method. Under the units of production method, cost is amortized based on the ratio of the volume of actual ore extracted during the year over the estimated volume of mineable ore reserves for the remaining life of the mine. This matter is significant to our audit because the estimation of the mineable ore reserves for Cagdianao, Claver, Surigao del Norte for the entire life of the mine requires significant estimation from the management.

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

Audit Response

We evaluated the competence, capabilities and objectivity of the external geologist and competent person engaged by the Group to perform an independent assessment of its ore reserves by considering their qualifications, experience and reporting responsibilities. We reviewed the geologist and competent person's report and obtained an understanding of the nature, scope and objectives of their work, basis of the estimates including the changes in the reserves during the year. We evaluated the relevance and reasonableness of the significant factors considered by the geologist and competent person in preparing and producing the technical report such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs. We tested the reserves estimates applied to the relevant areas of the consolidated financial statements including depletion, amortization and decommissioning provisions.



Recoverability of Mine Exploration Costs

The mine exploration costs amounting to ₱241.7 million as at December 31, 2017 represents the expenditures incurred by the Group for the Cagdianao areas, which are still under exploration. Under PFRS 6, *Exploration for and Evaluation of Mineral Resources*, these mine exploration costs shall be assessed for impairment when facts and circumstances suggest that the carrying amounts exceed the recoverable amounts. The ability of the Group to recover its mine exploration costs would depend on the commercial viability of the reserves. We considered this as a key audit matter because of the materiality of the amount involved and the significant management's judgment required in assessing whether there is any indication of impairment.

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

Audit Response

We obtained management's assessment on whether there is any indication that mine exploration costs may be impaired. We reviewed the summary of the status of the Cagdianao areas under exploration as of December 31, 2017, as certified by the Group's technical group head and compared it with the disclosures submitted to regulatory agencies. We reviewed contracts and agreements, and budget for exploration costs. We inspected the licenses/permits of each exploration project to determine that the period for which the Group has the right to explore in the specific area has not expired, will not expire in the near future, and will be renewed accordingly. We inquired about the existing concession areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas.

Recoverability of Deposits for Future Acquisition

As at December 31, 2017, the Group has deposits for future acquisition amounting to ₱2.2 billion. The significant portion of these deposits will form part of the purchase price for the acquisition of additional interest in the Group's investment in an associate, Southeast Palawan Nickel Ventures, Inc. (SPNVI). SPNVI has a subsidiary, Ipilan Nickel Corporation (INC), which is still under exploration stage and has pending legal cases. Currently, INC is taking actions to settle the cases that includes constant communication with the National Government. We considered this as a key audit matter because of the materiality of the amount involved and the significant management's judgment required, such as the feasibility and successful development of INC's exploration activities, in assessing whether there is any indication of impairment.

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



Audit Response

We obtained management's assessment on whether any events or circumstances exist that may indicate that the deposits for future acquisition may be impaired. We involved our internal specialist in evaluating the methodologies and the assumptions used in the impairment assessment, which include the estimated timing of resumption of operations, mine production, nickel prices, price inflation and discount rate. With respect to mineral production, we compared the forecasted mine production of INC with the Declaration of Mining Project Feasibility it submitted to the Mines and Geosciences Bureau. We compared the nickel prices, price inflation and discount rate with externally published data. We inquired the status of INC's exploration activities and reviewed the related budget for exploration costs, and the INC's projects and future business plans. We inspected the related permits of INC's exploration project to determine that the period for which INC has the right to explore in the specific area has not expired, will not expire in the near future, and will be renewed accordingly. We discussed with management the status of INC's pending legal cases, and obtained correspondences with the relevant authorities and opinions from the external legal counsel.

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, 2017, 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, 2017 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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



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

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

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

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



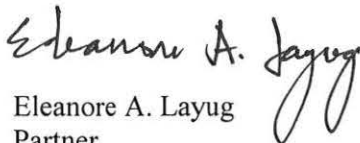
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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

SYCIP GORRES VELAYO & CO.



Eleanore A. Layug
Partner

CPA Certificate No. 0100794

SEC Accreditation No. 1250-AR-1 (Company A),

January 7, 2016, valid until January 6, 2019

Tax Identification No. 163-069- 453

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

February 2, 2018, valid until February 2, 2021

PTR No. 6621271, January 9, 2018, Makati City

February 28, 2018



GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)



	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash (Note 4)	P886,566	P551,942
Trade and other receivables (Note 5)	348,668	847,175
Advances to related parties (Note 30)	1,871,978	1,614,084
Current portion of finance lease receivable (Note 18)	73,812	72,282
Inventories - at cost (Note 6)	286,598	275,983
Prepayments and other current assets (Note 7)	214,484	271,306
Total Current Assets	3,682,106	3,632,772
Noncurrent Assets		
Property and equipment (Note 8)	2,003,317	2,111,973
Deposits for future acquisition (Note 30)	2,217,354	2,217,354
Mine exploration costs (Note 12)	241,729	223,807
Mining rights (Note 10)	220,209	264,888
Finance lease receivable - net of current portion (Note 18)	86,858	160,670
Deferred tax assets - net (Note 31)	127,476	58,310
Investment property (Note 11)	-	319,865
Investment in an associate (Note 9)	-	116
Other noncurrent assets (Note 13)	461,808	436,939
Total Noncurrent Assets	5,358,751	5,793,922
TOTAL ASSETS	P9,040,857	P9,426,694
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 14)	P577,149	P548,229
Current portion of bank loans (Note 15)	749,669	998,695
Advances from related parties (Note 30)	327,593	666,481
Current portion of finance lease liabilities (Note 18)	2,350	2,416
Income tax payable	148,768	11,926
Total Current Liabilities	1,805,529	2,227,747
Noncurrent Liabilities		
Bank loans - net of current portion (Note 15)	-	713
Provision for mine rehabilitation and decommissioning (Note 16)	245,407	67,123
Retirement obligation (Note 17)	51,203	47,882
Finance lease liabilities - net of current portion (Note 18)	787	3,137
Other noncurrent liabilities (Note 19)	533,627	533,533
Total Noncurrent Liabilities	831,024	652,388
Total Liabilities	2,636,553	2,880,135
Equity		
Capital stock (Note 20)	6,113,475	6,113,475
Remeasurement gain on retirement obligation (Note 17)	12,561	5,342
Valuation loss on available-for-sale financial assets (Note 13)	(464)	-
Cumulative translation adjustment	(4,751)	(14,106)
Retained earnings (Note 20)	1,237,573	459,654
Treasury shares (Note 20)	(954,090)	(17,806)
Total Equity	6,404,304	6,546,559
TOTAL LIABILITIES AND EQUITY	P9,040,857	P9,426,694

See accompanying Notes to Consolidated Financial Statements.



GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands, Except Earnings per Share)

	Years Ended December 31		
	2017	2016	2015
SALE OF NICKEL ORE (Note 34)	P5,815,596	P3,773,669	P6,533,218
COST OF SALES (Note 22)	2,768,571	2,308,220	3,509,917
GROSS PROFIT	3,047,025	1,465,449	3,023,301
OPERATING EXPENSES			
General and administrative (Note 23)	833,158	460,914	628,271
Excise taxes and royalties (Note 24)	714,206	503,275	972,546
Shipping and distribution (Note 25)	388,843	290,405	166,472
	1,936,207	1,254,594	1,767,289
FINANCE COSTS (Note 28)	(68,741)	(67,696)	(88,891)
FINANCE INCOME (Notes 4, 13 and 18)	6,877	6,505	9,431
SHARE IN NET LOSS OF AN ASSOCIATE (Note 9)	(116)	(184)	-
OTHER INCOME (CHARGES) - net (Note 29)	28,369	(32,373)	(115,500)
INCOME BEFORE INCOME TAX	1,077,207	117,107	1,061,052
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 31)			
Current	373,786	35,406	4,081
Deferred	(76,268)	44,207	(54,779)
	297,518	79,613	(50,698)
NET INCOME	779,689	37,494	1,111,750
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX			
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>			
Currency translation adjustment - net of tax effect	9,355	(14,106)	-
Valuation loss on available-for-sale financial assets (Note 13)	(464)	-	(506)
	8,891	(14,106)	(506)
<i>Item that will not be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement gain on retirement obligation - net of tax effect (Note 17)	7,219	3,065	600
	16,110	(11,041)	94
TOTAL COMPREHENSIVE INCOME	P795,799	P26,453	P1,111,844
Basic/Diluted Earnings Per Share (Note 21)	P0.14	P0.01	P0.22

See accompanying Notes to Consolidated Financial Statements.



GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015

(Amounts in Thousands)

	Capital Stock (Note 20)	Treasury Shares (Note 20)	Equity Reserve (Note 20)	Valuation Gain (Loss) on Available- for-sale Financial Assets (Note 13)	Remeasureme nt Gain on Retirement Obligation	Cumulative Translation Adjustment	Retained Earnings (Deficit; Note 20)	Total	Non- controlling Interest	Total Equity
Balances at December 31, 2014	₱6,113,455	(₱18)	₱-	₱506	₱1,675	₱-	(₱696,966)	₱5,418,652	₱7,378	₱5,426,030
Net income	-	-	-	-	-	-	1,111,750	1,111,750	-	1,111,750
Other comprehensive income - net of tax	-	-	-	-	600	-	-	600	-	600
Unrealized valuation loss transferred from equity to consolidated statements of comprehensive income	-	-	-	(506)	-	-	-	(506)	-	(506)
Total comprehensive income (loss) - net of tax	-	-	-	(506)	600	-	1,111,750	1,111,844	-	1,111,844
Dilution of non-controlling interest (Note 1)	-	-	-	-	2	-	7,376	7,378	(7,378)	-
Balances at December 31, 2015	6,113,455	(18)	-	-	2,277	-	422,160	6,537,874	-	6,537,874
Net income	-	-	-	-	-	-	37,494	37,494	-	37,494
Other comprehensive income (loss) - net of tax	-	-	-	-	3,065	(14,106)	-	(11,041)	-	(11,041)
Total comprehensive income (loss)	-	-	-	-	3,065	(14,106)	37,494	26,453	-	26,453
Issuance of common stock (Note 20)	20	-	-	-	-	-	-	20	-	20
Purchase of treasury shares (Note 20)	-	(17,788)	-	-	-	-	-	(17,788)	-	(17,788)
Balances at December 31, 2016	6,113,475	(17,806)	-	-	5,342	(14,106)	459,654	6,546,559	-	6,546,559
Net income	-	-	-	-	-	-	779,689	779,689	-	779,689
Other comprehensive income (loss) - net of tax	-	-	-	(464)	7,219	9,355	-	16,110	-	16,110
Total comprehensive income (loss)	-	-	-	(464)	7,219	9,355	779,689	795,799	-	795,799
Purchase of treasury shares (Note 20)	-	(964,516)	-	-	-	-	-	(964,516)	-	(964,516)
Stock grant expense (Note 20)	-	-	26,462	-	-	-	-	26,462	-	26,462
Issuance of treasury shares in relation to stock grant (Note 20)	-	28,232	(26,462)	-	-	-	(1,770)	-	-	-
Balances at December 31, 2017	₱6,113,475	(₱954,090)	₱-	(₱464)	₱12,561	(₱4,751)	₱1,237,573	₱6,404,304	₱-	₱6,404,304

See accompanying Notes to Consolidated Financial Statements.



GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱1,077,207	₱117,107	₱1,061,052
Adjustments for:			
Depreciation, depletion and amortization (Note 27)	444,367	388,108	594,483
Provision for impairment losses on:			
Trade and other receivables (Notes 5 and 23)	208,805	-	-
Other noncurrent assets (Notes 13 and 23)	20,798	-	-
Prepayments and other current assets (Notes 7 and 23)	3,684	-	-
Interest expense (Note 28)	56,586	60,387	75,716
Net change in retirement obligation (Note 17)	10,828	10,123	9,278
Interest income (Notes 4, 13 and 18)	(6,877)	(6,505)	(9,431)
Accretion interest on provision for mine rehabilitation and decommissioning (Notes 16 and 28)	4,077	1,401	1,117
Unrealized foreign exchange gains (losses) - net	2,025	36,296	(3,040)
Share in net loss of an associate (Note 9)	116	184	-
Levelization of rental expense	94	409	743
Loss on:			
Disposal of property and equipment (Notes 8 and 29)	8	24,282	6,327
Acquisition of a subsidiary (Note 29)	-	7,356	-
Modification of finance lease receivable (Note 29)	-	1,037	86,885
Impairment loss on available-for-sale financial assets (Notes 13 and 29)	-	1,433	2,445
Amortization of discount on bank loans (Notes 15 and 28)	-	-	2,068
Operating income before changes in working capital	1,821,718	641,618	1,827,643
Decrease (increase) in:			
Trade and other receivables	289,702	(77,810)	(403,448)
Inventories - at cost	(10,615)	367,800	(397,741)
Prepayments and other current assets	53,138	(242,219)	39,868
Increase (decrease) in trade and other payables	27,517	(259,389)	(210,403)
Net cash generated from operations	2,181,460	430,000	855,919
Income taxes paid	(235,868)	(24,543)	(7,119)
Interest paid	(60,592)	(51,811)	(73,848)
Interest received	5,644	1,270	1,202
Net cash flows from operating activities	1,890,644	354,916	776,154
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment (Notes 8 and 37)	(103,354)	(270,341)	(31,146)
Mine exploration costs (Note 12)	(17,922)	(83,017)	(131)
Decrease (increase) in:			
Advances to related parties	(256,608)	(15,708)	(1,499,565)
Finance lease receivable	73,515	-	-
Deposits for future acquisition	-	-	(23,055)
Other noncurrent assets	(46,131)	96,669	(41,629)
Proceeds from:			
Sale of property and equipment (Note 8)	5,960	2,543	-
Insurance of property and equipment	-	-	1,582
Cash inflow from acquisition of net assets of a subsidiary	-	5,364	-
Net cash flows used in investing activities	(344,540)	(264,490)	(1,593,944)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of bank loans (Note 15)	(1,382,576)	(875,038)	(1,989,598)
Proceeds from:			
Availments of bank loans (Note 15)	1,124,017	832,396	2,339,014
Issuance of capital stock	-	20	-
Purchase of treasury shares (Note 20)	(964,516)	(17,788)	-
Issuance of treasury shares in relation to stock grant (Note 20)	26,462	-	-
Increase (decrease) in:			
Advances from related parties	(22,508)	19,586	279,918
Finance lease liabilities	(2,416)	(20,270)	(26,451)
Net cash flows from (used in) financing activities	(1,221,537)	(61,094)	602,883
NET INCREASE (DECREASE) IN CASH	324,567	29,332	(214,907)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	10,057	19,734	25,914
CASH AT BEGINNING OF YEAR	551,942	502,876	691,869
CASH AT END OF YEAR	₱886,566	₱551,942	₱502,876

See accompanying Notes to Consolidated Financial Statements.



GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Global Ferronickel Holdings, Inc. (GFHI; Parent Company) is a corporation listed in the Philippine Stock Exchange (PSE). It was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on May 3, 1994. The principal activities of the Parent Company are to invest in, purchase or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, including shares of stock, and other securities or obligations of any corporation.

The registered principal office address of the Parent Company is at 7th Floor, Corporate Business Centre, 151 Paseo De Roxas corner Arnaiz Street, Makati City.

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

On July 9, 2014, IHoldings Group entered into a Share Purchase Agreement, as amended on September 4, 2014, with Huatai Investment Holding Pty. Ltd. (HIHPL), Regulus Best Nickel Holdings, Inc., Bellatrix Star, Inc., Alpha Centauri Fortune Group, Inc. (ACFGI), Antares Nickel Capital, Inc. (ANCI), Blue Eagle Elite Ventures, Inc., Ultimate Horizon Capital, Inc., Sohoton Energy, Inc., Great South Group Ventures, Inc., Red Lion Fortune Group, Inc., and three (3) individuals (collectively the Thirteen Stockholders) pursuant to which IHoldings Group will sell to the Thirteen Stockholders 6,291,132,047 common shares of the Parent Company (the Subject Shares), comprising the entirety of their respective shareholdings and representing 89.82% of the total issued and outstanding capital stock of the Parent Company.

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

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

- Change in the Parent Company's name from Southeast Asia Cement Holdings, Inc. to Global Ferronickel Holdings, Inc.;
- Change in the registered and principal address from Room 1104, Liberty Center Building, 104 H.V. dela Costa corner Leviste Streets, Salcedo Village, Makati City to 7th Floor, Corporate Business Centre, 151 Paseo De Roxas corner Arnaiz Street, Makati City;
- Increase in the number of directors from nine (9) to ten (10) members;
- Increase in the authorized capital stock of the Parent Company from ₱2,555.0 million divided into 7,300,000,000 common shares with a par value of ₱0.35 per share to ₱12,555.0 million divided into 35,871,428,572 common shares with a par value of ₱0.35 per share; and
- Change in the reporting period from June 30 to December 31.

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



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

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

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

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

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

The Parent Company and PGMC Share-for-Share Swap (Share Swap) Transaction

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

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

Memorandum of Agreements (MOA)

On November 27, 2014, the Parent Company entered into two (2) MOAs with the following:

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

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



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

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

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

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

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

The Subsidiaries

PGMC

PGMC was registered with the SEC on February 10, 1983. PGMC is a wholly-owned subsidiary of the Parent Company and is primarily engaged in the exploration, mining and exporting nickel ore located in the municipality of Claver, Surigao del Norte.

Seasonality

During the rainy season, mining operations at PGMC are suspended and there are no loading of ore onto ships. The Cagdianao Mine operates in certain months of the year, typically from April to October of each year, due to the weather conditions at the mine site. This seasonality results in quarter-to-quarter volatility in the operating results with more revenue being earned and more expenses being incurred in the second and third quarters compared to the first and fourth quarters.

Increase in Authorized Capital Stock

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

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



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

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

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

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

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

Certification for Value-Added Tax (VAT) Zero-Rated Status

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

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

Surigao Integrated Resources Corporation (SIRC)

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

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

On June 15, 2016, SIRC and Cagdianao Lateritic Nickel Mining, Inc. (CLNMI) executed a Deed of Assignment wherein CLNMI has agreed to assign all of its rights, titles and interests on its Exploration Permit (EP) and mineral property. CLNMI has a pending application for EP with Application No. EPA-000101-XIII filed with the Mines and Geosciences Bureau (MGB) covering an area of about 927.9 hectares located at Cagdianao, Claver, Surigao del Norte. The Deed of Assignment was approved by the MGB on June 27, 2016.

PGMC-CNEP Shipping Services Corp. (PCSSC)

PCSSC is a wholly-owned subsidiary of the Parent Company through PGMC and was registered with the SEC on June 4, 2013. Its primary purpose is to conduct and carry on the business of inter-island shipping, including chartering, hiring, leasing, or otherwise acquiring tug and barge, self-propelled barges or landing craft transport (LCT) or other ships or vessels, together with equipment, appurtenances and furniture therefor; and to employ the same in the conveyance and carriage of ores, minerals, goods, wares and merchandise of every kind and description.



PGMC International Limited (PIL)

On July 22, 2015, PIL, a wholly-owned subsidiary of the Parent Company through PGMC, was incorporated under the Companies Ordinance of Hong Kong. It was established to facilitate relations with Chinese customers, to promote marketing, to collect accounts, to avail of offshore banking services such as loans, credit/discounting lines and other financing arrangements, and to do other services for PGMC.

PGMC, SIRC, PCSSC and PIL are hereinafter collectively referred to as PGMC Group. PGMC Group's registered address is the same as that of the Parent Company except for PIL which is registered at Unit 4101-02, 41/F, Office Tower, Convention Plaza, 1 Harbour Road Wanchai, Hongkong.

The Associate

SPNVI is an associate of the Parent Company and was registered with SEC on July 11, 2014 primarily to engage to prospect, explore, locate, acquire, hold, work, develop, lease, operate and exploit mineral lands for nickel, chromite, copper, manganese, magnesite, silver, gold, and other precious and non-precious metals; to acquire and dispose of mining claims and rights, and to conduct and carry on the business of preparing, milling, concentrating, smelting, treating or preparing for market, and to market, sell at wholesale, exchange or otherwise deal in nickel, chromite, copper, manganese, magnesite, silver, gold and other mineral products. The registered office address of SPNVI is at 7th Floor, Corporate Business Centre, 151 Paseo De Roxas corner Arnaiz Street, Makati City, Philippines.

On September 1, 2016, SPNVI and the Parent Company entered into a Deed of Assignment, wherein the Parent Company assigned, transferred and conveyed in favor of SPNVI ₱0.3 million of its advances as payment for the subscription to the 300,000 unissued common shares out of 800,000 common shares of SPNVI with a par value of ₱1.00 per share.

As a result of the above Deed of Assignment, the Parent Company acquired thirty-seven and a half percent (37.50%) of the common shares with voting rights and 0.47% of total shares. The Group assessed that it has a significant influence over SPNVI since it directly holds more than twenty percent (20%) of the voting power of SPNVI.

As at December 31, 2017 and 2016, SPNVI directly owns 99.76% and 94% of Ipilan Nickel Corporation (INC), respectively, a company registered with the SEC on July 22, 2005, for the primary purpose to explore, develop, mine, operate, produce, utilize, process and dispose of all the minerals and the products or by-products that may be produced, extracted, gathered, recovered, unearthed or found within the area of Sitio Ipilan, Mambalot, Municipality of Brooke's Point, Province of Palawan, consisting of 2,835 hectares and covered by MPSA No. 017-93-IV, Amended 2000 by the Government of the Republic of the Philippines through the Secretary of the Department of Environment and Natural Resources (DENR).

The Group's share in net loss of SPNVI amounted to ₱0.1 million and ₱0.2 million in 2017 and 2016, respectively. As at December 31, 2017 and 2016, the Group's unrecognized share in net losses of SPNVI amounted to ₱95.0 thousand and nil, respectively.

Authorization for Issue

The accompanying consolidated financial statements of GFHI and Subsidiaries (the Group) as at December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015 were authorized for issue by the BOD on February 28, 2018.



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

Basis of Preparation

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for quoted available-for-sale (AFS) financial assets, which are carried at fair value. The consolidated financial statements are presented in Philippine peso, which is the Group's presentation currency under the Philippine Financial Reporting Standards (PFRSs). Based on the economic substance of the underlying circumstances relevant to the Group, the functional currencies of the Parent Company and its subsidiaries is Philippine peso, except for PIL whose functional currency is Hong Kong Dollar (HK\$). All values are rounded to the nearest thousand (P000), except number of shares, per share data and as indicated.

Acquisition of PGMC Group

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

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

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

The comparative June 30, 2014 information presented in the consolidated statements of changes in equity is that of PGMC Group, not originally presented in the previous financial statements of the legal parent (the Parent Company - accounting acquiree) and is also retroactively adjusted to reflect the legal capital (i.e., the number and type of "Capital stock" issued, "APIC" and "Treasury stock") of GFHI. The adjustment, which is the difference between the capital structure of PGMC Group and GFHI, is recognized as part of the "Equity reserve" in the consolidated statements of financial position. Refer to Note 20 for the movements in the "Equity reserve" account.

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

- a. The consolidated assets and liabilities of PGMC Group (legal subsidiary/accounting acquirer) recognized and measured at their pre-combination carrying amounts and not at fair value, and the assets and liabilities of GFHI (legal parent/accounting acquiree) were recognized and measured at acquisition cost;
- b. The retained earnings of PGMC Group for full period together with the post-combination results of GFHI from December 22, 2014, the date when GFHI was acquired by PGMC;
- c. The total equity that shows the combined equity of PGMC Group and GFHI. However, the legal capital of PGMC Group will be eliminated as the legal capital that will be reflected would be that of GFHI (legal parent);
- d. Any difference between the consideration transferred by GFHI and the legal capital of PGMC Group that is eliminated is reflected as "Equity reserve"; and
- e. The consolidated statements of comprehensive income for the comparative six months period December 31, 2013 and for the years ended June 30, 2014, 2013 and 2012 reflects that of the PGMC Group for the full period while the consolidated statement of comprehensive income for the current period from July 1, 2014 to December 31, 2014 reflects that of PGMC Group for the full period together with the post-combination results of GFHI (i.e. for the period from December 22, 2014 to December 31, 2014).



Reverse acquisition only applies to the consolidated financial statements. The Parent Company financial statements will continue to represent GFHI as a stand-alone entity as at December 31, 2017 and 2016.

Basis of Consolidation

The consolidated financial statements as at December 31, 2017 and 2016 include the following:

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

(1) Indirect ownership through PGMC

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

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

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

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

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

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

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

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



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

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

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

Statement of Compliance

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2017:

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities, Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

Adoption of these amendments did not have any impact on the Group's consolidated financial statements.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

The Group has provided the required information in Note 15 to the consolidated financial statements.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.



Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 2018

- *Amendments to PFRS 2, Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

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

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

The Group is currently assessing the potential impact of the amendments on its consolidated financial statements.

- *PFRS 9, Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group plans to adopt the new standard on the mandatory effective date.

The Group is currently assessing the potential impact of this standard in 2018.

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

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

- *PFRS 15, Revenue from Contracts with Customers*

PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018.



Early adoption is permitted. The Group plans to adopt the new standard on the required effective date.

As the presentation and disclosure requirements in PFRS 15 are more detailed than under current PFRSs, the Group is currently assessing what necessary changes it needs to make on its current systems, internal controls, policies and procedures to enable the Group to collect and disclose the required information.

The recognition and measurement requirements in PFRS 15 also apply to gains or losses on disposal of nonfinancial assets (such as items of property and equipment and intangible assets), when that disposal is not in the ordinary course of business. However, on transition, the effect of these changes is not expected to be material for the Group.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs 2014 - 2016 Cycle*)

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted.

The amendments are not expected to have significant impact on the Group.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

The amendments are not applicable to the Group since its investment property was sold in 2017.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis.

Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Group is currently assessing the potential impact of adopting the interpretation.



Effective beginning on or after January 1, 2019

- *Amendments to PFRS 9, Prepayment Features with Negative Compensation*
The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

The amendments will not have any impact on the financial statements of the Group since it has no debt instruments with negative compensation prepayment.

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

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

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

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

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

- *Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures*
The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

The amendments are not expected to have any significant impact on the Group.

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



The interpretation specifically addresses the following:

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

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

The Group is currently assessing the potential impact of adopting this interpretation.

Deferred Effectivity

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

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

Summary of Significant Accounting Policies

Presentation of Consolidated Financial Statements

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

Cash

Cash represents cash on hand and in banks. Cash in banks earn interest at the respective bank deposit rates.

Financial Instruments

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

Financial Assets

Initial Recognition and Measurement

The Group determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this designation at each end of the reporting period.

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



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

The Group's financial assets include loans and receivables and AFS financial assets. As at December 31, 2017 and 2016, there were no financial assets at FVPL, HTM investments or as derivatives designated as hedging instruments in an effective hedge.

Subsequent Measurement

Loans and Receivables

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

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

As at December 31, 2017 and 2016, the Group's loans and receivables include cash, trade and other receivables and advances to related parties (see Notes 4, 5 and 30).

AFS Financial Assets

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

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

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

As at December 31, 2017 and 2016, the Group's AFS financial assets consist of quoted equity instruments (see Note 13).



Derecognition

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

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

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

Impairment of Financial Assets

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

Loans and Receivables

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

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

Interest income continues to be recognized based on the original EIR of the asset. The interest income is recorded as part of “Finance income” in the consolidated statement of comprehensive income. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of comprehensive income. Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by



adjusting the allowance amount. Any subsequent reversal of an impairment loss is recognized in the consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS Financial Assets

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

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

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

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

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, trade and other payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include loans and borrowings and trade and other payables. As at December 31, 2017 and 2016, the Group has no financial liabilities at FVPL or as derivatives designated as hedging instruments in an effective hedge.

Subsequent Measurement

Loans and Borrowings and Trade and Other Payables

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

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

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



As at December 31, 2017 and 2016, the Group's loans and borrowings and trade and other payables include trade and other payables (excluding statutory payables), bank loans, advances from related parties and payable to Brooks Nickel Ventures Inc. (BNVI) and previous stockholders of CNMEC which are under other noncurrent liabilities (see Notes 14, 15, 19 and 30).

Derecognition

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

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

Offsetting of Financial Instruments

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

Fair Value Measurement

The Group measures financial instruments, such as AFS financial assets, at fair value at each reporting period. Also, from time to time, the fair values of non-financial assets and liabilities are required to be determined, e.g. when the entity acquires a business, or when an entity measures the recoverable amount of an asset or cash-generating unit at fair value less costs of disposal. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 33.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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



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

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

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

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

Inventories - at cost

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

Prepayments and Other Current and Noncurrent Assets

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

Input VAT

Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations, net of output tax liabilities, if any, which may be recovered as tax credit against future tax liability of the Group upon approval by the Philippine Bureau of Internal Revenue (BIR) and/or the Philippine Bureau of Customs.

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



Property and Equipment

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

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

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

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

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

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

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

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

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

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



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

Deposits for Future Acquisition

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

Mine Exploration Costs

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

Mining Rights

Mining rights refer to the right of the Group as the holder of the MPSA located in Cagdianao, Claver, Surigao del Norte acquired through the assignment of MPSA from Case Mining Development Corporation (CMDCC) to the Group under the Deed of Assignment. It also includes initial mine exploration costs incurred by the Group relative to the exploration works on the mining properties.

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

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

Investment Property

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

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

Investment in an Associate

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

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

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



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

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and NCI in the subsidiaries of the associate. If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Parent Company discontinues recognizing its share of further losses.

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

Impairment of Non-Financial Assets

Prepayments and Other Current and Noncurrent Assets, Property and Equipment, Deposits for Future Acquisition, Mining Rights, Investment Property, Mine Exploration Costs and Investment in an Associate

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

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

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

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



Mine Exploration Costs

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

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

Provisions

General

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

Provision for Mine Rehabilitation and Decommissioning

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

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

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

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

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



OCI

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

Capital Stock

Common shares are classified as equity.

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

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

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

Treasury Shares

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

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

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

Share-based Payment Transactions

The cost of equity-settled transactions with employees is measured by reference to their fair value at the date they are granted, determined using the acceptable valuation techniques.

The cost of equity-settled transactions, together with a corresponding increase in equity, is recognized over the period in which the performance and/or service conditions are fulfilled ending on the date on which the employees become fully entitled to the award ("Vesting Date").

The cumulative expense recognized for equity-settled transactions at each end of the reporting period up to and until the Vesting Date reflects the extent to which the vesting period has expired, as well as the Parent Company's best estimate of the number of equity instruments that will ultimately vest.

The profit or loss charge or credit for the period represents the movement in cumulative expense recognized at the beginning and end of that period. No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which awards are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.



Where the terms of an equity-settled award are modified, as a minimum, an expense is recognized as if the terms had not been modified. An additional expense is likewise recognized for any modification which increases the total fair value of the share-based payment arrangement or which is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. If a new award, however, is substituted for the cancelled awards and designated as a replacement award, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (EPS).

Equity Reserve

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

NCI

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

Reverse Acquisition

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

Asset Acquisition

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

EPS

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

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

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



Segment Reporting

For purposes of management reporting, the Group is organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit. The Group has two (2) geographical segments and derives its revenues from domestic and foreign operations. The business and geographical segments are the bases upon which the Group reports its primary segment information. Financial information on segment reporting is presented in Note 38 to the consolidated financial statements.

Retained Earnings and Dividends

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

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

Revenue Recognition

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

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

Sale of Nickel Ore

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

Interest Income

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

Other Income

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

Cost and Expenses Recognition

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

Cost of Sales

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



Operating Expenses

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

Leases

Determination of Whether an Arrangement Contains a Lease

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

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

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

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

Operating Leases

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

Finance Leases

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

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

Retirement Benefits Costs

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



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

Defined benefit costs comprise the following:

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

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

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

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

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

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

Foreign Currency Transactions

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

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

Income Taxes

Current Income Tax

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



Deferred Tax

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

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

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

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

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

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

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

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

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

Contingencies

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



Events After the End of the Reporting Period

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

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

Judgments

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

Assessing Production Start Date

The Group assesses the stage of each mine development project to determine when a mine moves into the production stage. The criteria used to assess the start date of a mine are determined based on the unique nature of each mine development project. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and moves into the production phase. Some of the criteria include, but are not limited to the following:

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

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

Determining Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group, except PIL, has been determined to be the Philippine peso. The functional currency of PIL has been determined to be the HK\$. The Philippine peso and the HK\$ are the currencies that most faithfully represent the economic substance of the Group's underlying transactions, events and conditions.



Assessing Existence of Significant Influence

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

As at December 31, 2017 and 2016, the Group assessed that it has significant influence over SPNVI and has accounted for the investment as an associate (see Note 9).

Estimates and Assumptions

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

Estimating Ore Reserves

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

In 2015, total ore estimate pertaining to Cagdianao Areas (CAGA) 1, 2, 3, 4 and 5 was changed from 119.5 million wet metric ton (WMT) of ore resources to 37.3 million WMT of ore reserves based on the latest Joint Ore Reserves Committee (JORC) Report received from Runge Pincock Minarco in February 2015. Total ore reserves estimate pertaining to the operating CAGAs 2 and 4 was changed from 86.0 million WMT of ore resources to 20.3 million WMT of ore reserves which had an impact on the remaining life of the Group's mining properties classified under "Property and equipment" and "Mining rights."

On July 1, 2016, there was a change in the ore reserves estimate used in calculating the depletion rate used for the depletion and amortization of mining properties and mining rights. The change was based on the latest Philippine Mining Reporting Code - Competent Person (PMRC-CP) Technical Report dated September 15, 2016 with an indicated ore reserves estimate of 25.6 million WMT for operating CAGAs 2 and 4 out of the total indicated ore reserve of 35.5 million WMT for CAGAs 1 to 5 as at June 30, 2016. For the period January 1 to June 30, 2016 and for the year ended December 31, 2015, the rates used were based on the latest JORC Report in February 2015 with an indicated ore reserves estimate of 20.3 million WMT for CAGAs 2 and 4 out of the total indicated ore reserve of 37.3 million WMT for CAGAs 1 to 5.

Effective July 1, 2017, there was a change in the ore reserves estimate used in calculating the depletion rates used for the depletion and amortization of mining properties and mining rights. The change was based on the latest PMRC-CP Technical Report dated October 15, 2017 (as of June 23, 2017 cut-off reserve) compared to the PMRC-CP Technical Report dated September 15, 2016 (as of June 30, 2016 cut-off reserve) with a proven and probable ore reserves estimate of 23.1 million WMT and 25.6 million WMT, respectively, for operating CAGAs 2 and 4 out of the total proven and probable reserves of 36.3 million WMT and 35.5 million WMT, respectively, for CAGAs 1 to 5 (see Notes 8 and 10).

The change in estimates during the year resulted to lower depletion of mining properties and amortization of mining rights from prior year amounting to ₱13.7 million and ₱8.1 million, respectively.



Assessing Recoverability of Mining Rights and Mine Exploration Costs

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

As at December 31, 2017 and 2016, mining rights amounted to ₱220.2 million and ₱264.9 million, respectively. Allowance for impairment losses on mining rights amounted to nil as at December 31, 2017 and 2016 (see Note 10).

As at December 31, 2017 and 2016, mine exploration costs amounted to ₱241.7 million and ₱223.8 million, respectively. Allowance for impairment losses on mine exploration costs amounted to nil as at December 31, 2017 and 2016 (see Note 12).

Assessing Recoverability of Deposits for Future Acquisition

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

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

As at December 31, 2017 and 2016, deposits for future acquisition amounted to ₱2,217.4 million (see Note 30). Allowance for impairment losses on deposits for future acquisition amounted to nil as at December 31, 2017 and 2016.

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

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

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



As at December 31, 2017 and 2016, trade and other receivables amounted to ₱348.7 million and ₱847.2 million, respectively. Provision for impairment losses on trade and other receivables amounted to ₱208.8 million in 2017. There was no provision for impairment losses in 2016 and 2015. Allowance for impairment losses on trade and other receivables amounted to ₱226.2 million and ₱17.4 million as at December 31, 2017 and 2016, respectively (see Note 5).

As at December 31, 2017 and 2016, advances to related parties amounted to ₱1,872.0 million and ₱1,614.1 million, respectively. Allowance for impairment losses on advances to related parties amounted to nil as at December 31, 2017 and 2016 (see Note 30).

Estimating Allowance for Inventory Losses

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

As at December 31, 2017 and 2016, inventories amounted to ₱286.6 million and ₱276.0 million, respectively. Allowance for impairment losses on inventories amounted to nil as at December 31, 2017 and 2016 (see Note 6).

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

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

For the Group's AFS financial assets recorded under "Other noncurrent assets", impairment is recognized when there is a significant or prolonged decline in the fair value of the investment below cost or where other objective evidence of impairment exists. The Group also evaluates other factors, including normal volatility in share price for quoted equities and future cash flows.

As at December 31, 2017 and 2016, prepayments and other current assets, excluding restricted cash, amounted to ₱27.1 million and ₱22.2 million, respectively. Provision for impairment losses on prepayments and other current assets amounted to ₱3.7 million in 2017. There was no provision for impairment losses in 2016 and 2015. Allowance for impairment losses on prepayments and other current assets amounted to ₱3.7 million and nil as at December 31, 2017 and 2016, respectively (see Note 7).

As at December 31, 2017 and 2016, other noncurrent assets, excluding MRF and AFS financial assets, amounted to ₱375.3 million and ₱358.2 million, respectively. Provision for impairment losses on other noncurrent assets amounted to ₱20.8 million in 2017. There was no provision for impairment losses in 2016 and 2015. Allowance for impairment losses on other noncurrent assets amounted to ₱40.3 million and ₱19.5 million as at December 31, 2017 and 2016, respectively (see Note 13).

As at December 31, 2017 and 2016, AFS financial assets amounted to ₱4.0 million and ₱4.5 million, respectively. Impairment loss on AFS financial assets amounting to nil and ₱1.4 million was recognized in 2017 and 2016, respectively, as a result of a significant and prolonged decline in the fair value of the shares held by the Group (see Note 13).



Assessing Recoverability of Property and Equipment

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

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

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

These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

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

As at December 31, 2017 and 2016, property and equipment amounted to ₱2,003.3 million and ₱2,112.0 million, respectively. Allowance for impairment losses on property and equipment amounted to nil as at December 31, 2017 and 2016 (see Note 8).

Estimating Provision for Mine Rehabilitation and Decommissioning

The Group assesses its provision for mine rehabilitation and decommissioning annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation and decommissioning as there are numerous factors that will affect the provision. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. In addition, the expected timing of expenditure can also change, for example in response to changes in mineral reserves or production rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the consolidated statement of financial position by adjusting the rehabilitation asset and liability.

Provision for mine rehabilitation and decommissioning pertains to the estimated decommissioning costs to be incurred in the future on the mined-out areas of the Group. The Group makes full provision for the future cost of rehabilitating mine sites and related production facilities on a discounted basis on the development of mines or installation of those facilities. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mine ceases to produce at economically viable rates. This, in turn, will depend upon future ore prices, which are inherently uncertain.

As at December 31, 2017 and 2016, the Group adjusted its provision for mine rehabilitation and decommissioning to reflect the current discount rates and expenditures required to settle the expected mined out areas of the Group which resulted to a change in estimate amounting to ₱174.2 million and ₱7.5 million, respectively. As at December 31, 2017 and 2016, provision for mine rehabilitation and decommissioning amounted to ₱245.4 million and ₱67.1 million, respectively (see Note 16).



Assessing Recoverability of Deferred Tax Assets

The Group reviews the carrying amounts of deferred tax assets at each end of the reporting period and reduces deferred tax assets to the extent that it is probable that sufficient future taxable income will be available against which these can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of sufficient future taxable income together with future tax planning strategies.

The Group has net deferred tax assets amounting to ₱127.5 million and ₱58.3 million as at December 31, 2017 and 2016, respectively. The Group has NOLCO amounting to ₱325.3 million, ₱214.4 million and ₱613.1 million as at December 31, 2017, 2016 and 2015, respectively. The Group has excess MCIT amounting to nil, ₱2.8 million and ₱2.3 million as at December 31, 2017, 2016 and 2015, respectively. No deferred tax asset on NOLCO was recognized as at December 31, 2017 and 2016. Deferred tax asset on excess MCIT amounted to nil and ₱2.8 million as at December 31, 2017 and 2016, respectively (see Note 31).

4. Cash

	2017	2016
Cash on hand	₱798	₱897
Cash in banks	885,768	551,045
	₱886,566	₱551,942

Cash in banks earn interest at the respective bank deposit rates. Interest income earned on cash in banks amounted to ₱1.4 million, ₱0.8 million and ₱0.9 million in 2017, 2016 and 2015, respectively.

The Group has US\$-denominated cash in banks amounting to US\$16.1 million and US\$9.1 million as at December 31, 2017 and 2016, respectively, and HK\$-denominated cash in banks amounting to HK\$0.3 million and HK\$1.9 as at December 31, 2017 and 2016, respectively (see Note 32).

5. Trade and Other Receivables

	2017	2016
Trade	₱463,698	₱725,912
Advances to:		
Contractors	79,707	117,078
Officers, employees and others	31,427	21,544
	574,832	864,534
Less allowance for impairment losses	226,164	17,359
	₱348,668	₱847,175

Trade Receivables

Trade receivables arising from shipment of nickel ore are noninterest-bearing and generally collectible within thirty (30) to ninety (90) days.

The Group has US\$-denominated trade receivables as at December 31, 2017 and 2016 amounting to US\$9.7 million and US\$16.5 million, respectively, and HK\$-denominated trade receivables as at December 31, 2017 and 2016 amounting to nil and HK\$1.2 million, respectively (see Note 32).

Advances to Contractors

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



Advances to Officers, Employees and Others

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

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

	2017	2016
Beginning balance	P17,359	P17,359
Provision for impairment losses on trade and other receivables (see Note 23)	208,805	-
Ending balance	P226,164	P17,359

6. **Inventories - at cost**

	2017	2016
Beneficiated nickel ore	P188,022	P196,092
Materials and supplies	98,576	79,891
Ending balance	P286,598	P275,983

Beneficiated Nickel Ore

The amount of inventoriable cost charged to cost of sales in the consolidated statements of comprehensive income amounted to P1,962.5 million, P1,548.4 million and P2,388.9 million in 2017, 2016 and 2015, respectively (see Note 22).

Materials and Supplies

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

7. **Prepayments and Other Current Assets**

	2017	2016
Restricted cash	P187,418	P249,059
Prepaid rent	14,425	14,143
Prepaid taxes and licenses	10,451	4,708
Prepaid insurance and others	5,874	3,396
	218,168	271,306
Less allowance for impairment losses	3,684	-
Ending balance	P214,484	P271,306

Restricted Cash

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

The Group has US\$-denominated restricted cash amounting to US\$3.8 million and US\$5.0 million as at December 31, 2017 and 2016, respectively, and HK\$-denominated restricted cash amounting to HK\$0.3 million and nil as at December 31, 2017 and 2016, respectively (see Note 32).

Prepaid Rent

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



Prepaid Taxes and Licenses

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

Prepaid Insurance and Others

Prepaid insurance and others pertain to advance payments for the insurance of the Group's property and equipment, prepayments for barging and shipping expenses, creditable withholding taxes and others. These are expected to be realized within twelve (12) months after the end of reporting period. Based on the assessment done, the Group recognized provision for impairment losses on other current assets amounting to ₱3.7 million in 2017.



8. Property and Equipment

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

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



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

Part of the returned assets are damaged equipment due to accident with a book value amounting to ₱2.9 million. The Group received proceeds from insurance amounting to ₱1.6 million and a loss amounting to ₱1.0 million was recognized as part of the total loss on modification of finance lease receivable amounting to ₱86.9 million in 2015 (see Notes 18 and 29).

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

The Group disposed various assets under "Machineries and equipment" and "Equipment and supplies" with cash proceeds amounting to ₱6.0 million and ₱2.5 million in 2017 and 2016, respectively, and recorded a loss amounting to ₱8.0 thousand, ₱24.3 million and ₱6.3 million in 2017, 2016 and 2015, respectively (see Note 29).

As a result of the acquisition of PIL on January 21, 2016, the Group's property and equipment increased by ₱16.7 million and ₱3.1 million, presented as additions to "Machineries and other equipment" and "Furniture and fixtures", respectively.

The rates used by the Group in computing depletion were ₱28.61 per WMT for the period July 1 to December 31, 2017, ₱31.71 per WMT for the period January 1 to June 30, 2017 and July 1 to September 30, 2016, and ₱60.48 for the period January 1 to June 30, 2016. Starting July 1, 2017, the rate used was based on the latest PMRC-CP Technical Report dated October 15, 2017 with proven and probable ore reserves estimate of 23.1 million WMT for CAGAs 2 and 4 as at June 23, 2017. The change in ore reserves estimate resulted to lower depletion.

The CIP balance in the books of the Group pertains to the construction of roads, fences and improvements in the mine site. The CIP balance amounting to ₱11.0 million was transferred to building and land improvements as at December 31, 2017.

The gross carrying amount of fully depreciated property and equipment that is still in use by the Group amounted to ₱145.2 million and ₱61.9 million as at December 31, 2017 and 2016, respectively.

9. Investment in an Associate

On September 1, 2016, the Parent Company entered into a Deed of Assignment with SPNVI, a related party, wherein the Parent Company assigned, transferred and conveyed in favor of SPNVI ₱0.3 million of its advances as payment for the subscription to the 300,000 unissued common shares out of 800,000 common shares of SPNVI with a par value of ₱1.00 per share.

As a result of the above Deed of Assignment, the Parent Company acquired thirty-seven and a half percent (37.50%) of the common shares with voting rights and 0.47% of total shares. The Group assessed that it has a significant influence over SPNVI since it directly holds more than twenty percent (20%) of the voting power of SPNVI.



SPNVI's net loss amounted to ₱44.2 million and ₱39.1 million in 2017 and 2016, respectively. The Group's share in net loss of SPNVI amounted to ₱0.1 million and ₱0.2 million in 2017 and 2016, respectively.

The Group's unrecognized share in net loss of SPNVI amounted to ₱95.0 thousand and nil in 2017 and 2016, respectively.

10. Mining Rights

	2017	2016
Cost	₱396,500	₱396,500
Accumulated amortization:		
Beginning balance	131,612	94,894
Amortization	44,679	36,718
Ending balance	176,291	131,612
Net book value	₱220,209	₱264,888

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

The rates used by the Group in computing amortization were ₱6.90 per WMT for the period July 1 to December 31, 2017, ₱8.19 per WMT for the period January 1 to June 30, 2017 and July 1 to September 30 2016, and ₱9.59 per WMT for the period January 1 to June 30, 2016. The rates used starting July 1, 2017, was based on the latest PMRC-CP Technical Report dated October 15, 2017 with proven and probable ore reserves of 36.3 million WMT for CAGAs 1 to 5 as at June 23, 2017. The change in ore reserves estimate would result to lower amortization.

No provision for impairment losses on mining rights was recognized in 2017, 2016 and 2015.

11. Investment Property

Portal Holdings, Inc. (PHI)

In June 2012, the Group acquired a parcel of land (Aseana Property) from PHI amounting to ₱319.9 million located in Paranaque City. The land was held for capital appreciation. The bank loan related to the purchase of the Aseana Property was fully paid on January 29, 2016.

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

There was no income earned from the investment property in 2017, 2016 and 2015. Interest expense incurred in relation to the bank loan and real property tax related to the investment property amounted to ₱0.5 million, ₱2.3 million and ₱4.2 million in 2017, 2016 and 2015, respectively.



12. Mine Exploration Costs

	2017	2016
Beginning balance	P223,807	P140,790
Exploration expenditures incurred	17,922	83,017
Ending balance	P241,729	P223,807

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

CAGAs 1, 3, and 5 are under exploration activities. The Group is yet to conduct its exploration activities for CAGAs 6 and 7 in 2018.

13. Other Noncurrent Assets

	2017	2016
Advances to suppliers	P210,381	P171,873
Input VAT	184,436	184,980
MRF	82,466	74,299
AFS financial assets	4,006	4,470
Others	20,798	20,798
	502,087	456,420
Less allowance for impairment losses	40,279	19,481
	P461,808	P436,939

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

	2017	2016
Beginning balance	P19,481	P19,481
Provision for impairment losses on other noncurrent assets (see Note 23)	20,798	-
Ending balance	P40,279	P19,481

Advances to Suppliers

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

Input VAT

Input VAT represents the VAT paid on purchases of applicable goods and services and capital assets, net of output tax liabilities, if any, which may be recovered as tax credit against future tax liability of the Group upon approval by the BIR and/or the Philippine Bureau of Customs. Allowance for impairment losses on input VAT amounted to P19.5 million as at December 31, 2017 and 2016, respectively.

MRF

Pursuant to Section 181 of the Implementing Rules and Regulations of the Republic Act (RA) No. 7492, better known as the *Philippine Mining Act of 1995*, mining companies have to maintain MRF deposits with any government bank. The Group has deposits for MRF at the Development Bank of the Philippines - Surigao City Branch. The funds are to be used for physical and social rehabilitation, reforestation and restoration of areas and communities affected by mining activities, for pollution control and integrated community development. The funds earned interest based on the prevailing market rate. Interest income earned on MRF amounted to P0.6 million, P0.5 million and P0.3 million in 2017, 2016 and 2015, respectively.



AFS Financial Assets

As at December 31, 2017 and 2016, the Group holds 4,216,100 shares of stock of Oriental Peninsula Resources Group, Inc. (OPRGI), a publicly listed company in the Philippines. There was no disposal of shares in 2017 and 2016. The fair value of the quoted equity instrument is based on the exit market price as at December 31, 2017 and 2016.

Movements in the fair value of the quoted equity instrument are as follows:

	2017	2016
Beginning balance	P4,470	P5,903
Impairment loss on AFS financial assets (see Note 29)	-	(1,433)
Valuation loss	(464)	-
Ending balance	P4,006	P4,470

No dividend income was earned from the quoted equity instrument in 2017, 2016 and 2015.

Impairment loss recognized in 2017, 2016 and 2015 amounted to nil, P1.4 million and P2.4 million, respectively, as a result of a significant and prolonged decline in the fair value of the shares held by the Group (see Note 29).

Others

Others represent claim for business tax refund related to the Parent Company. Full provision of allowance for impairment losses was recognized in 2017.

14. Trade and Other Payables

	2017	2016
Trade	P254,788	P262,040
Advances from customers	170,410	92,682
Accrued expenses and taxes	88,362	115,071
Nontrade	38,782	49,623
Dividends payable	20,287	20,287
Interest payables	4,520	8,526
	P577,149	P548,229

Trade

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

Advances from Customers

Advances from customers pertain to the amounts received from customers before services are provided or before goods are shipped. These are settled by deducting the payments from collections based on the schedule of shipments.



Accrued Expenses and Taxes

Details of the accrued expenses and taxes are as follows:

	2017	2016
Excise taxes and royalties payable (see Note 24)	P39,375	P74,762
Business and other taxes	27,607	25,083
Provision for Social Development and Management Program (SDMP) and Indigenous Cultural Communities (ICC)	12,572	6,197
Accrued payroll	3,630	671
Accrued professional fees	1,219	5,400
Others	3,959	2,958
	P88,362	P115,071

Excise Taxes and Royalties Payable

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

Business and Other Taxes

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

Provision for SDMP and ICC

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

Accrued Payroll

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

Accrued Professional Fees

Accrued professional fees pertain to the accrual related to the audit, legal and advisory services rendered to the Group.

Others

Others mainly pertain to outside services and purchases of supplies which are usual in the business operations of the Group.

Nontrade

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

Dividends Payable

On May 22, 2013, the BOD of the Parent Company approved the declaration of cash dividends in the amount of P1.656 per outstanding common share or P10,500.0 million to stockholders of record as at June 5, 2013, payable on June 12, 2013. In 2014, cash dividends declared and paid to certain shareholders on May 22, 2013 amounting to P20.3 million were returned as stale checks and presented as cash dividends payable as at December 31, 2017 and 2016 and will be reissued to such investors subsequent to year-end.



Interest Payables

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

The Group has US\$-denominated trade and other payables amounting to US\$6.6 million and US\$2.8 million as at December 31, 2017 and 2016, respectively, and HK\$-denominated trade and other payables amounting to HK\$39.0 thousand and HK\$9.2 million as at December 31, 2017 and 2016, respectively (see Note 32).

15. Bank Loans

	2017	2016
TCB	₱748,950	₱994,400
Banco de Oro (BDO)	719	5,008
	749,669	999,408
Less current portion:		
TCB	748,950	994,400
BDO	719	4,295
Current portion	749,669	998,695
Noncurrent portion	₱-	₱713

Movements in the carrying value of bank loans are as follows:

	2017	2016
Beginning balance	₱999,408	₱994,584
Availments	1,124,017	832,396
Payments	(1,382,576)	(875,038)
Effect of changes in foreign currency exchange rates (see Note 29)	4,300	55,841
Others	4,520	(8,375)
Ending balance	₱749,669	₱999,408

TCB

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

On May 17, 2017, the Group repaid the US\$20.0 million loan extended by TCB. The Group was re-granted by TCB a one-year loan facility with a reduced amount of US\$15.0 million for the same general corporate purposes, with the same terms and conditions (see Note 32).

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



The other conditions of the agreement are as follows:

- a. The Group shall maintain a waterfall account with TCB wherein all amounts collected by TCB from the buyers of nickel ore shall be deposited.
- b. The security is of two (2) kinds and shall amount to an aggregate value, in any combination, at least equal or twice (2x) the amount of the loan or equivalent to US\$30.0 million as follows:
 - i. Accounts receivables from PGMC's customers or clients.
 - ii. Import letters of credit (LC) issued in favor of PGMC by its customers and clients.
 - iii. Demand Deposit Account which shall be opened and set-up by the collateral provider or pledger acceptable to TCB.
 - iv. Guarantee issued by any individual, juridical person or any combination thereof acceptable to TCB.
- c. TCB is irrevocably appointed as the collecting agent for the account receivables from the Group's export orders of nickel ore and as a collecting and advising bank for the import LC opened by the buyers of the nickel ore of the Group. The amount collected shall be deposited in the waterfall account of the Group.
- d. If the Group fails to make payment when due of any sum (whether at the stated maturity, by acceleration or otherwise), the Group shall pay penalty on such past due and unpaid amount/s at the rate of eighteen percent (18%) per annum, in addition to the interest rate from due date until the date of payment in full. The penalty shall be payable from time to time and upon demand by the bank.
- e. A DSRA shall be opened by the Group which shall have a deposit amounting of US\$3.75 million. The amount in said account maybe reduced proportionately as the Group pays the principal and its interest by express agreement of the parties.

Interest expense related to TCB loan amounted to ₱50.7 million, ₱52.2 million and ₱35.1 million in 2017, 2016 and 2015, respectively (see Note 28).

Amortization of discount on bank loan related to TCB loan amounted to nil in 2017 and 2016 and ₱0.6 million in 2015 (see Note 28).

The Group has complied with the terms of the loan as at December 31, 2017 and 2016.

BDO

The Group annually avails a US\$20.0 million Export Packing Credit Line for working capital purposes. As at December 31, 2017 and 2016, the remaining balance is nil.

The Group entered into several service vehicle loans with BDO with a three (3)-year term at an interest rate ranging from seven percent (7%) to nine percent (9%) per annum. The remaining service vehicle loans of the Group with BDO amounted to ₱0.7 million and ₱5.0 million as at December 31, 2017 and 2016, respectively.

Interest expense related to BDO loan amounted to ₱2.8 million, ₱4.6 million and ₱13.4 million in 2017, 2016 and 2015, respectively (see Note 28).

The Group has complied with the terms of the loan as at December 31, 2017 and 2016.

UnionBank and EastWest

As at December 31, 2016, the loans from UnionBank and EastWest have been fully paid. Interest expense related to the service vehicle loans amounted to nil, ₱0.4 million and ₱0.6 million in 2017, 2016 and 2015, respectively (see Note 28).

Bank of China (BOC)

As at December 31, 2016, the short-term credit facility granted by BOC in 2014 has been fully paid. Interest expense amounted to nil in 2017 and 2016 and ₱2.0 million in 2015 (see Note 28).



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

As at December 31, 2015, the loans from ATB and PhilEXIM have been fully paid. Interest expense related to these loans amounted to nil in 2017 and 2016 and ₱15.7 million in 2015 (see Note 28). Amortization of discount on these loans amounted to nil in 2017 and 2016 and ₱1.4 million in 2015 (see Note 28).

16. Provision for Mine Rehabilitation and Decommissioning

	2017	2016
Beginning balance	₱67,123	₱58,259
Accretion interest (see Note 28)	4,077	1,401
Effect of change in estimate (see Note 8)	174,207	7,463
Ending balance	₱245,407	₱67,123

The provision for mine rehabilitation and decommissioning was adjusted in 2017 to reflect the current expenditures required to settle the expected mined out areas of the Group based on the latest Final Mine Rehabilitation and Decommissioning Plan submitted to the MGB on December 11, 2017. In 2016, the provision for mine rehabilitation and decommissioning was adjusted to reflect the current discount rates.

17. Retirement Obligation

The Group has an unfunded, non-contributory defined benefit retirement plan covering substantially all of its regular employees. The Group does not have an established retirement plan and only conforms to the minimum regulatory benefit under the RA 7641, *Retirement Pay Law*, which is of the defined benefit type and provides a retirement benefit equal to twenty-two and a half (22.5) days' pay for every year of credit service. The regulatory benefit is paid in lump sum upon retirement. There was no plan termination, curtailment or settlement as at December 31, 2017 and 2016.

The latest actuarial valuation report of the retirement plan is as at December 31, 2017.

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

Details of the retirement benefits costs are as follows:

	2017	2016	2015
Retirement benefits costs (see Note 26)	₱10,828	₱10,383	₱9,368
Interest cost on retirement obligation (see Note 28)	2,806	2,152	1,463
	₱13,634	₱12,535	₱10,831

The Group has one hundred sixty-six (166) regular employees, eleven (11) employees on probationary and project status and eighty-four (84) employees on a fixed term as at December 31, 2017 and one hundred seventy-two (172) regular employees, two (2) employees on probationary and project status and one hundred fifty-five (155) employees on a fixed term as at December 31, 2016.



Movements in the present value of retirement obligation are as follows:

	2017	2016
Beginning balance	P47,882	P39,985
Retirement benefits costs	10,828	10,383
Interest cost on retirement obligation	2,806	2,152
Remeasurement loss (gain) arising from:		
Experience adjustments	(10,758)	(520)
Financial assumptions	445	(3,858)
Benefits paid	-	(260)
Ending balance	P51,203	P47,882

The Group does not have any plan assets as at December 31, 2017 and 2016.

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

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

	2017	2016	2015
Discount rate	5.77%	5.86%	5.38%
Salary increase rate	10.00%	10.00%	10.00%
Turnover rate	7.5% at age 19 decreasing to 0% at age 45	7.5% at age 19 decreasing to 0% at age 45	7.5% at age 19 decreasing to 0% at age 45

The sensitivity analyses below have been determined based on reasonably possible changes of each significant assumption on the defined retirement benefits obligation at the end of the reporting period, assuming all other assumptions were held constant:

	Increase (Decrease)	2017	2016
Discount rate	+100 basis points	(P6,571)	(P6,883)
	-100 basis points	7,968	8,516
Salary increase rate	+100 basis points	P7,098	P7,601
	-100 basis points	(6,031)	(6,352)

The Group is processing the opening of its retirement fund in the first quarter of 2018 to be administered by a Trustee Bank. The Group does not currently employ any asset-liability matching.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2017 and 2016:

	2017	2016
Less than one (1) year	P3,769	P2,619
More than one (1) year to five (5) years	5,302	3,919
More than five (5) years to ten (10) years	45,147	38,620
	P54,218	P45,158

The average duration of the defined retirement benefits obligation as at December 31, 2017 and 2016 is 14.2 years and 19.3 years, respectively.



18. Finance Lease

Finance Lease Receivable

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

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

On February 28, 2017, JLEC assigned its responsibilities with regard to the Group's property and equipment to Nickelbase Inc. (NI) that took over the operation of JLEC in CAGA 2 area. NI agreed to shoulder the balance of the remaining service agreement with JLEC.

Details of the finance lease receivable as at December 31, 2017 and 2016 are as follows:

	2017		2016	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within one (1) year	₱77,214	₱73,812	₱77,214	₱72,282
After one (1) year but not more than five (5) years	88,940	86,858	166,154	160,670
Total minimum lease payments	166,154	160,670	243,368	232,952
Less amount representing finance costs	5,484	-	10,416	-
Present value of minimum lease payments	₱160,670	₱160,670	₱232,952	₱232,952

Interest income related to the finance lease receivable amounted to ₱4.9 million, ₱5.2 million and ₱8.2 million in 2017, 2016 and 2015, respectively.

Finance Lease Liabilities

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

In 2016, the Group entered into finance lease agreements with BDO Leasing and Finance, Inc. (BLFI). These are included as part of "Machineries and other equipment" category under "Property and equipment" as at December 31, 2017 and 2016, respectively.



Future annual minimum lease payments under the lease agreements, together with the present value of the minimum lease payments as at December 31, 2017 and 2016 are as follows:

	2017		2016	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within one (1) year	₱2,577	₱2,350	₱2,886	₱2,416
After one (1) year but not more than five (5) years	804	787	3,274	3,137
Total minimum lease payments	3,381	3,137	6,160	5,553
Less amount representing finance costs	244	-	607	-
Present value of minimum lease payments	₱3,137	₱3,137	₱5,553	₱5,553

Interest expense related to finance lease liabilities amounting to ₱0.3 million, ₱1.0 million and ₱3.1 million in 2017, 2016 and 2015, respectively, is reported under "Finance costs" (see Note 28).

19. Other Noncurrent Liabilities

	2017	2016
Previous stockholders of CNMEC	₱366,463	₱366,463
BNVI	165,566	165,566
Others	1,598	1,504
	₱533,627	₱533,533

Payable to Previous Stockholders of CNMEC and BNVI

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

20. Equity

Capital Stock

The Parent Company's authorized and issued capital stock as at December 31, 2017 and 2016 are as follows:

	2017	2016
Par value	₱1.05	₱1.05
Authorized shares	11,957,161,906	11,957,161,906
Total authorized capital stock	₱12,555,020,001.30	₱12,555,020,001.30
Issued shares	5,822,357,151	5,822,357,151
Total capital stock (amounts in thousand)	₱6,113,475	₱6,113,475

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



Increase in Authorized Capital Stock

In 2014, the Parent Company applied for an increase in its authorized capital stock from ₱2,555.0 million divided into 7,300,000,000 common shares with a par value of ₱0.35 per share to ₱12,555.0 million divided into 35,871,428,572 common shares with a par value of ₱0.35 per share. The increase in the authorized capital stock as well as the issuance of the 10,463,093,371 common shares to the Thirteen Stockholders in accordance with the Share Swap transaction was approved by the SEC on December 22, 2014 (see Note 1).

As discussed in Note 1, the BOD and stockholders of the Parent Company approved a capital restructuring through a reserve stock split. In relation to this, the Parent Company applied for an increase in its authorized capital stock which was approved by the SEC on November 7, 2016. Out of the increase in capital stock, an individual stockholder subscribed a total of ₱20,000.40 divided into 19,048 common shares at a par value of ₱1.05.

All issued shares of the Parent Company, except for the newly issued 10,463,093,371 common shares to the Thirteen Stockholders, are listed in the PSE.

The following table summarizes the track record of registrations of securities under the SRC:

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

Employee Stock Option Plan (ESOP)

On June 29, 2016, the BOD and stockholders of the Parent Company approved the establishment of an ESOP (which covers the qualified employees of the subsidiaries of the Parent Company), the details of which shall be subject to the approval of the Compensation Committee. On May 9, 2017, the Compensation Committee and the BOD approved the Employee Stock Option Master Plan which is a share-based compensation plan. It also approved the granting of the First Tranche which comprised the 20,000,000 option grants to be vested over three (3) years at a strike price of ₱2.00 and 20,000,000 share/stock grants to be vested over two (2) years (i.e., 10,000,000 share/stock grants each year). As at February 28, 2018, the Group has not yet recognized compensation expense in relation to the stock option grant as this has not yet been communicated to the qualified employees.

Special Stock Grant

The stock grant agreement in relation to the Employee Stock Option Master Plan was executed on December 27, 2017, the grant date, between the Parent Company and the grantees. The fair value of the shares is ₱2.62, as at grant date, taking into consideration the terms and conditions of the stock grant. A total of 10,100,000 treasury shares of the Parent Company was granted to PGMC, then subsequently issued and awarded by PGMC to its employees as recognition for their past services. The basic terms and conditions of the stock grant are as follows:

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



Stock grant expense amounting to ₱26.5 million was recognized by PGMC in 2017 (see Note 26).

Treasury Shares

For the period ended December 31, 2017 and 2016, the Parent Company purchased a total of 362,584,000 common shares amounting to ₱964.5 million and 6,333,333 common shares amounting to ₱17.8 million, respectively. The estimated number of shares for re-purchase, approved and authorized by the BOD on June 29, 2016 is up to ten percent (10%) of the total outstanding shares of the Parent Company. As at December 31, 2017 and 2016, the Parent Company repurchase about seven (7%) and one tenth (0.10%) of its total outstanding shares, respectively.

The cost of treasury shares issued in relation to the special stock grant on December 27, 2017 amounted to ₱28.2 million. A decrease in retained earnings amounting to ₱1.8 million was recognized based on the difference between the fair value of the treasury shares at the date of grant and the cost of treasury shares upon reacquisition.

The Parent Company has 358,819,752 shares amounting to ₱954.1 million and 6,335,753 shares (after the reverse stock split) amounting to ₱17.8 million in treasury shares as at December 31, 2017 and 2016, respectively.

Retained Earnings

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

Retained earnings include the accumulated equity in undistributed net earnings of subsidiaries amounting to ₱1,398.4 million which is not available for dividend declaration by the Parent Company until declared by the investee companies.

Retained earnings are further restricted for the payment of dividends to the extent of the cost of treasury shares.

In accordance with SRC Rule 68, as Amended (2011), Annex 68-C, the Parent Company's retained earnings available for dividend declaration amounted to ₱4,307.6 million as at December 31, 2017.

Equity Reserve

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



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

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

21. EPS

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

	2017	2016	2015
Net income (amounts in thousands)	₱779,689	₱37,494	₱1,111,750
Number of shares:			
Common shares outstanding at beginning of the year	5,816,021,399	5,822,335,684	4,960,166,752
Effect of buyback	115,220,005	1,649,837	-
Adjusted weighted average number of common shares outstanding	5,700,801,394	5,820,685,847	4,960,166,752
Basic/diluted EPS	₱0.14	₱0.01	₱0.22

The number of shares presented in 2017, 2016 and 2015 is based on the shares calculated after the reverse stock split (see Note 20).

As at December 31, 2017 and 2016, there are no potentially dilutive common shares.

22. Cost of Sales

	2017	2016	2015
Contract hire (see Notes 6 and 34)	₱1,962,517	₱1,548,355	₱2,388,897
Depreciation, depletion and amortization (see Note 27)	425,648	370,407	579,482
Personnel costs (see Note 26)	150,065	153,762	125,806
Environmental protection cost	42,405	41,685	56,394
Community relations	41,588	47,162	45,003
Assaying and laboratory	28,394	23,432	25,393
Manning services	22,155	20,772	19,984
Operation overhead	21,044	15,752	7,993
Fuel, oil and lubricants	20,785	10,950	151,474
Repairs and maintenance	20,430	11,752	11,452
Rentals (see Note 34)	9,414	35,208	70,807
Other charges	24,126	28,983	27,232
	₱2,768,571	₱2,308,220	₱3,509,917



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

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

23. General and Administrative

	2017	2016	2015
Personnel costs (see Note 26)	₱237,308	₱189,332	₱159,459
Provision for impairment losses on:			
Trade and other receivables (see Note 5)	208,805	-	-
Other noncurrent assets (see Note 13)	20,798	-	-
Prepayments and other current assets (see Note 7)	3,684	-	-
Taxes and licenses	140,763	47,938	48,386
Outside services	45,495	26,614	38,124
Consultancy fees	38,106	65,285	160,780
Rentals (see Note 34)	26,030	25,133	7,402
Marketing and entertainment	24,596	22,157	72,926
Depreciation (see Note 27)	18,719	17,701	15,001
Travel and transportation	15,106	19,925	37,088
Repairs and maintenance	12,325	11,142	6,987
Communication	6,057	5,295	5,771
Office supplies	5,440	4,135	6,389
Fuel, oil and lubricants	5,275	4,287	4,935
Membership and subscription	3,001	2,438	2,042
Power and utilities	1,552	1,477	1,347
Insurance	1,499	2,084	1,887
SEC and listing fees	683	560	28,401
Trainings, seminars and meetings	663	565	1,194
Other charges	17,253	14,846	30,152
	₱833,158	₱460,914	₱628,271

Other charges include, but are not limited to, freight and delivery charges, sponsorship and other miscellaneous expenses.

24. Excise Taxes and Royalties

	2017	2016	2015
Royalties to:			
Claim-owners (see Note 34)	₱296,571	₱204,290	₱449,053
Government	255,896	183,197	326,634
ICC	59,381	42,510	66,195
Excise taxes	102,358	73,278	130,664
	₱714,206	₱503,275	₱972,546

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



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

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

As at December 31, 2017 and 2016, excise taxes and royalties payable amounted to ₱39.4 million and ₱74.8 million, respectively (see Note 14).

25. Shipping and Distribution

	2017	2016	2015
Barging charges	₱280,881	₱207,161	₱121,872
Stevedoring charges and shipping expenses	61,072	35,137	21,220
Personnel costs (see Note 26)	27,728	29,369	8,165
Fuel, oil and lubricants	15,503	17,082	14,885
Supplies	3,331	1,274	-
Government fees	35	35	88
Repairs and maintenance and others	293	347	242
	₱388,843	₱290,405	₱166,472

Barging charges pertain to expenses incurred from services provided by external shipping companies to transport nickel ore from the Group's causeway (barge) to the foreign vessels.

26. Personnel Costs

	2017	2016	2015
Salaries and wages	₱340,663	₱325,014	₱247,624
Stock grant (see Note 20)	26,462	-	-
Retirement benefits costs (see Note 17)	10,828	10,383	9,368
Other employee benefits	37,148	37,066	36,438
	₱415,101	₱372,463	₱293,430

Other employee benefits pertain to various benefits given to employees which are individually immaterial.

Personnel costs were distributed as follows:

	2017	2016	2015
General and administrative (see Note 23)	₱237,308	₱189,332	₱159,459
Cost of sales (see Note 22)	150,065	153,762	125,806
Shipping and distribution (see Note 25)	27,728	29,369	8,165
	₱415,101	₱372,463	₱293,430



27. Depreciation, Depletion and Amortization

The amounts of depreciation, depletion and amortization expense are distributed as follows:

	2017	2016	2015
Cost of sales (see Notes 8, 10 and 22)	₱425,648	₱370,407	₱579,482
General and administrative (see Notes 8 and 23)	18,719	17,701	15,001
	₱444,367	₱388,108	₱594,483

28. Finance Costs

	2017	2016	2015
Interest expense (see Notes 15, 17 and 18)	₱56,586	₱60,387	₱75,716
Bank charges	8,078	5,908	9,990
Accretion interest on provision for mine rehabilitation and decommissioning (see Note 16)	4,077	1,401	1,117
Amortization of discount on bank loans (see Note 15)	-	-	2,068
	₱68,741	₱67,696	₱88,891

29. Other Income (Charges) - net

	2017	2016	2015
Foreign exchange gains (losses) - net	₱28,235	₱1,276	(₱19,843)
Loss on:			
Disposals of property and equipment (see Note 8)	(8)	(24,282)	(6,327)
Acquisition of a subsidiary (see Note 30)	-	(7,356)	-
Modification of finance lease receivable (see Notes 8 and 18)	-	(1,037)	(86,885)
Impairment loss on AFS financial assets (see Note 13)	-	(1,433)	(2,445)
Others	142	459	-
	₱28,369	(₱32,373)	(₱115,500)

Breakdown of net foreign exchange gains (losses) is as follows:

	2017	2016	2015
Net realized foreign exchange gains (losses)	₱32,753	(₱48,299)	(₱27,863)
Unrealized foreign exchange gains (losses) on:			
Cash	4,473	19,734	25,914
Trade and other receivables	(3,658)	27,018	14,196
Advances to related parties	1,286	-	-
Prepayments and other current assets	10	(196)	(64)
Other noncurrent assets	-	7	2,506
Trade and other payables	1,156	58,853	(3,136)
Bank loans	(4,300)	(55,841)	(31,396)
Advances from related parties	(3,485)	-	-
	₱28,235	₱1,276	(₱19,843)



30. Related Party Disclosures

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

Set out on the next page are the Group's transactions with related parties in 2017, 2016 and 2015, including the corresponding assets and liabilities arising from the said transactions as at December 31, 2017 and 2016. In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.



Category	Amount/ Volume	Advances to related parties	Advances from related parties	Terms	Conditions
Stockholders					
2017	₱44,304	₱1,705,633	₱50,000	On demand; noninterest-bearing; collectible or payable in cash	Unsecured; no guarantee
2016	₱106,816	₱1,507,132	₱50,000		
Affiliates with common officers, directors and stockholders					
2017	419,512	166,345	51,029	On demand; noninterest-bearing; collectible or payable in cash	Unsecured; no guarantee
2016	1,018,720	100,898	389,917		
Other related party					
2017	-	-	226,564	On demand; noninterest-bearing; collectible or payable in cash	Unsecured; no guarantee
2016	-	6,054	226,564		
Total		₱1,871,978	₱327,593		
Total		₱1,614,084	₱666,481		

Intercompany transactions below are eliminated in the consolidated financial statements.

Category	Amount/ Volume	Trade and other payables	Barging charges	Sale of nickel ore	Trade and other receivables	Advances to related parties	Advances from related parties	Terms	Conditions
Subsidiaries									
PGMC									
2017	₱1,175,506	₱-	₱-	₱-	₱21,737	₱-	₱-	On demand; noninterest-bearing; collectible in cash	Unsecured; no guarantee
2016	₱118,514	₱-	₱-	₱-	₱35,264	₱3,316,843	₱-		
PCSSC									
2017	211,732	114,692	89,926	-	-	-	-	On demand; noninterest-bearing; collectible in cash	Unsecured; no guarantee
2016	417,370	87,184	95,019	-	-	-	-		
SIRC									
2017	-	-	-	-	-	-	3,719	On demand; noninterest-bearing; payable in cash	Unsecured; no guarantee
2016	-	-	-	-	-	-	6,810		
PIL									
2017	2,743,512	-	-	2,340,652	-	-	-	On demand; noninterest-bearing; collectible in cash	Unsecured; no guarantee
2016	845,710	-	-	530,161	-	280,285	-		
Total		₱114,692	₱89,926	₱2,340,652	₱21,737	₱-	₱3,719		
Total		₱87,184	₱95,019	₱530,161	₱35,264	₱3,597,128	₱6,810		



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

- a. On January 21, 2016, the Parent Company acquired PIL through the purchase of its 10,000 shares at HK\$1.0 par value amounting to HK\$10.0 thousand or ₱61.0 thousand. The transaction was considered by the Parent Company as an asset acquisition. The assets and liabilities of PIL mostly consist of financial instruments with a net liability amounting to ₱7.3 million. A loss on acquisition amounting to ₱7.4 million was recognized based on the difference between the consideration paid and the fair values of the assets acquired and liabilities assumed.

PIL entered into several ore supply sales agreement with PGMC for the purchase of nickel ore amounting to ₱2,340.7 million, ₱530.2 million and nil in 2017, 2016 and 2015.

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

In 2016, the Parent Company, PGMC, SPNVI and the stockholders of SPNVI executed another Deed of Assignments wherein SPNVI assigned its payable to BNVI, payable to the previous stockholders of CNMEC and the remaining payable to stockholders of SPNVI, to the Parent Company amounting to ₱589.3 million.

As at December 31, 2017 and 2016, these advances amounted to ₱2,217.4 million. A portion of these advances will form part of the purchase price for the acquisition of SPNVI pursuant to the Contract to Sell executed on August 6, 2015 and are recorded under "Deposits for future acquisition" (see Note 1).

- c. In the first quarter of 2017, PGMC entered into a Time Charter Agreement with PSSC for the use of five (5) LCTs at ₱2.6 million each per month. This Agreement covers a period of eight (8) months on/about March 1, 2017 to October 31, 2017, subject to renewal upon mutual agreement of the parties. The charter fee incurred amounted to ₱89.9 million, ₱95.0 million and ₱89.6 million in 2017, 2016, and 2015, respectively.
- d. On March 1, 2017, PGMC entered into a Deed of Absolute Sale agreement with JLI for the sale of the Aseana property located in Parañaque City amounting to ₱319.9 million. The related payment was offset against the outstanding amounts owed to JLI. No gain or loss was recognized related to the transaction (see Note 11).
- e. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group. The compensation of the Group's key management personnel amounted to ₱40.5 million, ₱44.1 million, and ₱39.3 million in 2017, 2016 and 2015, respectively.

31. Income Taxes

Effective November 2007, the Group was entitled to income tax holiday (ITH) as one of the incentives granted by the BOI as a non-pioneer enterprise. The Group's ITH incentive already expired on November 15, 2015.



The current provision for income tax represents regular corporate income tax in 2017 and MCIT in 2016 and 2015. It also represents amounts which are expected to be paid to different taxation authorities, the BIR and the Inland Revenue Department (IRD) in HK.

For the BIR, the reconciliation between income before income tax computed at the statutory income tax rate and the provision for (benefit from) income tax at the effective income tax rate as shown in the consolidated statements of comprehensive income is as follows:

	2017	2016	2015
Income before tax computed at statutory income tax rate	₱132,730	₱38,711	₱378,975
Add (deduct) tax effects of:			
Change in unrecognized deferred tax assets	36,484	36,006	32,752
Nondeductible expenses:			
Nondeductible taxes	18,004	-	-
Marketing and entertainment	4,820	5,491	19,300
Interest	185	134	720
Loss on modification of finance lease receivable	-	311	26,066
Others	393	825	2,808
Expiration of deferred tax asset on NOLCO	4,132	65	41,331
Application of excess MCIT	2,787	-	-
Nontaxable interest income	(1,480)	(1,570)	(619)
Interest income already subjected to final tax	(488)	(360)	(354)
Operating income subjected to ITH	-	-	(551,677)
	₱197,567	₱79,613	(₱50,698)

For the IRD, the reconciliation between income (loss) before income tax computed at HK profit tax rate and the provision for income tax at the effective income tax rate as shown in the consolidated statements of comprehensive income is as follows:

	2017	2016
Income (loss) before tax computed at HK profits tax rate of 16.5%	₱104,737	(₱2,162)
Add (deduct) tax effects of:		
Unused (used) tax losses	(3,591)	3,591
Depreciation allowances	(2,062)	(2,385)
Nondeductible expenses	887	968
Nontaxable income	(20)	(12)
	₱99,951	₱-



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

	2017	2016
Deferred tax assets:		
Provision for mine rehabilitation and decommissioning	₱73,622	₱20,137
Allowance for impairment losses on trade and other receivables	67,849	5,208
Retirement obligation recognized in profit or loss	20,743	16,653
Unrealized foreign exchange losses - net	20,419	7,793
Accrued taxes	8,719	11,969
Cumulative translation adjustment directly recognized in OCI	2,036	6,045
Rent payable	480	452
Excess MCIT	-	2,787
	193,868	71,044
Deferred tax liabilities:		
Undepleted asset retirement obligation	₱61,010	₱10,446
Retirement obligation directly recognized in OCI	5,382	2,288
	66,392	12,734
Deferred tax assets - net	₱127,476	₱58,310

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

Year Incurred	Year of Expiration	NOLCO
2017	2020	₱110,947
2016	2019	119,837
2015	2018	94,529
		₱325,313

NOLCO	2017	2016	2015
Beginning balance	₱214,366	₱613,126	₱425,840
Addition	110,947	119,837	428,648
Expiration	-	-	(241,362)
Application	-	(144,970)	-
NOLCO incurred during the ITH period	-	(373,627)	-
Ending balance	₱325,313	₱214,366	₱613,126

MCIT	2017	2016	2015
Beginning balance	₱2,787	₱2,262	₱1,218
Addition	-	886	1,575
Application	(2,787)	-	-
Expiration	-	(361)	(531)
Ending balance	₱-	₱2,787	₱2,262

The Group does not have recognized deferred tax asset on NOLCO as at December 31, 2017 and 2016. Deferred tax asset on NOLCO amounting to ₱112.4 million was not recognized in 2015 since this came from activities subjected to ITH incentive.

The Group has availed of the itemized deductions method in claiming its deductions in 2017, 2016 and 2015.



32. Financial Risk Management Objectives and Policies and Capital Management

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

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

Market Risk

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

Foreign Exchange Risk

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

The Group has transactional currency exposures. The Group's exposure to foreign currency risk pertains to US\$-denominated and HK\$-denominated financial assets and liabilities which primarily arise from export sales of mineral products, loan with TCB and other bank loans.

To mitigate the effects of foreign currency risk, the Group seeks to accelerate the collection of foreign currency-denominated receivables and the settlement of foreign currency-denominated payables, whenever practicable. Also, foreign exchange movements are monitored on a daily basis via Philippine Dealing and Exchange Corp for US\$-denominated accounts and Bangko Sentral ng Pilipinas for HK\$-denominated accounts.

The Group's foreign currency-denominated financial assets and liabilities and their Philippine Peso equivalents as at December 31, 2017 and 2016 are as follows:

	2017			2016		
	US\$ Amount	HK\$ Amount	Peso Equivalent	US\$ Amount	HK\$ Amount	Peso Equivalent
Financial Assets:						
Cash in banks	US\$16,090	HK\$290	₱805,227	US\$9,114	HK\$1,918	₱465,462
Trade receivables	9,738	-	486,218	16,498	1,188	827,908
Restricted cash under "Prepayments and other current assets"	3,755	291	189,347	5,002	-	248,699
	29,583	581	1,480,792	30,614	3,106	1,542,069
Financial Liabilities:						
Trade and other payables	6,619	39	330,736	2,761	9,165	196,116
Bank loans	15,000	-	748,950	20,000	-	994,400
	21,619	39	1,079,686	22,761	9,165	1,190,516
Net Financial Assets (Liabilities)	US\$7,964	HK\$542	₱401,106	US\$7,853	(HK\$6,059)	₱351,553

The exchange rates used for the conversion of US\$1.00 to peso equivalent were ₱49.93 and ₱49.72 as at December 31, 2017 and 2016, respectively. The exchange rates used for the conversion of HK\$1.00 to peso equivalent were ₱6.39 and ₱6.42 as at December 31, 2017 and 2016, respectively.



The following table demonstrates the sensitivity to a reasonably possible change in the US\$ and HK\$ exchange rates, with all other variables held constant, of the Group's income before income tax (due to changes in revaluation of financial assets and liabilities) for the years ended December 31, 2017, 2016 and 2015.

	Foreign Currency Appreciates/ Depreciates by	Effect on Income Before Income Tax US\$	Effect on Income Before Income Tax HK\$
December 31, 2017	+2	₱795,220	₱6,938
	-2	(795,220)	(6,938)
December 31, 2016	+2	₱283,503	(₱77,798)
	-2	(283,503)	77,798
December 31, 2015	+2	(₱206,970)	-
	-2	206,970	-

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

Interest Rate Risk

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

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

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

The terms and maturity profile of the interest-bearing financial asset and liability as at December 31, 2017 and 2016, together with their corresponding nominal interest rate and carrying values are shown in the following table:

	Nominal Interest Rate	Less than 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
2017						
Cash in banks	Various	₱885,768	₱-	₱-	₱-	₱885,768
Bank loans	10.50%-14.00%; LIBOR plus 9.00%	591	749,078	-	-	749,669
2016						
Cash in banks	Various	₱551,045	₱-	₱-	₱-	₱551,045
Bank loans	10.50%-14.00%; LIBOR plus 3.75%	2,629	996,066	713	-	999,408



The following table sets forth, for the year indicated, the impact of a reasonably possible change in interest rate for the years ended December 31, 2017, 2016 and 2015 in the consolidated statements of comprehensive income (through the impact of floating rate borrowings):

	Increase/Decrease in Basis Points	Effect on Income Before Income Tax
December 31, 2017	+100	(P7,490)
	-100	7,490
December 31, 2016	+100	(P9,944)
	-100	9,944
December 31, 2015	+100	(P9,412)
	-100	9,412

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

Equity Price Risk

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

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

The table below shows the sensitivity to a reasonably possible change in equity prices on AFS financial assets as at December 31, 2017 and 2016. The equity impact is arrived using the reasonably possible change of the relevant market indices and the specific adjusted beta of each stock the Group holds. Adjusted beta is the forecasted measure of the volatility of a security or a portfolio in comparison to the market as a whole.

	Average Change in Market Indices	Sensitivity to Equity
2017	-0.41%	(P14)
	0.41%	14
2016	-2.29%	(P76)
	2.29%	76

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

Credit Risk

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

The Group only trades with recognized, reputable and creditworthy third parties and/or only transacts with institutions and/or banks which have demonstrated financial soundness. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, export buyers are required to pay via LC issued by reputable banks with the result that Group's exposure to bad debts is not significant. Also, the Group, in some circumstances, requires advances from customers. Since the Group only trades with recognized third parties, there is no requirement for collateral.



Credit Risk Exposure

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

	Notes	2017	2016
Cash in banks	4	₱885,768	₱551,045
Trade receivables	5	463,698	725,912
Restricted cash under "Prepayments and other current assets"	7	187,418	249,059
Advances to related parties:	30		
Stockholders		1,705,633	1,507,132
Affiliates with common officers, directors and stockholders		166,345	100,898
Others		-	6,054
AFS financial assets under "Other noncurrent assets"	13	4,006	4,470
		₱3,412,868	₱3,144,570

Aging Analyses of Financial Assets

The aging analyses of the Group's financial assets as at December 31, 2017 and 2016 are summarized in the following tables:

2017	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		90 days or less	91-120 days	More than 120 days		
Cash in banks	₱885,768	₱-	₱-	₱-	₱885,768	
Trade receivables	-	241,834	-	-	463,698	
Restricted cash under "Prepayments and other current assets"	187,418	-	-	-	187,418	
Advances to related parties:						
Stockholders	1,705,633	-	-	-	1,705,633	
Affiliates with common officers, directors and stockholders	166,345	-	-	-	166,345	
Others	-	-	-	-	-	
AFS financial assets under "Other noncurrent assets"	4,006	-	-	-	4,006	
Total	₱2,949,170	₱241,834	₱-	₱-	₱221,864	₱3,412,868

2016	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		90 days or less	91-120 days	More than 120 days		
Cash in banks	₱551,045	₱-	₱-	₱-	₱551,045	
Trade receivables	202,031	-	249,758	256,764	725,912	
Restricted cash under "Prepayments and other current assets"	249,059	-	-	-	249,059	
Advances to related parties:						
Stockholders	1,507,132	-	-	-	1,507,132	
Affiliates with common officers, directors and stockholders	100,898	-	-	-	100,898	
Others	6,054	-	-	-	6,054	
AFS financial assets under "Other noncurrent assets"	4,470	-	-	-	4,470	
Total	₱2,620,689	₱-	₱249,758	₱256,764	₱17,359	₱3,144,570

Credit Quality of Financial Assets

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



Accordingly, the Group has assessed the credit quality of the following financial assets:

- Cash in banks and restricted cash under “prepayments and other current assets” are considered high grade since these are deposited in reputable banks.
- Trade receivables, which mainly pertain from sale of nickel ore, are assessed as standard grade since there have already been history of defaults.
- Advances to related parties are assessed as substandard grade since these have no repayment dates.
- AFS financial assets in equity instrument are investments that can be traded to and from companies with good financial capacity, making the investment secured and realizable. Management assessed the quality of these assets as high grade.

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

Liquidity Risk

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

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

The tables below summarize the maturity profile of the Group’s financial liabilities as at December 31, 2017 and 2016 based on contractual undiscounted payments.

2017	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Bank loans	P-	P418	P185	P749,080	P-	P-	P749,683
Trade and other payables:							
Trade	254,788	-	-	-	-	-	254,788
Accrued expenses	21,330	-	-	-	-	-	21,330
Nontrade	9,718	-	-	-	-	-	9,718
Advances from related parties	327,593	-	-	-	-	-	327,593
Other noncurrent liabilities:							
Payable to stockholders of CNMEC	-	-	-	-	-	366,463	366,463
Payable to BNVI	-	-	-	-	-	165,566	165,566
Total	P613,429	P418	P185	P749,080	P-	P532,029	P1,895,141



2016	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Bank loans	P-	₱1,476	₱1,325	₱996,132	₱733	P-	₱999,666
Trade and other payables:							
Trade	262,040	-	-	-	-	-	262,040
Accrued expenses	13,717	-	-	-	-	-	13,717
Nontrade	9,725	-	-	-	-	-	9,725
Advances from related parties	666,481	-	-	-	-	-	666,481
Other noncurrent liabilities:							
Payable to stockholders of CNMEC	-	-	-	-	-	366,463	366,463
Payable to BNVI	-	-	-	-	-	165,566	165,566
Total	₱951,963	₱1,476	₱1,325	₱996,132	₱733	₱532,029	₱2,483,658

The tables below summarize the maturity profile of the financial assets used by the Group to manage its liquidity risk as at December 31, 2017 and 2016.

2017	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Cash:							
Cash on hand	₱798	P-	P-	P-	P-	P-	₱798
Cash in banks	885,768	-	-	-	-	-	885,768
Trade receivables	221,864	241,834	-	-	-	-	463,698
Restricted cash under "Prepayments and other current assets"	187,418	-	-	-	-	-	187,418
AFS financial assets under "Other noncurrent assets"	4,006	-	-	-	-	-	4,006
Advances to related parties:							
Stockholders	1,705,633	-	-	-	-	-	1,705,633
Affiliates with common officers, directors and stockholders	166,345	-	-	-	-	-	166,345
Total	₱3,171,832	₱241,834	P-	P-	P-	P-	₱3,413,666



2016	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Cash:							
Cash on hand	₱897	₱-	₱-	₱-	₱-	₱-	₱897
Cash in banks	551,045	-	-	-	-	-	551,045
Trade receivables	725,912	-	-	-	-	-	725,912
Restricted cash under "Prepayments and other current assets"	249,059	-	-	-	-	-	249,059
AFS financial assets under "Other noncurrent assets"	4,470	-	-	-	-	-	4,470
Advances to related parties:							
Stockholders	1,507,132	-	-	-	-	-	1,507,132
Affiliates with common officers, directors and stockholders	100,898	-	-	-	-	-	100,898
Others	6,054	-	-	-	-	-	6,054
Total	₱3,145,467	₱-	₱-	₱-	₱-	₱-	₱3,145,467

Capital Management

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

The Group manages its capital structure and makes adjustments to it after carefully considering changes in the economic environment. To maintain or adjust the capital structure, the Group may utilize the following: (a) obtain additional shareholders' advances to augment capital, (b) issue new shares, and (c) return capital to shareholders if and when feasible. No changes were made in the objectives, policies or processes in 2017 and 2016.

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

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

33. Fair Value Measurement

The following table shows the carrying values and fair values of the Group's asset and liabilities, whose carrying values do not approximate their fair values as at December 31, 2017 and 2016:

	Carrying Values		Fair Values	
	2017	2016	2017	2016
Investment property	₱-	₱319,865	₱-	₱367,003
Bank loans	749,669	994,408	749,683	999,666
Finance leases liabilities	3,137	5,553	3,381	6,160

Cash, Trade and Other Receivables and Trade and Other Payables

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



Restricted Cash

The carrying amounts approximate their fair values since these are restricted cash in banks which earn interest based on prevailing market rates repriced monthly.

AFS Financial Assets

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

Advances to and from Related Parties

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

Bank Loans

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

Finance Lease Receivable and Liabilities

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

Fair Value Hierarchy

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

2017	Carrying Amount	Level 1	Level 2	Level 3	Total
<i>Asset measured at fair value:</i>					
AFS financial assets	P4,006	P4,006	P-	P-	P4,006
<i>Liabilities for which fair values are disclosed:</i>					
Bank loans	P749,669	P-	P-	P749,669	P749,669
Finance lease liabilities	3,137	-	-	3,137	3,137
	P752,806	P-	P-	P752,806	P752,806
<hr/>					
2016	Carrying Amount	Level 1	Level 2	Level 3	Total
<i>Asset measured at fair value:</i>					
AFS financial assets	P4,470	P4,470	P-	P-	P4,470
<i>Asset for which the fair value is disclosed:</i>					
Investment property	319,865	-	-	319,865	319,865
	P324,335	P4,470	P-	P319,865	P324,335
<i>Liabilities for which fair values are disclosed:</i>					
Bank loans	P994,408	P-	P-	P994,408	P994,408
Finance lease liabilities	5,553	-	-	5,553	5,553
	P999,961	P-	P-	P999,961	P999,961

There were no transfers between levels of fair value measurement as at December 31, 2017 and 2016.



34. Significant Agreements

Deed of Guarantee

On November 9, 2016, the Parent Company entered into a Deed of Guarantee with Baiyin International Investment Ltd. (BIIL) to serve as a guarantor for the loan made by INC, a subsidiary of SPNVI with BIIL. As guarantor, the Parent Company, irrevocably and conditionally, jointly and severally guarantees to BIIL the due and punctual payment and performance of INC in all secured obligations. Also, the Parent Company, undertakes to pay principal obligation of INC, if INC fails to pay its principal obligation and any of the secured obligations, as if it was the principal obligor.

Ore Supply Agreements

The Group has ore supply agreements with Chinese customers, each for a fixed tonnage at specific nickel grades and iron content. The fixed tonnage of ore is generally the volume expected delivery within a few months. Revenue from Chinese customers amounted to ₱5,815.6 million, ₱3,773.7 million and ₱6,533.2 million in 2017, 2016 and 2015, respectively.

Operating Agreements

SIRC

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

Total royalty fees incurred to CMDC amounted to ₱296.6 million, ₱204.3 million and ₱449.1 million in 2017, 2016 and 2015, respectively (see Note 24).

Service Contract - CAGA 2

On February 26, 2015 and March 7, 2014, the Group entered into a service contract agreement with JLEC and FVC, mining contractors, respectively, to operate the mining activities within CAGA 1 upon start of commercial operations and CAGA 2 in Surigao, wherein the Group will pay the contractor on a per metric ton based on the grade of the ore shipped. In 2016, the Group ended its service contract with FVC wherein previously leased assets were returned and included as part of total additions to property and equipment.

In 2016, the Group entered into service contracts with Skaff Mineworks, Inc. and MRMJ Movers Corporation, and, in 2017, with NI, Primerock Trucking Services, Cagdianao Konstruct Development, Incorporated, mining contractors, to operate the mining activities within CAGA 2 in Surigao wherein the Group will pay the contractor on a per metric ton based on the grade of the ore shipped. In 2017, the Group ended its mining contract with Skaff Mineworks, Inc.

Service Contract - CAGA 4

In 2016, the Group entered into service contracts with Best Trucking & Transport Phil. Inc., IPM Construction & Dev't Corporation, Landstar Earthmoving Corporation, Loufran Minerals and Dev't Corp., Anseca Dev't Corporation and CTB Engineering Construction, and, in 2017, with Aguilo Builders and Pazifik Ventures Trucking Services, Incorporated, mining contractors, to operate the mining activities within CAGA 4 in Surigao, wherein the Group will pay the contractors on a per metric ton based on the grade of the ore shipped.

Total contract hire incurred for both CAGAs 2 and 4 amounted to ₱1,962.5 million, ₱1,548.4 million and ₱2,388.9 million in 2017, 2016 and 2015, respectively (see Note 22).



Lease Agreements

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

Future minimum lease payments are as follows:

<u>Category</u>	<u>2017</u>	<u>2016</u>
Within one (1) year	₱5.1 million	₱2.9 million
After one (1) year but not more than five (5) years	18.9 million	20.8 million
More than five (5) years	-	10.0 million

Rent payable reported under "Other noncurrent liabilities" amounted to ₱1.6 million and ₱1.5 million as at December 31, 2017 and 2016, respectively (see Note 19).

Total rent expense incurred amounted to ₱35.4 million, ₱60.3 million, and ₱78.2 million in 2017, 2016 and 2015, respectively (see Notes 22 and 23). Prepaid rent reported under "Prepayments and other current assets" in relation to these lease agreements amounted to ₱14.4 million and ₱14.1 million as at December 31, 2017 and 2016, respectively (see Note 7).

35. Other Matters

Show Cause Notice (SCN)

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

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

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

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

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

Writ of Execution for the Civil Case 6499 Pascual vs. Mamanwa

On March 22, 2017, PGMC received a Writ of Execution for the Civil Case 6499 Pascual vs. Mamanwa. The Civil Case pertains to the claim of Sergio Pascual, Plaintiff, of the thirty percent (30%) royalty fees paid to the Indigenous People. The Court grants the deposit of thirty percent (30%) of the one percent (1%) royalty fees.



The defendants, Datu Reynante Buklas, Datu Dodoy Bago, Datu Alicio Patac and Datu Ebeniza Olorico and their successors-in-interest are ordered to deposit immediately the thirty percent (30%) share of the one percent (1%) royalty fees they received from PGMC from the beginning up to the present and PGMC to deposit in court all the amount of thirty percent (30%) of the one percent (1%) royalty fees still to be paid to defendants Reynante Buklas, Alicio Patac, Dodoy Olorico and Ebeniza Olorico. All documents showing the total amount of royalty fees paid or to be paid to the defendants are to be delivered by PGMC and MGB.

Memorandum of Cooperation and Partnership

On November 13, 2017, the Parent Company signed a Memorandum of Cooperation and Partnership with Vi Holding LLC, a Russian firm, for the implementation of joint business projects in the processing of lateritic ores. The two companies are now in the process of forming a Joint Working Group to undertake initial testing of ore samples and conduct feasibility studies.

Mercantile Insurance Co., Inc. (MIC)

On November 6, 2017, the Regional Trial Court of Makati ordered MIC to pay ₱183.3 million in relation to the insurance policy covering PGMC's property and equipment which were destroyed and deemed totally lost on October 3, 2011 due to an armed group which simultaneously raided and seized control of PGMC's mining complex. On December 11, 2017, PGMC and MIC filed a Motion for Partial Reconsideration and a Motion for Reconsideration, respectively. On December 18, 2017, MIC filed a Motion to Inhibit which was granted on January 11, 2018. As at February 27, 2018, the case is still pending with the Regional Trial Court of Makati.

Tax Assessment and Case

On March 17, 2017, a Petition for Review against PGMC was filed by the Municipal Treasurer of Claver, Surigao del Norte before the Court of Tax Appeals. The petitioner sought for the reversal of the decision of the Regional Trial Court of Surigao City on February 14, 2017 declaring as void the assessed local business taxes of PGMC for the years 2014 and 2015 amounting to ₱84.0 million and ₱61.8 million, respectively. PGMC filed its comment to the said petition on May 5, 2017. The petitioner and PGMC filed their memoranda as directed by the Court of Tax Appeals on June 28, 2017 and July 5, 2017, respectively. The case was deemed submitted for resolution as at December 31, 2017.

36. Events After the End of the Reporting Period

Buyback Transactions

From January 1 to February 27, 2018, the Parent Company purchased from the market, a total of 15,781,000 common shares at the average price of ₱2.4212 per share, pursuant to the approved buy-back program. The cumulative number of shares purchased from the date when the share buy-back program commenced is 384,698,333 shares with a total amount of shares repurchased of ₱1,020.5 million.

Registration with the BOI

On January 18, 2018, the BOI issued to PGMC the certification granting the renewal of PGMC's VAT zero-rated status. The certification is valid from January 1 up to December 31, 2018 unless sooner revoked by the BOI Governing Board.

Tax Reform for Acceleration and Inclusion Act (TRAIN)

RA No.10963 or the TRAIN was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted as of the reporting date. Although the TRAIN changes existing tax law and includes several provisions that will generally affect businesses on a prospective basis, the management assessed that the same will not have any significant impact on the consolidated financial statement balances as of the reporting date. However, the amendments made on Section 151 of the Tax Code which pertain to the increase in excise tax rate from two percent (2%) to four percent (4%) on all metallic minerals based on the market value of the gross output thereof at the time of the removal may have an impact on the consolidated financial statement balances of the Group in the succeeding reporting periods.



37. Supplemental Disclosure to Consolidated Statements of Cash Flows

Noncash financing and investing activities as at December 31, 2017 pertain to the following:

- a. Additions to property and equipment as a result of purchases on account amounting to ₱5.4 million and change in estimated capitalized cost of mine rehabilitation amounting to ₱174.2 million;
- b. Accrual of interest on bank loans, retirement obligation and provision for mine rehabilitation and decommissioning amounting to ₱4.5 million, ₱2.8 million and ₱4.1 million, respectively;
- c. Issuance of treasury shares in relation to the special stock grant on December 27, 2017 which amounted to ₱28.2 million, resulting to a decrease in retained earnings amounting to ₱1.8 million which pertains to the difference between the fair value of the treasury shares at the date of grant and the cost of treasury shares upon reacquisition;
- d. Effect of foreign exchange on bank loans amounting to ₱4.3 million; and
- e. Sale of investment property to a related party amounting to ₱319.9 million which was offset against the outstanding advances from a related party.

Noncash financing and investing activities as at December 31, 2016 pertain to the following:

- a. Increase in property and equipment as a result of:
 - Return of property and equipment arising from finance lease termination amounting to ₱138.3 million.
 - Acquisition of PIL and purchases on account amounting to ₱20.5 million and ₱0.8 million, respectively.
 - Addition to property and equipment acquired through finance lease agreement with BLFI amounting to ₱3.5 million;
- b. The acquisition of PIL has effects on the following:
 - Increase in trade and other receivables amounting to ₱38.2 million.
 - Decrease in prepayments and other current assets amounting to ₱13.6 million.
 - Decrease in advances to related parties amounting to ₱16.6 million.
 - Increase in amounts owed to related parties amounting to ₱22.5 million;
- c. Increase in interest received as a result of recognition of the remaining interest income on finance lease receivable amounting to ₱5.2 million;
- d. Decrease in receivable arising from termination of finance lease amounting to ₱106.8 million.
- e. Decrease in trade in other payables arising from the finance lease adjustments amounting ₱13.6 million, respectively;
- f. Accrual of interest on trade and other payable, finance lease liabilities, bank loans, retirement obligation and provision for mine rehabilitation and decommissioning amounting to ₱7.5 million, ₱1.0 million, ₱60.4 million, ₱2.2 million and ₱1.4 million, respectively;
- g. Reclassification of deposits for future acquisition to advances to related parties and investment in a subsidiary amounting to ₱23.1 million and ₱0.1 million, respectively;
- h. Increase in deposits for future acquisition due to the Deed of Assignments among the Parent Company, SPNVI and the stockholders of SPNVI, wherein SPNVI assigned its payable to BNVI and to the previous stockholders of CNMEC to the Parent Company amounting to ₱532.0 million; and
- i. Increase in advances to related parties amounting to ₱57.1 million and ₱0.3 million as a result of the various Deed of Assignments among the Parent Company, PGM, SPNVI and the stockholders of SPNVI which became part of the deposits for future acquisition, and investment in an associate, respectively.



38. Operating Segment Information

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

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

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

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

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

The Group has revenues from external customers in China amounting to ₱5.8 million, ₱3.8 million and ₱6.5 million in 2017, 2016 and 2015, respectively.



Financial information on the operation of the various business segments for the years ended December 31, 2017 and 2016 are as follows:

	2017			Total
	Mining	Service	Elimination	
External customers	P5,815,596	P-	P-	P5,815,596
Intersegment revenues	2,340,652	89,926	(2,430,578)	-
Total revenues	8,156,248	89,926	(2,430,578)	5,815,596
Cost of sales	5,029,059	71,778	(2,332,266)	2,768,571
Excise taxes and royalties	714,206	-	-	714,206
Shipping and distributions	478,769	-	(89,926)	388,843
Segment operating earnings	1,934,214	18,148	(8,386)	1,943,976
General and administrative	(823,527)	(9,631)	-	(833,158)
Finance costs	(68,732)	(9)	-	(68,741)
Finance income	6,869	8	-	6,877
Share in net loss of an associate	(116)	-	-	(116)
Other income - net	19,983	-	8,386	28,369
Provision for income tax	(294,775)	(2,743)	-	(297,518)
Net income	P773,916	P5,773	P-	P779,689
Segment assets	P18,757,920	P361,180	(P10,205,719)	P8,913,381
Deferred tax assets - net	127,476	-	-	127,476
Total assets	P18,885,396	P361,180	(P10,205,719)	P9,040,857
Segment liabilities	P2,980,047	P3,488	(P346,982)	P2,636,553
Capital expenditures	P106,631	P16,553	P-	P123,184
Depreciation, depletion and amortization	P410,693	P33,674	P-	P444,367



	2016			Total
	Mining	Service	Elimination	
External customers	₱3,773,669	₱-	₱-	₱3,773,669
Intersegment revenues	532,895	95,489	(628,384)	-
Total revenues	4,306,564	95,489	(628,384)	3,773,669
Cost of sales	2,850,352	71,938	(614,070)	2,308,220
Excise taxes and royalties	503,275	-	-	503,275
Shipping and distributions	385,424	-	(95,019)	290,405
Segment operating earnings	567,513	23,551	80,705	671,769
General and administrative	(451,797)	(9,117)	-	(460,914)
Finance costs	(67,696)	-	-	(67,696)
Finance income	6,496	9	-	6,505
Share in net loss of an associate	(184)	-	-	(184)
Other income (charges) - net	55,709	449	(88,531)	(32,373)
Provision for income tax	(75,184)	(4,429)	-	(79,613)
Net income	₱34,857	₱10,463	(₱7,826)	₱37,494
Segment assets	₱21,572,812	₱353,812	(₱12,558,240)	₱9,368,384
Deferred tax assets - net	52,265	-	6,045	58,310
Total assets	₱21,625,077	₱353,812	(₱12,552,195)	₱9,426,694
Segment liabilities	₱7,147,046	₱1,894	(₱4,268,805)	₱2,880,135
Capital expenditures	₱35,990	₱146	₱-	₱36,136
Depreciation, depletion and amortization	₱355,272	₱32,836	₱-	₱388,108



	2015			Total
	Mining	Service	Elimination	
External customers	₱6,533,218	₱-	₱-	₱6,533,218
Intersegment revenues	-	89,594	(89,594)	-
Total revenues	6,533,218	89,594	(89,594)	6,533,218
Cost of sales	3,427,294	82,623	-	3,509,917
Excise taxes and royalties	972,546	-	-	972,546
Shipping and distribution	256,066	-	(89,594)	166,472
Segment operating earnings	1,877,312	6,971	-	1,884,283
General and administrative	(619,901)	(8,370)	-	(628,271)
Finance costs	(88,891)	-	-	(88,891)
Finance income	9,425	6	-	9,431
Other charges - net	(115,500)	-	-	(115,500)
Benefit from (provision for) income tax	53,205	(2,507)	-	50,698
Net income (loss)	₱1,115,650	(₱3,900)	₱-	₱1,111,750
Segment assets	₱20,742,231	₱347,125	(₱12,102,128)	₱8,987,228
Deferred tax assets - net	97,785	-	-	97,785
Total assets	₱20,840,016	₱347,125	(₱12,102,128)	₱9,085,013
Segment liabilities	₱6,451,720	₱5,200	(₱3,909,781)	₱2,547,139
Capital expenditures	₱252	₱-	₱-	₱252
Depreciation, depletion and amortization	₱548,631	₱45,852	₱-	₱594,483

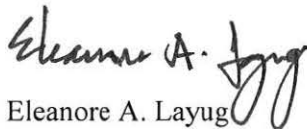


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

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 as at December 31, 2017 and 2016, and for each of the three years in the period ended December 31, 2017 included in this Form 17-A, and have issued our report thereon dated February 28, 2018. 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 Parent Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Eleanore A. Layug
Partner
CPA Certificate No. 0100794
SEC Accreditation No. 1250-AR-1 (Company A),
January 7, 2016, valid until January 6, 2019
Tax Identification No. 163-069-453
BIR Accreditation No. 08-001998-97-2018,
February 2, 2018, valid until February 2, 2021
PTR No. 6621271, January 9, 2018, Makati City

February 28, 2018



GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
ANNUAL AUDITED FINANCIAL REPORT
TABLE OF CONTENTS
DECEMBER 31, 2017

Financial Statements:

- Cover Page
- Statement of Management's Responsibility
- Independent Auditor's Report
- Independent Auditor's Report on Supplementary Schedules
- Consolidated Statements of Financial Position
- Consolidated Statements of Comprehensive Income
- Consolidated Statements of Changes in Equity
- Consolidated Statements of Cash Flows
- Notes to Consolidated Financial Statements

Supplementary Schedules:

- Schedule I: Reconciliation of Retained Earnings Available for Dividend Declaration
- Schedule II: Tabular Schedule of Effective Standards and Interpretation Under the PFRS
- Schedule III: Supplementary Schedules under Annex 68-E
 - Schedule A: Financial Assets
 - Schedule B: Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
 - Schedule C: Amounts Receivable from Related Parties which are Eliminated During Consolidation of Financial Statements
 - Schedule D: Intangible Assets - Other Assets
 - Schedule E: Long-term Debt
 - Schedule F: Indebtedness to Related Parties (Long-term Loans from Related Companies)
 - Schedule G: Guarantees of Securities and Other Issues
 - Schedule H: Capital Stock
- Schedule IV: Map of the Relationships of the Companies Within the Group
- Schedule V: Schedule Showing Financial Soundness Indicators

SCHEDULE I
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
RECONCILIATION OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION
PURSUANT TO SRC RULE 68, AS AMENDED AND
SEC MEMORANDUM CIRCULAR NO. 11
FOR THE YEAR ENDED DECEMBER 31, 2017
(Amounts in Thousands)

Unappropriated Retained Earnings, beginning		(P214,106)
Share in net loss from investment in an associate		184
Unappropriated Retained Earnings, as adjusted, beginning		(213,922)
<u>Add: Net income during the period closed to retained earnings</u>	<u>5,477,300</u>	
<u>Less: Non-actual/unrealized income net of tax</u>		
Recognized DTA	-	
Unrealized actuarial gain	-	
Unrealized foreign exchange loss - net except attributable to cash	-	
Fair value adjustment of investment property resulting to gain	-	
Adjustment due to deviation from PFRS/GAAP - gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	1,772	
Subtotal	<u>1,772</u>	
Add: Non-actual losses		
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)	-	
Recognized DTA	-	
Depreciation on revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS/GAAP-loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
Share in net loss from investment in an associate	116	
Subtotal	<u>116</u>	
<u>Net Income Actual/Realized</u>		<u>5,475,644</u>
Add (Less):		
Dividend declarations during the period	-	
Appropriations of retained earnings	-	
Reversals of appropriations	-	
Effects of prior period adjustments	-	
Treasury shares	(954,090)	(954,090)
Unappropriated Retained Earnings, as adjusted, ending		<u><u>P4,307,632</u></u>

SCHEDULE II
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
TABULAR SCHEDULE OF EFFECTIVE STANDARDS
AND INTERPRETATIONS UNDER THE PFRS
PURSUANT TO SRC RULE 68, AS AMENDED
AS AT DECEMBER 31, 2017

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] issued and effective for December 31, 2017 period-end:

PFRS		Adopted	Not Adopted/ Not Early Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: <i>Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>			✓
	Amendments to PFRS 1: <i>Additional Exemptions for First-time Adopters</i>			✓
	Amendment to PFRS 1: <i>Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters</i>			✓
	Amendments to PFRS 1: <i>Severe Hyperinflation and Removal of Fixed Date for First-time Adopters</i>			✓
	Amendments to PFRS 1: <i>Government Loans</i>			✓
PFRS 2	<i>Share-based Payment</i>	✓		
	Amendments to PFRS 2: <i>Vesting Conditions and Cancellations</i>			✓
	Amendments to PFRS 2: <i>Group Cash-settled Share-based Payment Transactions</i>			✓
PFRS 3 (Revised)	<i>Business Combinations</i>			✓
PFRS 4	<i>Insurance Contracts</i>			✓
	Amendments to PAS 39 and PFRS 4: <i>Financial Guarantee Contracts</i>			✓
PFRS 5	<i>Non-current Assets Held for Sale and Discontinued Operations</i>			✓
PFRS 6	<i>Exploration for and Evaluation of Mineral Resources</i>	✓		

PFRS		Adopted	Not Adopted/ Not Early Adopted	Not Applicable
PFRS 7	<i>Financial Instruments: Disclosures</i>	✓		
	<i>Amendments to PFRS 7: Transition</i>	✓		
	<i>Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets</i>	✓		
	<i>Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition</i>	✓		
	<i>Amendments to PFRS 7: Improving Disclosures about Financial Instruments</i>	✓		
	<i>Amendments to PFRS 7: Disclosures - Transfers of Financial Assets</i>			✓
	<i>Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities</i>	✓		
	<i>Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures</i>			✓
PFRS 8	<i>Operating Segments</i>	✓		
PFRS 9	<i>Financial Instruments</i>		✓	
	<i>Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures</i>		✓	
PFRS 10	<i>Consolidated Financial Statements</i>	✓		
PFRS 11	<i>Joint Arrangements</i>			✓
PFRS 12	<i>Disclosure of Interests in Other Entities</i>	✓		
PFRS 13	<i>Fair Value Measurement</i>	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	<i>Presentation of Financial Statements</i>	✓		
	<i>Amendment to PAS 1: Capital Disclosures</i>	✓		
	<i>Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation</i>			✓
	<i>Amendments to PAS 1: Presentation of Items of Other Comprehensive Income</i>	✓		
PAS 2	<i>Inventories</i>	✓		
PAS 7	<i>Statement of Cash Flows</i>	✓		
PAS 8	<i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	✓		
PAS 10	<i>Events after the Balance Sheet Date</i>	✓		
PAS 11	<i>Construction Contracts</i>			✓

PFRS		Adopted	Not Adopted/ Not Early Adopted	Not Applicable
PAS 12	<i>Income Taxes</i>	✓		
	<i>Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets</i>	✓		
PAS 16	<i>Property, Plant and Equipment</i>	✓		
PAS 17	<i>Leases</i>	✓		
PAS 18	<i>Revenue</i>	✓		
PAS 19 (Amended)	<i>Employee Benefits</i>	✓		
	<i>Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures</i>			✓
	<i>Amendments to PAS 19: Defined Benefit Plans: Employee Contributions</i>			✓
PAS 20	<i>Accounting for Government Grants and Disclosure of Government Assistance</i>			✓
PAS 21	<i>The Effects of Changes in Foreign Exchange Rates</i>	✓		
	<i>Amendment: Net Investment in a Foreign Operation</i>			✓
PAS 23 (Revised)	<i>Borrowing Costs</i>	✓		
PAS 24 (Revised)	<i>Related Party Disclosures</i>	✓		
PAS 26	<i>Accounting and Reporting by Retirement Benefit Plans</i>	✓		
PAS 27 (Amended)	<i>Separate Financial Statements</i>	✓		
PAS 28 (Amended)	<i>Investments in Associates and Joint Ventures</i>	✓		
PAS 29	<i>Financial Reporting in Hyperinflationary Economies</i>			✓
PAS 31	<i>Interests in Joint Ventures</i>			✓
PAS 32	<i>Financial Instruments: Disclosure and Presentation</i>	✓		
	<i>Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation</i>			✓
	<i>Amendment to PAS 32: Classification of Rights Issues</i>			✓
	<i>Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities</i>	✓		
PAS 33	<i>Earnings per Share</i>	✓		
PAS 34	<i>Interim Financial Reporting</i>			✓
PAS 36	<i>Impairment of Assets</i>	✓		

PFRS		Adopted	Not Adopted/ Not Early Adopted	Not Applicable
PAS 37	<i>Provisions, Contingent Liabilities and Contingent Assets</i>	✓		
PAS 38	<i>Intangible Assets</i>	✓		
PAS 39	<i>Financial Instruments: Recognition and Measurement</i>	✓		
	<i>Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities</i>	✓		
	<i>Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions</i>			✓
	<i>Amendments to PAS 39: The Fair Value Option</i>			✓
	<i>Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts</i>			✓
	<i>Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets</i>			✓
	<i>Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition</i>			✓
	<i>Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives</i>			✓
	<i>Amendment to PAS 39: Eligible Hedged Items</i>			✓
PAS 40	<i>Investment Property</i>	✓		
PAS 41	<i>Agriculture</i>			✓
Philippine Interpretations				
IFRIC 1	<i>Changes in Existing Decommissioning, Restoration and Similar Liabilities</i>	✓		
IFRIC 2	<i>Members' Share in Co-operative Entities and Similar Instruments</i>			✓
IFRIC 4	<i>Determining Whether an Arrangement Contains a Lease</i>	✓		
IFRIC 5	<i>Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds</i>	✓		
IFRIC 6	<i>Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment</i>			✓
IFRIC 7	<i>Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies</i>			✓
IFRIC 9	<i>Reassessment of Embedded Derivatives</i>			✓
	<i>Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives</i>			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓

PFRS		Adopted	Not Adopted/ Not Early Adopted	Not Applicable
IFRIC 12	<i>Service Concession Arrangements</i>			✓
IFRIC 13	<i>Customer Loyalty Programmes</i>			✓
IFRIC 14	<i>The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction</i>			✓
	<i>Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement</i>			✓
IFRIC 16	<i>Hedges of a Net Investment in a Foreign Operation</i>			✓
IFRIC 17	<i>Distributions of Non-cash Assets to Owners</i>			✓
IFRIC 18	<i>Transfers of Assets from Customers</i>			✓
IFRIC 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>			✓
IFRIC 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>			✓
SIC-7	<i>Introduction of the Euro</i>			✓
SIC-10	<i>Government Assistance - No Specific Relation to Operating Activities</i>			✓
SIC-12	<i>Consolidation - Special Purpose Entities</i>			✓
	<i>Amendment to SIC - 12: Scope of SIC 12</i>			✓
SIC-13	<i>Jointly Controlled Entities - Non-Monetary Contributions by Venturers</i>			✓
SIC-15	<i>Operating Leases - Incentives</i>			✓
SIC-25	<i>Income Taxes - Changes in the Tax Status of an Entity or its Shareholders</i>			✓
SIC-27	<i>Evaluating the Substance of Transactions Involving the Legal Form of a Lease</i>			✓
SIC-29	<i>Service Concession Arrangements: Disclosures</i>			✓
SIC-31	<i>Revenue - Barter Transactions Involving Advertising Services</i>			✓
	<i>Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement</i>			✓
SIC-32	<i>Intangible Assets - Web Site Costs</i>			✓

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

SCHEDULE III
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
AS AT DECEMBER 31, 2017
(Amounts in Thousands; Except Number of Shares)

Schedule A. Financial Assets

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Income Received and Accrued
Cash on hand and with banks	N/A	₱886,566	₱1,331
Trade receivables	N/A	348,668	-
Advances to related parties	N/A	1,871,978	-
Restricted cash under "Prepayments and other current assets"	N/A	187,418	616
AFS financial assets under "Other noncurrent assets"	4,216,100 shares	4,006	-
		₱3,298,636	₱1,947

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

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected/ assigned	Amounts written-off/ reclassified	Current	Not current	Balance at end of period
Various stockholders	₱1,507,132	₱208,574	₱8,579	₱1,494	₱1,705,633	₱-	₱1,705,633
Southeast Palawan Nickel Ventures, Inc.	92,927	849	-	-	93,776	-	93,776
GHGC Metallic Ore Resources Inc.	6,054	-	6,054	-	-	-	-
Swift Glory Int'l Holdings, Inc.	3,467	80,292	13,641	-	70,118	-	70,118
Sohoton Eco-tourism Development, Inc.	1,972	626	2,495	103	-	-	-
Ipilan Nickel Corporation	923	4,716	3,191	5	2,443	-	2,443
Cagdianao Lateritic Nickel Mining, Inc.	661	11	672	-	-	-	-
Celestial Nickel Mining Exploration Corporation	640	533	1,069	97	7	-	7
Nickel Laterite Resources, Inc.	307	244	551	-	-	-	-
Ferrochrome Resources, Inc.	1	-	-	-	1	-	1
	₱1,614,084	₱295,845	₱36,252	₱1,699	₱1,871,978	₱-	₱1,871,978

Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts reclassified	Current	Not current	Amount eliminated
PGMC-CNEP Shipping Services Corp.	₱87,184	₱111,002	₱83,494	₱-	₱114,692	₱-	₱114,692
Surigao Integrated Resources Corporation	6,810	39	3,130	-	3,719	-	3,719
PGMC International Limited	35,264	2,396,096	2,409,623	-	21,737	-	21,737
	₱129,258	₱2,507,137	₱2,496,247	₱-	₱140,148	₱-	₱140,148

Schedule D. Intangible Assets - Other Assets

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Ending balance
Mining rights	₱264,888	₱-	₱44,679	₱-	₱-	₱220,209

Schedule E. Long Term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown as Current	Amount shown as Noncurrent
Taiwan Cooperative Bank	₱-	₱748,950	₱-
Banco de Oro	-	719	-
	₱-	₱749,669	₱-

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

Name of related party	Beginning balance	Ending balance
	Not Applicable	

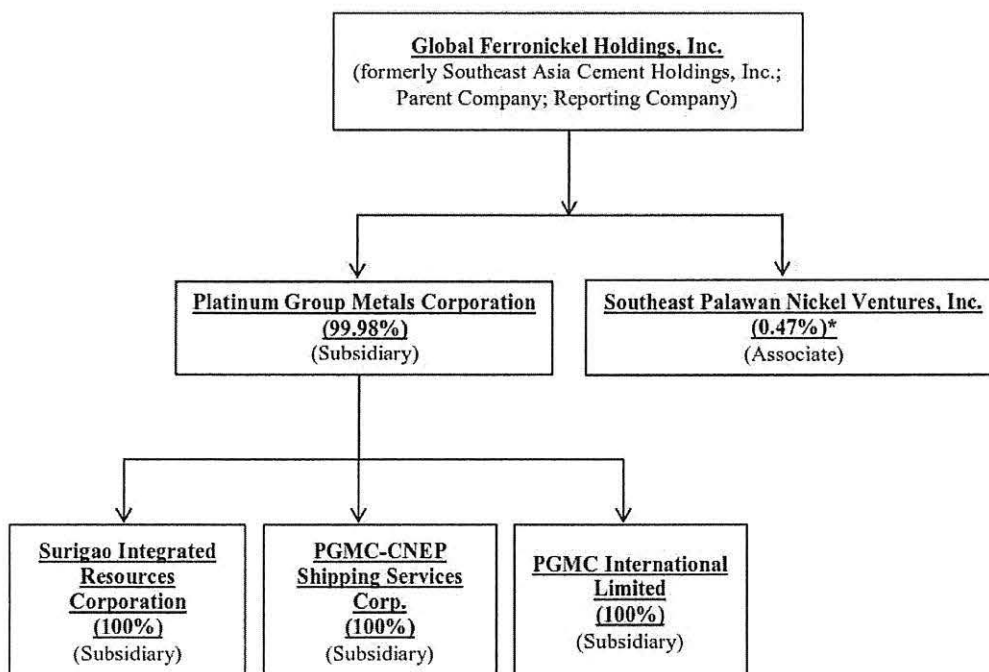
Schedule G. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the Group for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by a person for which statement is filed	Nature of guarantee
	Not Applicable			

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial condition caption	Number of shares reserved for options, warrants, conversion and other rights	No of shares held by		
				Affiliates	Directors and Officers	Others
Common shares	11,957,161,906	5,463,537,399	-	-	171,718,270	5,291,819,129

SCHEDULE IV
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
MAP OF THE RELATIONSHIPS OF THE COMPANIES
WITHIN THE GROUP
PURSUANT TO SRC RULE 68, AS AMENDED
AS AT DECEMBER 31, 2017



*0.47% represents the ownership of GFHI on SPNVI's all classes of outstanding shares, preferred and common. GFHI owns 37.5% of the outstanding common shares of SPNVI with voting power.

SCHEDULE V
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE SHOWING FINANCIAL SOUNDNESS INDICATORS
PURSUANT TO SRC RULE 68, AS AMENDED
FOR THE YEAR ENDED DECEMBER 31, 2017

	Years Ended December 31		
	2017	2016	2015
Profitability ratios:			
Return on assets	8.44%	0.41%	13.28%
Return on equity	12.04%	0.57%	18.59%
Net profit margin	13.40%	0.99%	17.01%
Solvency and liquidity ratios:			
Current ratio	2.04:1	1.63:1	1.50:1
Debt to equity ratio	0.41:1	0.44:1	0.39:1
Quick ratio	1.76:1	1.39:1	1.23:1
Asset to equity ratio	1.41:1	1.44:1	1.39:1

ANNEX F

Global Ferronickel Holdings, Inc. and Subsidiaries
Audited Consolidated Financial Statements

As at December 31, 2016 and 2015 and

For the Years Ended December 31, 2016 and 2015, and

Six Months Ended December 31, 2014

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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

COMPANY NAME

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

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

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

Form Type

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

Department requiring the report

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

Secondary License Type, If Applicable

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

COMPANY INFORMATION

Company's Email Address

www.gfni.com.ph

Company's Telephone Number

(632) 519-7888

Mobile Number

N/A

No. of Stockholders

1,711

Annual Meeting (Month / Day)

6/29

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Ms. Mary Belle D. Bituin

Email Address

MDbituin@gfni.com.ph

Telephone Number/s

(632) 519-7888

Mobile Number

N/A

CONTACT PERSON'S ADDRESS

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

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

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





Global Ferronickel Holdings, Inc.

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

SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA Greenhills
Mandaluyong, Metro Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Global Ferronickel Holdings, Inc.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2016 and 2015**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

JOSEPH C. SY/ Chairman

DANTE R. BRAVO/ President


MARY BELLE D. BITUIN/ Chief Financial Officer

Signed this 3rd day of April 2017

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

Names	TIN No.
Dante R. Bravo	242-508-759
Joseph C. Sy	189-795-219
Mary Belle D. Bituin	102-096-952

Doc No. 199;
Page No. 40;
Book No. 50;
Series of 2017.



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

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Global Ferronickel Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2016 and 2015 and six months ended December 31, 2014 and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2016 and 2015 and six months ended December 31, 2014 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

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



procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Estimation of Ore Reserves

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

Audit Response

We obtained an understanding of management's processes in the estimation of mineable ore reserves. We evaluated the competence, capabilities and objectivity of the management's specialist. We reviewed the specialist's report and obtained an understanding of the nature, scope and objectives of their work, and the basis of the estimates including any changes in the reserves during the year. In addition, we tested the reserves estimates applied to the relevant areas of the consolidated financial statements including depletion, amortization and decommissioning provisions.

Recoverability of Mine Exploration Costs

The mine exploration costs amounting to ₱223.8 million as at December 31, 2016 represents the expenditures incurred by the Group for the Cagdianao areas, which are still under exploration. The ability of the Group to recover its mine exploration costs would depend on the commercial viability of the reserves. The substantial amount of this account, the level of additions during the year and the significant management judgement required in assessing whether there is any indication that the mine exploration costs may be impaired are key audit matters in our audit. See Notes 3 and 12 to the consolidated financial statements.

Audit Response

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



Other Information

Management is responsible for the other information. The other information comprises the information included in the Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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

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



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

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

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

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



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

The engagement partner on the audit resulting in this independent auditor's report is
Jaime F. del Rosario.

SYCIP GORRES VELAYO & CO.



Jaime F. del Rosario

Partner

CPA Certificate No. 56915

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

May 1, 2016, valid until May 1, 2019

Tax Identification No. 102-096-009

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

March 24, 2015, valid until March 23, 2018

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

April 3, 2017



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULE

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Global Ferronickel Holdings, Inc. and Subsidiaries (formerly Southeast Asia Cement Holdings, Inc; the Group) as at December 31, 2016 and 2015 and for the years ended December 31, 2016 and 2015 and six months ended December 31, 2014 and have issued our report thereon dated April 3, 2017. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Securities Regulation Code Rule 68, as amended (2011), and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Jaime F. del Rosario
Partner
CPA Certificate No. 56915
SEC Accreditation No. 0076-AR-4 (Company A),
May 1, 2016, valid until May 1, 2019
Tax Identification No. 102-096-009
BIR Accreditation No. 08-001998-72-2015,
March 24, 2015, valid until March 23, 2018
PTR No. 5908689, January 3, 2017, Makati City

April 3, 2017



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

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

See accompanying Notes to Consolidated Financial Statements.



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

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

See accompanying Notes to Consolidated Financial Statements.



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

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

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

See accompanying Notes to Consolidated Financial Statements.



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

	Years Ended December 31		Six Months Ended December 31
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱117,107	₱1,061,052	₱4,783,743
Adjustments for:			
Depreciation, depletion and amortization (Note 27)	388,108	594,483	92,683
Interest expense (Note 28)	60,387	75,716	55,348
Unrealized foreign exchange gains (loss) – net	36,296	(3,040)	3,041
Loss (gain) on disposals of property and equipment (Notes 8 and 29)	24,282	6,327	(91)
Net change in retirement obligation (Note 17)	10,123	9,278	(624)
Loss on acquisition of a subsidiary (Note 29)	7,356	-	-
Interest income (Notes 4 and 18)	(6,505)	(9,431)	(3,465)
Impairment loss on AFS financial assets (Notes 13 and 29)	1,433	2,445	-
Accretion interest on provision for mine rehabilitation and decommissioning (Notes 16 and 28)	1,401	1,117	549
Loss on modification of finance lease receivable (Notes 18 and 29)	1,037	86,885	-
Levelization of rental expense	409	743	34
Share in net loss of an associate (Note 9)	184	-	-
Amortization of discount on bank loans (Note 28)	-	2,068	6,650
Operating income before changes in working capital	641,618	1,827,643	4,937,868
Decrease (increase) in:			
Trade and other receivables	(77,810)	(403,448)	563,990
Inventories - at cost	367,800	(397,741)	51,065
Prepayments and other current assets	6,811	39,868	(187,487)
Decrease in trade and other payables	(259,389)	(210,403)	(1,997,001)
Net cash generated from operations	679,030	855,919	3,368,435
Interest paid	(51,811)	(73,848)	(58,304)
Income taxes paid	(24,543)	(7,119)	(2,855)
Interest received	1,270	1,202	1,045
Net cash flows from operating activities	603,946	776,154	3,308,321
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment (Notes 8 and 38)	(270,341)	(31,146)	(86,198)
Mine exploration costs (Note 12)	(83,017)	(131)	-
Decrease (increase) in:			
Advances to related parties	(15,708)	(1,499,565)	(2,003,156)
Deposits for future acquisition (Notes 30 and 38)	-	(23,055)	-
Other noncurrent assets	(152,361)	(41,629)	(34,481)
Repurchase of shares (Note 20)	(17,789)	-	-
Cash inflow from acquisition of net assets of a subsidiary	5,364	-	-
Proceeds from sale of property and equipment (Note 8)	2,543	-	-
Proceeds from insurance of property and equipment	-	1,582	227
Cash inflow from acquisition of net assets of accounting acquiree (Parent Company)	-	-	20,322
Net cash flows used in investing activities	(531,309)	(1,593,944)	(2,103,286)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of bank loans	(875,038)	(1,989,598)	(1,074,621)
Proceeds from:			
Availments of bank loans	832,396	2,339,014	302,935
Issuance of capital stock	20	-	9,000
Increase (decrease) in:			
Finance lease liabilities	(20,269)	(26,451)	(19,597)
Amounts owed to related parties	19,586	279,918	24,710
Other noncurrent liabilities	-	-	(350)
Net cash flows from (used in) financing activities	(43,305)	602,883	(757,923)
NET INCREASE (DECREASE) IN CASH	29,332	(214,907)	447,112
EFFECT OF EXCHANGE RATE CHANGES ON CASH (Note 29)	19,734	25,914	11,593
CASH AT BEGINNING OF YEAR	502,876	691,869	233,164
CASH AT END OF YEAR	₱551,942	₱502,876	691,869

See accompanying Notes to Consolidated Financial Statements.



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

1. Corporate Information

Global Ferronickel Holdings, Inc. (formerly Southeast Asia Cement Holdings, Inc; GFHI; Parent Company) is a corporation listed in the Philippine Stock Exchange (PSE). It was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on May 3, 1994. The principal activities of the Parent Company are to invest in, purchase or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, including shares of stock, and other securities or obligations of any corporation.

The registered principal office address of the Parent Company is at 7th floor, Corporate Business Centre, 151 Paseo De Roxas corner Arnaiz Street, Makati City.

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

On July 9, 2014, IHoldings Group entered into a Share Purchase Agreement, as amended on September 4, 2014, with Huatai Investment Holding Pty. Ltd. (HIHPL), Regulus Best Nickel Holdings, Inc., Bellatrix Star, Inc., Alpha Centauri Fortune Group, Inc. (ACFGI), Antares Nickel Capital, Inc. (ANCI), Blue Eagle Elite Ventures, Inc., Ultimate Horizon Capital, Inc., Sohoton Energy, Inc., Great South Group Ventures, Inc., Red Lion Fortune Group, Inc., and three (3) individuals (collectively the Thirteen Stockholders) pursuant to which IHoldings Group will sell to the Thirteen Stockholders 6,291,132,047 common shares of the Parent Company (the Subject Shares), comprising the entirety of their respective shareholdings and representing 89.82% of the total issued and outstanding capital stock of the Parent Company.

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

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

- Change in the Parent Company's name from Southeast Asia Cement Holdings, Inc. to Global Ferronickel Holdings, Inc.;
- Change in the registered and principal address from Room 1104, Liberty Center Building, 104 H.V. dela Costa corner Leviste Streets, Salcedo Village, Makati City to 7th floor, Corporate Business Centre, 151 Paseo de Roxas corner Arnaiz Street, Makati City;
- Increase in the number of directors from nine (9) to ten (10) members;
- Increase in the authorized capital stock of the Parent Company from ₱2,555.0 million divided into 7,300,000,000 common shares with a par value of ₱0.35 per share to ₱12,555.0 million divided into 35,871,428,572 common shares with a par value of ₱0.35 per share; and
- Change in the reporting period from June 30 to December 31.



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

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

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

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

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

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

The Parent Company and PGMC Share-for-Share Swap (Share Swap) Transaction

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

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

Memorandum of Agreements (MOA)

On November 27, 2014, the Parent Company entered into two (2) MOAs with the following:

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



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

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

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

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

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

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

The Subsidiaries

PGMC

PGMC was registered with the SEC on February 10, 1983. PGMC is a 99.98%-owned subsidiary of the Parent Company and is primarily engaged in the exploration, mining and exporting nickel ore located in the municipality of Claver, Surigao del Norte.

Registration with the Board of Investments (BOI)

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

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

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

Increase in Authorized Capital Stock

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



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

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

Surigao Integrated Resources Corporation (SIRC)

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

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

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

On June 15, 2016, SIRC and Cagdianao Lateritic Nickel Mining, Inc. (CLNMI) executed a Deed of Assignment wherein CLNMI has agreed to assign all of its rights, titles and interests on its Exploration Permit (EP) and mineral property. CLNMI has a pending application for EP with Application No. EPA-000101-XIII filed with the Mines and Geosciences Bureau (MGB) covering an area of about 927.9 hectares located at Cagdianao, Claver, Surigao del Norte. The Deed of Assignment was approved by the MGB on June 27, 2016.

PGMC-CNEP Shipping Services Corp. (PCSSC)

PCSSC is a 99.98%-owned subsidiary of the Parent Company through PGMC and was registered with the SEC on June 4, 2013. Its primary purpose is to conduct and carry on the business of inter-island shipping, including chartering, hiring, leasing, or otherwise acquiring tug and barge, self-propelled barges or landing craft transport (LCT) or other ships or vessels, together with equipment, appurtenances and furniture therefor; and to employ the same in the conveyance and carriage of ores, minerals, goods, wares and merchandise of every kind and description.

PGMC International Limited (PIL)

On July 22, 2015, PIL, a 99.98%-owned subsidiary of the Parent Company through PGMC, was incorporated under the Companies Ordinance of Hong Kong. It was established to facilitate relations with Chinese customers, to promote marketing, to collect accounts, to avail of offshore banking services such as loans, credit/discounting lines and other financing arrangements, and to do other services for PGMC (see Note 30a).

PGMC, SIRC, PCSSC and PIL are hereinafter collectively referred to as PGMC Group. PGMC Group's registered address is the same as that of the Parent Company except for PIL which is registered at Unit 4101-02, 41/F, Office Tower, Convention Plaza, 1 Harbour Road Wanchai, Hongkong.

Authorization for Issue

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



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

Basis of Preparation

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for quoted AFS financial assets, which are carried at fair value. The consolidated financial statements are presented in Philippine peso, which is the Group's presentation currency under the Philippine Financial Reporting Standards (PFRS). Based on the economic substance of the underlying circumstances relevant to the Group, the functional currencies of the Parent Company and its subsidiaries is Philippine peso, except for PIL whose functional currency is Hong Kong Dollar (HK\$). All values are rounded to the nearest thousand (P000), except number of shares, per share data and as indicated.

Acquisition of PGMC Group

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

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

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

The comparative June 30, 2014 information presented in the consolidated statements of changes in equity is that of PGMC Group, not originally presented in the previous financial statements of the legal parent (the Parent Company - accounting acquiree) and is also retroactively adjusted to reflect the legal capital (i.e., the number and type of "Capital stock" issued, "APIC" and "Treasury stock") of GFHI. The adjustment, which is the difference between the capital structure of PGMC Group and GFHI, is recognized as part of the "Equity reserve" in the consolidated statements of financial position. Refer to Note 20 for the movements in the "Equity reserve" account.

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

- a. The consolidated assets and liabilities of PGMC Group (legal subsidiary/accounting acquirer) recognized and measured at their pre-combination carrying amounts and not at fair value, and the assets and liabilities of GFHI (legal parent/accounting acquiree) were recognized and measured at acquisition cost;
- b. The retained earnings of PGMC Group for full period together with the post-combination results of GFHI from December 22, 2014, the date when GFHI was acquired by PGMC;
- c. The total equity that shows the combined equity of PGMC Group and GFHI. However, the legal capital of PGMC Group will be eliminated as the legal capital that will be reflected would be that of GFHI (legal parent);
- d. Any difference between the consideration transferred by GFHI and the legal capital of PGMC Group that is eliminated is reflected as "Equity reserve"; and
- e. The consolidated statements of comprehensive income for the years ended December 31, 2016 and 2015 and the six months ended December 31, 2014 reflect that of the PGMC Group for the full period. The six months ended December 31 2014 includes the post-combination results of GFHI (e.g. for the period from December 22, 2014 to December 31, 2014).



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

Basis of Consolidation

The consolidated financial statements as at December 31, 2016 and 2015 include the following:

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

(1) Indirect ownership through PGMC

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

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

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

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

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

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

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

NCI represents interest in a subsidiary that is not owned, directly or indirectly, by the Parent Company.



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

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

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

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

Statement of Compliance

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2016. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance unless otherwise indicated.

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

Annual Improvements to PFRSs (2012-2014 cycle)

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



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

Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*

The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments do not have any impact on the Group's financial position and results of operation. The Group will include the required disclosures in its 2017 consolidated financial statements.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*
The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted. Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.
- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

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

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*

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



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

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

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

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



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

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

Effective beginning on or after January 1, 2019

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

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

Deferred effectivity

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



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

Summary of Significant Accounting Policies

Presentation of Consolidated Financial Statements

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

Cash

Cash represents cash on hand and with banks.

Financial Instruments

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

Financial Assets

Initial Recognition and Measurement

The Group determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this designation at each end of the reporting period.

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

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

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

The Group's financial assets are in the nature of loans and receivables and AFS financial assets. As at December 31, 2016 and 2015, there were no financial assets at FVPL, HTM investments or as derivatives designated as hedging instruments in an effective hedge.

Subsequent Measurement

Loans and Receivables

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



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

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

AFS Financial Assets

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

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

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

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

Derecognition

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

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

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

Impairment of Financial Assets

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



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

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

Loans and Receivables

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

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

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

AFS Financial Assets

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

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

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



Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, trade and other payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

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

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

Subsequent Measurement

Loans and Borrowings and Trade and Other Payables

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

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

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

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

Derecognition

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognized in the consolidated statement of comprehensive income.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to set-off the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not



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

Fair Value Measurement

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

- Level 1 - Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2 - Other techniques for which all inputs which have significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3 - Techniques which use inputs that have a significant effect on the recorded fair value that are not based on unobservable market data

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

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

Inventories

Inventories are valued at the lower of cost or net realizable value (NRV). Cost is determined by the moving average production cost during the year for nickel ore inventories exceeding a determined cut-off grade and moving average method for materials and supplies. The NRV of nickel ore inventories is



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

Prepayments and Other Current and Noncurrent Assets

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

Input VAT

Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations, net of output tax liabilities, if any, which may be recovered as tax credit against future tax liability of the Group upon approval by the Philippine Bureau of Internal Revenue (BIR) and/or the Philippine Bureau of Customs.

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

Deposits for Future Acquisition

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

Property and Equipment

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

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

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

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

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

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



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

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

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

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

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

Investment in an Associate

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

The Parent Company’s investment in its associate are accounted for using the equity method.

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

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

The aggregate of the Parent Company’s share of profit or loss of an associate is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate. If the Parent Company’s



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

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

Mining Rights

Mining rights refer to the right of the Group as the holder of the MPSA located in Cagdianao, Claver, Surigao del Norte acquired through the assignment of MPSA from Case Mining Development Corporation (CMDC) to the Group under the Deed of Assignment. It also includes initial deferred exploration costs incurred by the Group relative to the exploration works on the mining properties.

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

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

Investment Property

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

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

Mine Exploration Costs

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

Impairment of Non-Financial Assets

Property and Equipment, Mining Rights, Investment Property, Prepayments and Other Current and Noncurrent Assets and Investment in an Associate

The Group assesses, at each end of the reporting period, whether there is an indication that an asset may be impaired. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset cash generating unit (CGU) is written down to its recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use (VIU) and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. The fair value less cost to sell is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participant at the measurement date less the costs of disposal, while VIU is the present value of estimated future cash



flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in "General and administrative expenses" in the consolidated statement of comprehensive income.

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

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

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

Mine Exploration Costs

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

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

Provisions

General

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

Provision for Mine Rehabilitation and Decommissioning

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these



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

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

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

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

MRF committed for use in satisfying environmental obligations are included under "Other noncurrent assets" in the consolidated statement of financial position.

OCI

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

Capital Stock

Common shares are classified as equity.

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

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

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

Treasury Stock

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

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



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

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

Retained Earnings and Dividends

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

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

Equity Reserve

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

NCI

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

Reverse Acquisition

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

Asset Acquisition

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

EPS

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

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



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

Segment Reporting

For purposes of management reporting, the Group is organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit. The Group has two geographical segments and derives its revenues from domestic and foreign operations. The business and geographical segments are the bases upon which the Group reports its primary segment information. Financial information on segment reporting is presented in Note 40 to the consolidated financial statements.

Revenue Recognition

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

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

Sale of Nickel Ore

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

Interest Income

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

Other Income

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

Cost and Expenses Recognition

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

Cost of Sales

Cost of sales is incurred in the normal course of business and is recognized when incurred. They comprise mainly of contract hire, personnel costs, depreciation, depletion, and amortization, fuel, operation overhead and others, which are provided in the period when the goods are delivered.

Operating Expenses

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



Leases

Determination of Whether an Arrangement Contains a Lease

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

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

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

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

Operating Leases

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

Finance Leases

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

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

Retirement Benefits Costs

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

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

Defined benefit costs comprise the following:

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



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

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

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

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

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

Foreign Currency Transactions

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

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

Income Taxes

Current Income Tax

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

Deferred Tax

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



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

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

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

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

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

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

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

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

Contingencies

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

Events After the End of the Reporting Period

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



3. Significant Accounting Judgments, Estimates and Assumptions

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

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

Judgments

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

Assessing Production Start Date

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

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

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

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

Determining Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group, except PIL, has been determined to be the Philippine peso. The functional currency of PIL has been determined to be the HK\$. The Philippine peso and the HK\$ are the currencies that most faithfully represents the economic substance of the Group's underlying transactions, events and conditions.

Assessing Existence of Significant Influence

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

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



Estimates and Assumptions

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

Estimating Ore Reserves

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

In 2015, total ore estimate pertaining to Cagdianao Areas (CAGA) 1, 2, 3, 4 and 5 was changed from 119.5 million wet metric ton (WMT) of ore resources to 37.3 million WMT of ore reserves based on the latest Joint Ore Reserves Committee (JORC) Report received in February 2015. Total ore reserves estimate pertaining to the operating CAGA 2 and 4 was changed from 86.0 million WMT of ore resources to 20.3 million WMT of ore reserves which will have an impact on the remaining life of the Group's mining properties classified under "Property and equipment" and "Mining rights."

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

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

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

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

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



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

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

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

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

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

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

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

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

Assessing Recoverability of Mining Rights and Mine Exploration Costs

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

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

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

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



Assessing Recoverability of Deferred Tax Assets

The Group reviews the carrying amounts of deferred tax assets at each end of the reporting period and reduces deferred tax assets to the extent that it is probable that sufficient future taxable income will be available against which these can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of sufficient future taxable income together with future tax planning strategies.

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

Estimating Impairment Losses on AFS Financial Assets

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

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

Estimating Provision for Mine Rehabilitation and Decommissioning

The Group assesses its provision for mine rehabilitation and decommissioning annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation and decommissioning as there are numerous factors that will affect the provision. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. In addition, the expected timing of expenditure can also change, for example in response to changes in mineral reserves or production rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the consolidated statement of financial position by adjusting the rehabilitation asset and liability.

Provision for mine rehabilitation and decommissioning pertains to the estimated decommissioning costs to be incurred in the future on the mined-out areas of the Group. The Group makes full provision for the future cost of rehabilitating mine sites and related production facilities on a discounted basis on the development of mines or installation of those facilities. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mine ceases to produce at economically viable rates. This, in turn, will depend upon future ore prices, which are inherently uncertain.

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



Determining Fair Values of Financial Instruments

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

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

Estimating Contingencies

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

4. Cash

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

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

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

5. Trade and Other Receivables

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

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

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



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

6. **Inventories** - at cost

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

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

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

7. **Prepayments and Other Current Assets**

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

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

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

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



8. Property and Equipment

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

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



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

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

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

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

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

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

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

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

9. Investment in an Associate

On September 1, 2016, the Parent Company entered into a Deed of Assignment with SPNVI, a related party, wherein the Parent Company assigned, transferred and conveyed in favor of SPNVI ₱0.3 million of its advances as payment for the subscription to the 300,000 unissued common shares out of 800,000 common shares of SPNVI with a par value of ₱1.00 per share (see Note 30).

As a result of the above Deed of Assignment, the Parent Company acquired 37.5% of the common shares with voting rights and 0.47% of total shares. The Group assessed that it has a significant influence over SPNVI since it directly holds more than twenty percent (20%) of the voting power of SPNVI.

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



SPNVI was registered with the SEC, primarily to engage to prospect, explore, locate, acquire, hold, work, develop, lease, operate and exploit mineral lands for nickel, chromite, copper, manganese, magnesite, silver, gold, and other precious and non-precious metals; to acquire and dispose of mining claims and rights, and to conduct and carry on the business of preparing, milling, concentrating, smelting, treating or preparing for market, and to market, sell at wholesale, exchange or otherwise deal in nickel, chromite, copper, manganese, magnesite, silver, gold and other mineral products.

10. Mining Rights

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

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

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

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

11. Investment Property

Portal Holdings, Inc. (PHI)

In June 2012, the Group acquired a parcel of land (Aseana Property) from PHI amounting to ₱319.9 million located in Paranaque. The land was held for capital appreciation. As at December 31, 2016 and 2015, related borrowings amounting to nil and ₱40.0 million, respectively, are presented as "Bank loans" (see Note 15). The bank loan related to the purchase of the Aseana Property was fully paid on January 29, 2016.

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

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



12. Mine Exploration Costs

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

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

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

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

13. Other Noncurrent Assets

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

Restricted Cash

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

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

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

Advances to Suppliers

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

Input VAT

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

MRF

Pursuant to Section 181 of the Implementing Rules and Regulations of the Republic Act (RA) No. 7492, better known as the *Philippine Mining Act of 1995*, mining companies have to maintain an MRF deposit



with any government bank. The Group has a deposit for MRF at the Development Bank of the Philippines - Surigao City Branch. The funds are to be used for physical and social rehabilitation, reforestation and restoration of areas and communities affected by mining activities, for pollution control and integrated community development. The funds earned interest based on the prevailing market rate.

AFS Financial Assets

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

Movements in fair value of quoted equity instrument follow:

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

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

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

Others

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

The Group has the following interest income:

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

14. Trade and Other Payables

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



Trade

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

Accrued Expenses and Taxes

Details of the accrued expenses and taxes are summarized below:

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

Excise Taxes and Royalties Payable

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

Business and Other Taxes

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

Provision for SDMP and ICC

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

Accrued Professional Fees

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

Government Dues

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

Accrued Payroll and Other Payables

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

Advances from Customers

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



Nontrade

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

Dividends Payable

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

Interest Payables

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

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

15. Bank Loans

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

TCB

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

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



The other conditions of the agreement follow:

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

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

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

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

BDO

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

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



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

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

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

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

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

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

UnionBank and EastWest

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

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

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

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

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

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

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



BOC

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

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

16. Provision for Mine Rehabilitation and Decommissioning

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

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

17. Retirement Obligation

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

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

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

The details of retirement benefits costs are as follows:

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

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



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

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

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

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

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

	Years Ended December 31		Six Months Ended December 31
	2016	2015	2014
Discount rate	5.86%	5.38%	4.86%
Salary increase rate	10.00%	10.00%	10.00%
Turnover rate	7.5% at age 19 decreasing to 0% at age 45	7.5% at age 19 decreasing to 0% at age 45	7.5% at age 19 decreasing to 0% at age 45

The sensitivity analyses below have been determined based on reasonably possible changes of each significant assumption on the defined retirement benefits obligation at the end of the reporting period, assuming all other assumptions were held constant:

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

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

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

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



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

18. Finance Lease

Finance Lease Receivable

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

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

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

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

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

Finance Lease Liabilities

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

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



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

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

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

19. Other Noncurrent Liabilities

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

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

20. Equity

Capital Stock

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

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

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

Increase in Authorized Capital Stock

As discussed in Note 1, the BOD and stockholders of the Parent Company approved a capital restructuring through a reverse stock split. In relation to this, the Parent Company applied for an increase in its authorized capital stock which was approved by the SEC on November 7, 2016. Out of the increase in capital stock, an individual stockholder subscribed a total of ₱20,000 divided into 19,048 common shares at a par value of ₱1.05.



In 2014, the Parent Company applied for an increase in its authorized capital stock from ₱2,555.0 million divided into 7,300,000,000 common shares with a par value of ₱0.35 per share to ₱12,555.0 million divided into 35,871,428,572 common shares with a par value of ₱0.35 per share. The increase in the authorized capital stock as well as the issuance of the 10,463,093,371 common shares to the Thirteen Stockholders in accordance with the Share Swap transaction was approved by the SEC on December 22, 2014 (see Note 1).

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

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

APIC

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

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

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

Treasury Stock

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

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

Retained Earnings

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

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

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



Equity Reserve

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

Below is the summary of the movements of the “Equity reserve” account:

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

Employee Stock Option Plan (ESOP)

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

21. EPS

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

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

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

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



22. Cost of Sales

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

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

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

23. Excise Taxes and Royalties

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

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

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

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



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

24. General and Administrative

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

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

25. Shipping and Distribution

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

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



26. Personnel Costs

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

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

The personnel costs were distributed as follows:

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

27. Depreciation, Depletion and Amortization

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

28. Finance Costs

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



29. Other Charges – net

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

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

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

30. Related Party Disclosures

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

Set out on the next page are the Group's transactions with related parties in 2016, 2015 and 2014, including the corresponding assets and liabilities arising from the said transactions as at December 31, 2016 and 2015. In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.



Category	Amount/ Volume	Advances to related parties	Amounts owed to related parties	Terms	Conditions
Stockholders					
2016	₱106,816	₱1,506,995	₱50,000	On demand; noninterest-bearing; collectible or payable in cash	Unsecured; no guarantee;
2015	₱1,290,832	₱1,538,677	₱50,000		
Affiliates with common officers, directors and stockholders					
2016	1,018,720	101,035	389,917	On demand; noninterest-bearing; collectible or payable in cash	Unsecured; no guarantee;
2015	146,350	94,500	347,647		
Other related party					
GMORI					
2016	-	6,054	226,564	On demand; noninterest-bearing; collectible or payable in cash	Unsecured; no guarantee;
2015	-	6,054	226,564		
Total		₱1,614,084	₱666,481		
Total		₱1,639,231	₱624,211		

Intercompany transactions below are eliminated in the consolidated financial statements.

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



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

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

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

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

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

As at December 31, 2016 and 2015, these advances amounted to ₱2,217.4 million and ₱1,628.1 million, respectively. A portion of these advances will form part of the purchase price for the acquisition of SPNVI pursuant to the Contract to Sell executed on August 6, 2015 (see Note 1) and are recorded under “Deposits for future acquisition”.

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

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

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

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



- e. On August 31, 2014 and December 29, 2014, the Group settled its dividends payables amounting to ₱975.9 million and ₱4,561.2 million, net of withholding tax, declared on July 15, 2014 and June 15, 2014, respectively. The dividends payables were offset against the cash advances to stockholders classified under “Advances to related parties”.
- f. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

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

31. Income Taxes

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

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

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



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

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

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

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

	Year Ended December 31		Six Months Ended December 31
	2016	2015	2014
NOLCO			
Beginning balance	₱613,126	₱425,840	₱357,209
Additions	119,837	428,648	68,631
Application	(144,970)	-	-
Expiration	-	(241,362)	-
NOLCO incurred during the ITH period	(373,627)	-	-
Ending balance	₱214,366	₱613,126	₱425,840

	Year Ended December 31		Six Months Ended December 31
	2016	2015	2014
MCIT			
Beginning balance	₱2,262	₱1,218	₱1,482
Addition	886	1,575	326
Expiration	(361)	(531)	(590)
Ending balance	₱2,787	₱2,262	₱1,218

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



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

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

32. Financial Risk Management Objectives and Policies and Capital Management

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

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

Market Risk

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

Foreign Exchange Risk

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

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

To mitigate the effects of foreign currency risk, the Group seeks to accelerate the collection of foreign currency-denominated receivables and the settlement of foreign currency-denominated payables, whenever practicable. Also, foreign exchange movements are monitored on a daily basis via Philippine Dealing and Exchange Corp.

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

	2016			2015	
	US\$ Amount	HK\$ Amount	Peso Equivalent	US\$ Amount	Peso Equivalent
Financial Assets:					
Cash with banks	US\$9,114	HK\$1,918	₱465,462	US\$8,486	₱399,351
Trade receivables	16,498	1,188	827,908	15,322	721,053
	25,612	3,106	1,293,370	23,808	1,120,404
Financial Liabilities:					
Trade and other payables	2,761	9,165	196,116	6,007	282,689
Bank loans	20,000	–	994,400	20,000	941,200
	22,761	9,165	1,190,516	26,007	1,223,889
Net Financial Assets (Liabilities)	US\$2,851	(HK\$6,059)	₱102,854	(US\$2,199)	(₱103,485)



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

The following table demonstrates the sensitivity to a reasonably possible change in the US\$ and HK\$ exchange rates, with all other variables held constant, of the Group's income before income tax (due to changes in revaluation of financial assets and liabilities) for the years ended December 31, 2016 and 2015 and six months ended December 31, 2014.

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

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

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to the risk for changes in interest relates primarily to its loan with banks with floating interest rate.

The Group regularly monitors interest rates movements to assess exposure impact. Management believes that cash generated from operations is sufficient to pay its obligations under the loan agreements as they fall due.

The terms and maturity profile of the interest-bearing financial assets and liabilities as at December 31, 2016 and 2015, together with its corresponding nominal interest rate and carrying values are shown in the following table:

2016	Nominal Interest Rate	Less than 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Cash with banks	Various 10.50%-14.00%;	₱551,045	₱-	₱-	₱-	₱551,045
Bank loans	LIBOR plus 3.75%	2,629	996,066	713	-	999,408
2015	Nominal Interest Rate	Less than 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Cash with banks	Various 10.50%-14.00%;	₱502,262	₱-	₱-	₱-	₱502,262
Bank loans	LIBOR plus 9.00%	984,384	2,966	5,479	1,755	994,584



The following table sets forth, for the year indicated, the impact of a reasonably possible change in interest rate for the years ended December 31, 2016 and 2015 and the six months ended December 31, 2014 consolidated statements of comprehensive income (through the impact of floating rate borrowings):

	Increase/Decrease in Basis Points	Effect on Income Before Income Tax
December 31, 2016	+100	(P9,944)
	-100	9,944
December 31, 2015	+100	(P9,412)
	-100	9,412
December 31, 2014	+100	(P2,348)
	-100	2,348

There is no other effect on the Group's equity other than those already affecting the consolidated statements of comprehensive income.

Equity Price Risk

Equity price risk is the risk to earnings or capital arising from changes in stock prices relating to its quoted equity instrument. The Group's exposure to equity price risk relates primarily to its AFS financial assets in OPRGI.

The Group's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine effect on its financial position.

The table below shows the sensitivity to a reasonably possible change in equity prices on AFS financial assets as at December 31, 2016 and 2015. The equity impact is arrived using the reasonably possible change of the relevant market indices and the specific adjusted beta of each stock the Group holds. Adjusted beta is the forecasted measure of the volatility of a security or a portfolio in comparison to the market as a whole.

	Average change in market indices	Sensitivity to equity
2016	-2.29%	(P205)
	2.29%	205
2015	-1.25%	(P94)
	1.25%	94

The AFS financial assets shares of stock are traded in the PSE.

Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits in banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group trades only with recognized, reputable and creditworthy third parties and/or transacts only with institutions and/or banks which have demonstrated financial soundness. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, export buyers are required to pay via Letters of Credit issued by reputable banks with the result that Group's exposure to bad debts is not significant. Also, the Group, in some circumstances,



requires advances from customers. Since the Group trades only with recognized third parties, there is no requirement for collateral.

Credit Risk Exposure

The table below shows the gross maximum exposure to credit risk for the components of consolidated statements of financial position.

	Notes	2016	2015
Cash with banks	4	₱551,045	₱502,262
Trade receivables	5	725,912	704,056
Advances to related parties:	30		
Stockholders		1,506,995	1,538,677
Affiliates with common officers, directors and stockholders		101,035	94,500
Others		6,054	6,054
AFS financial assets	13	4,470	5,903
Total		₱2,895,511	₱2,851,452

Aging Analyses of Financial Assets

The aging analyses of the Group's financial assets as at December 31, 2016 and 2015 are summarized in the following tables:

2016	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		90 days or less	91-120 days	More than 120 days		
Cash with banks	₱551,045	₱-	₱-	₱-	₱-	₱551,045
Trade receivables	708,553	-	-	-	17,359	725,912
Advances to related parties:						
Stockholders	1,506,995	-	-	-	-	1,506,995
Affiliates with common officers, directors and stockholders	101,035	-	-	-	-	101,035
Others	6,054	-	-	-	-	6,054
AFS financial assets	4,470	-	-	-	-	4,470
Total	₱2,878,152	₱-	₱-	₱-	₱17,359	₱2,895,511

2015	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		90 days or less	91-120 days	More than 120 days		
Cash with banks	₱502,262	₱-	₱-	₱-	₱-	₱502,262
Trade receivables	393,138	-	-	293,559	17,359	704,056
Advances to related parties:						
Stockholders	1,538,677	-	-	-	-	1,538,677
Affiliates with common officers, directors and stockholders	94,500	-	-	-	-	94,500
Others	6,054	-	-	-	-	6,054
AFS financial assets	5,903	-	-	-	-	5,903
Total	₱2,540,534	₱-	₱-	₱293,559	₱17,359	₱2,851,452



Credit Quality of Financial Assets

The credit quality of financial assets is managed by the Group using credit ratings and is classified into three (3): High grade, which has no history of default; Standard grade, which pertains to accounts with history of one (1) or two (2) defaults; and Substandard grade, which pertains to accounts with history of at least three (3) payment defaults or no repayment dates.

Accordingly, the Group has assessed the credit quality of the following financial assets classified as neither past due nor impaired:

- Cash with banks and other noncurrent assets are considered high-grade since these are deposited in reputable banks.
- Trade receivables, which pertain mainly from sale of nickel ore, are assessed as high grade since these receivables are fully matched with advances from customers.
- Advances to related parties are assessed as substandard grade since these have no repayment dates.
- AFS financial assets in equity instrument are investments that can be traded to and from companies with good financial capacity, making the investment secured and realizable. Management assesses the quality of these assets as high grade.

The Group has no significant concentration of credit risk in relation to its financial assets.

Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments.

The Group's objective is to maintain sufficient funding to finance mining activities through internally generated funds, advances from customers and availment of existing credit lines with banks. The Group considers its available funds and its liquidity in managing its long-term financial requirements. For its short-term funding, the Group's policy is to ensure that there are sufficient capital inflows to match repayments of short-term debts. The Group regularly evaluates its projected and actual cash flow information and continuously assesses conditions in the financial markets.

The tables below summarize the maturity profile of the Group's financial liabilities as at December 31, 2016 and 2015 based on contractual undiscounted payments.

2016	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Bank loans	₱-	₱1,476	₱1,325	₱996,132	₱733	₱-	₱999,666
Trade and other payables:							
Trade	262,040	-	-	-	-	-	262,040
Accrued expenses	13,717	-	-	-	-	-	13,717
Nontrade	9,725	-	-	-	-	-	9,725
Amounts owed to related parties	666,481	-	-	-	-	-	666,481
Other noncurrent liabilities:							
Payable to stockholders of CNMEC	366,463	-	-	-	-	-	366,463
Payable to BNVI	165,566	-	-	-	-	-	165,566
Total	₱1,483,992	₱1,476	₱1,325	₱996,132	₱733	₱-	₱2,483,658



2015	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Bank loans	₱-	₱512,198	₱472,186	₱2,966	₱5,479	₱1,755	₱994,584
Trade and other payables:							
Trade	383,033	-	-	-	-	-	383,033
Accrued expenses	10,389	-	-	-	-	-	10,389
Nontrade	3,214	-	-	-	-	-	3,214
Amounts owed to related parties	624,211	-	-	-	-	-	624,211
Total	₱1,020,847	₱512,198	₱472,186	₱2,966	₱5,479	₱1,755	₱2,015,431

The tables below summarize the maturity profile of the Group's financial assets used to manage the liquidity risk of the Group as at December 31, 2016 and 2015.

2016	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Cash							
Cash on hand	₱897	₱-	₱-	₱-	₱-	₱-	₱897
Cash with banks	551,045	-	-	-	-	-	551,045
Trade receivables	725,912	-	-	-	-	-	725,912
AFS financial assets	4,470	-	-	-	-	-	4,470
Total	₱1,282,324	₱-	₱-	₱-	₱-	₱-	₱1,282,324

2015	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Cash							
Cash on hand	₱614	₱-	₱-	₱-	₱-	₱-	₱614
Cash with banks	502,262	-	-	-	-	-	502,262
Trade receivables	704,056	-	-	-	-	-	704,056
AFS financial assets	5,903	-	-	-	-	-	5,903
Total	₱1,212,835	₱-	₱-	₱-	₱-	₱-	₱1,212,835

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains sufficient cash balances and strong credit rating to support its business and to maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it after carefully considering changes in the economic environment. To maintain or adjust the capital structure, the Group may utilize the following: (a) obtain additional shareholders' advances to augment capital, (b) issuance of new shares, and (c) to return capital to shareholders if and when feasible. No changes were made in the objectives, policies or processes in December 31, 2016 and 2015.

The Group monitors capital using the monthly cash flows and financial statements. It is the policy of the Group to maintain a positive cash flow from operations. The Group determines the inflows from operations for the analysis of its cash position in order to pay currently maturing obligations. The Group place reliance on sales projections and cost management in addressing cash flow concerns.

The Group likewise monitors certain ratios respective of the loan covenants it signed for credit facility obtained for the Surigao mining operations financing as well as for capital expenditure purposes.



33. Fair Value Measurement

The following table shows the carrying values and fair values of the Group's assets and liabilities, whose carrying values does not approximate its fair values as at December 31, 2016 and 2015:

	Carrying Values		Fair Values	
	2016	2015	2016	2015
Investment property	₱319,865	₱319,865	₱367,003	₱367,003
Bank loans	994,408	994,584	999,666	826,538
Finance leases liabilities	5,553	14,994	5,862	23,930

Cash, Trade and Other Receivables and Trade and Other Payables

The carrying amounts of cash, trade and other receivables and trade and other payables approximate their fair values due to the short-term nature of these accounts.

Restricted Cash

The carrying amounts of restricted cash approximate their fair values since they are restricted cash with bank. Restricted cash earns interest based on prevailing market rates repriced monthly.

AFS Financial Assets

The fair value of quoted equity instrument is determined by reference to market closing quotes at the end of the reporting period.

Investment Property

The fair value of investment property is determined using the Market Data Approach. In this approach, the value of the land was based on the sales and listings of comparable property registered within the vicinity. The technique of this approach requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This was done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison was premised on the factors of location, size and shape of the lot, time element and others.

	Valuation technique	Significant unobservable Inputs	Range (weighted average)
Investment property	Market Data Approach	Estimated price per square meter Land area square meter	₱109,000 3,367

Advances to Related Parties and Amounts Owed to Related Parties

Advances to related parties and amounts owed to related parties do not have fixed repayment terms. As such, their carrying amounts approximate their fair values.

Bank Loans

Fair value of bank loans is estimated using the discounted cash flow methodology using the benchmark risk free rates for similar types of loans and borrowings, except for variable-rate borrowings which are repriced quarterly.

Finance Lease Receivables and Liabilities

The fair value of finance lease receivables approximates its carrying value given that it is valued on discount rates on the same year. The fair value of finance lease liabilities are based on the present value of contractual cash flows discounted at market adjusted rates.



Fair Value Hierarchy

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy as follows:

2016	Carrying Amount	Level 1	Level 2	Level 3	Total
<i>Asset measured at fair value:</i>					
AFS financial assets	₱4,470	₱4,470	₱-	₱-	₱4,470
<i>Asset for which the fair value is disclosed:</i>					
Investment property	319,865	-	-	367,003	367,003
	₱324,335	₱4,470	₱-	₱367,003	₱371,473
<i>Liabilities for which fair values are disclosed:</i>					
Bank loans	₱994,408	₱-	₱-	₱999,666	₱999,666
Finance lease liabilities	5,553	-	-	5,862	5,862
	₱999,961	₱-	₱-	₱1,005,528	₱1,005,528
<hr/>					
2015	Carrying Amount	Level 1	Level 2	Level 3	Total
<i>Asset measured at fair value:</i>					
AFS financial assets	₱5,903	₱5,903	₱-	₱-	₱5,903
<i>Asset for which the fair value is disclosed:</i>					
Investment property	319,865	-	-	367,003	367,003
	₱325,768	₱5,903	₱-	₱367,003	₱372,906
<i>Liabilities for which fair values are disclosed:</i>					
Bank loans	₱994,584	₱-	₱-	₱826,538	₱826,538
Finance lease liabilities	14,994	-	-	23,930	23,930
	₱1,009,578	₱-	₱-	₱850,468	₱850,468

There were no transfers between levels of fair value measurement as at December 31, 2016 and 2015.

34. Significant Agreements

Deed of Guarantee

GFHI

On November 9, 2016, the Parent Company entered into a Deed of Guarantee with Baiyin International Investment Ltd. (BIIL) to serve as a guarantor for the loan made by Iplan Nickel Corporation (INC), a subsidiary of SPNVI with BIIL. As guarantor, the Parent Company, irrevocably and conditionally, jointly and severally guarantees to BIIL the due and punctual payment and performance of INC in all secured obligations. Also, the Parent Company, undertakes to pay principal obligation of INC, if INC fails to pay its principal obligation and any of the secured obligations, as if it was the principal obligor.

Ore Supply Agreements

Ore Supply Agreements with Chinese Customers

The Group has ore supply agreements with Chinese customers, each for a fixed tonnage at specific nickel grades and iron content. The fixed tonnage of ore is generally the volume expected delivery within a few months. Revenue from Chinese customers amounted to ₱3,773.7 million, ₱6,533.2 million and ₱8,218.7 million for the years ended December 31, 2016 and 2015 and six months ended December 31, 2014, respectively.



Queensland Nickel Pty. Limited (QNPL)

The Group has ore supply agreement with QNPL, an Australian corporation, for a fixed tonnage at specific nickel grades and iron content. The fixed tonnage of ore is generally the volume expected delivery within a few months. Revenue from QNPL amounted to nil, nil and ₱828.8 million for the years ended December 31, 2016 and 2015 and six months ended December 31, 2014, respectively.

Operating Agreements

SIRC

On September 15, 2006, PGMC entered into an Operating Agreement with SIRC, holder of rights to mining tenements located in the Surigao provinces. SIRC grants PGMC exclusive privilege and right to occupy, explore, develop, utilize, mine, mill, beneficiate and undertake activities within the areas in the Cagdianao mining tenement covered under MPSA No. 007-92-X for a period of twenty-five (25) years. For purposes of royalty obligation, PGMC adopts the royalty agreement entered into by SIRC with CMDC. PGMC shall pay CMDC royalty fees of three percent (3%) to seven percent (7%) of gross receipts determined through freight on board price from the sale of nickel ore mined and produced from the Cagdianao mining properties.

Total royalty fees incurred to CMDC amounted to ₱204.3 million, ₱449.1 million and ₱631.6 million for the years ended December 31, 2016 and 2015 and for the six months ended December 31, 2014, respectively (see Note 23).

Service Contract - CAGA 2

On February 26, 2015 and March 7, 2014, the Group entered into a service contract agreement with JLEC and FVC, mining contractors, respectively, to operate the mining activities within CAGA 1 upon start of commercial operations and CAGA 2 in Surigao, wherein the Group will pay the contractor on a per metric ton based on the grade of the ore shipped.

In 2016, the Company ended its service contract with FVC wherein previously leased assets were returned and included as part of total additions to property and equipment (see Note 8).

In 2016, the Company entered into service contracts with Skaff Mineworks, Inc. and MRMJ Movers Corporation, mining contractors, to operate the mining activities within CAGA 2 in Surigao wherein the Group will pay the contractor on a per metric ton based on the grade of the ore shipped.

Service Contract - CAGA 4

On July 16, 2009, as amended on March 8, 2011, the Group entered into a service contract with 4K Development Corporation, a contractor, to operate the mining activities within CAGA 4 in Surigao, wherein the Group will pay the contractor a fixed amount of per metric ton shipped ore. The service contract expired in 2015 and was not renewed.

In 2016, the Company entered into service contracts with Best Trucking & Transport Phil. Inc., IPM Construction & Dev't Corporation, Landstar Earthmoving Corporation, Loufran Minerals and Dev't Corp., Anseca Dev't Corporation and CTB Engineering Construction, mining contractors, to operate the mining activities within CAGA 4 in Surigao, wherein the Group will pay the contractors on a per metric ton based on the grade of the ore shipped.

Total contract hire incurred for both CAGAs 2 and 4 amounted to ₱1,548.4 million, ₱2,388.9 million and ₱1,921.5 million for the years ended December 31, 2016 and 2015 and six months ended December 31, 2014, respectively (see Note 22).

Lease Agreements

The Group leases its Makati office premises and various machineries and equipment in the mine site. This lease has a remaining term of less than ten (10) years. Renewals are subject to the mutual consent of the lessors and the lessee.



Future minimum lease payments follow:

Category	2016	2015
Within one (1) year	₱2.9 million	₱2.9 million
After one (1) year but not more than five (5) years	20.8 million	20.8 million
More than five (5) years	10.0 million	10.0 million

Rent payable reported under “Other noncurrent liabilities” amounted to ₱1.1 million as at December 31, 2016 and 2015.

Total rent expense incurred amounted to ₱60.3 million, ₱78.2 million and ₱44.8 million for the years ended December 31, 2016 and 2015 and six months ended December 31, 2014, respectively (see Notes 22 and 24). Prepaid rent related to these lease agreements amounted to ₱14.1 million and ₱0.5 million as at December 31, 2016 and 2015, respectively (see Note 7).

35. Registration with the BOI

On November 16, 2007, PGMC, a subsidiary, was registered with the BOI as a new producer of beneficiated nickel ore on a non-pioneer status on its Surigao registered nickel project. It was entitled to avail of the ITH incentive, among other incentives, for an initial period of six (6) years from November 2007 to November 2013.

On July 23, 2013, PGMC received the approval for the extension of its one (1) year ITH starting November 16, 2013 to November 15, 2014.

On July 23, 2014, PGMC received the further approval of the extension of its one (1) year ITH starting November 16, 2014 to November 15, 2015. On April 4, 2016, PGMC received the Certificate of ITH Entitlement for taxable year 2015.

PGMC availed of the ITH incentive amounting to ₱547.4 million in 2015. The ITH incentive of PGMC expired on November 15, 2015.

36. Other Matters

On March 22, 2017, PGMC received a Writ of Execution for the Civil Case 6499 Pascual vs. Mamanwa. The Civil Case pertains to the claim of Sergio Pascual, Plaintiff, of the 30% royalty fees paid to the IPs. The Court grants the deposit of 30% of the 1% royalty fees. The defendants, Datu Reynante Buklas, Datu Dodoy Bago, Datu Alicia Patac and Datu Ebeniza Olorico and their successors-in-interest are ordered to deposit immediately the 30% share of the 1% royalty fees they received from PGMC from the beginning up to the present and PGMC to deposit in court all the amount of 30% of the 1% royalty fees still to be paid to defendants Reynante Buklas, Alicia Patac, Dodoy Olorico and Ebeniza Olorico. PGMC and MGB to deliver all documents showing the total amount of royalty fees paid or to be paid to the defendants.

37. Events After the End of the Reporting Period

On January 19, 2017, the BOI issued to PGMC the certification granting the renewal of PGMC’s VAT zero-rated status. The certification is valid from January 1 up to December 31, 2017 unless sooner revoked by the BOI Governing Board.



On March 1, 2017, the Group entered into a Deed of Absolute Sale agreement with JSY6677 Landholdings, Inc. for the sale of the Aseana property located in Paranaque City amounting to ₱319.9 million.

On February 20, 2017, the Group received a Show Cause Notice (“SCN”) from the DENR directing the Group to show cause why it should not be held liable for violation of Section 71 of the Philippine Mining Act which mandates the establishment of a mine rehabilitation fund. Based on the SCN, the Group has only deposited ₱56.5 million out of a commitment of ₱1,259.7 million for the Final Mine Rehabilitation/Decommissioning Fund (FMRDF).

The Group has submitted its reply to the SCN on February 28, 2017 in which it refuted DENR’s allegations, and pointed out that: (1) PGMC FMRDF commitment is only ₱74.6 million, not ₱1,259.7 million based on the DENR Mine Audit Team 10 Report;(2) PGMC FMRDF is up-to-date with prescribed schedule of deposits; and (3) DENR’s Technical Review Committee upheld the Audit Report.

On March 9, 2017, the Group received an SCN from the DENR directing the Group to show cause why its mining operations should not be suspended due to the extensive siltation of waters. DENR recommended that a review of the MPSA, that overlaps the pristine forest ecosystems of Mt. Hilong-Hilong Key Biodiversity Areas, should be undertaken to spare the most important forest block of northeastern Mindanao from further destruction.

The Group has submitted its reply to the SCN on March 28, 2017 in which it clarified that the CAGA 5 area is not within the mountain ranges of Mt. Hilong-Hilong based on the Tenement Map of Caraga R-XIII of the MGB. Furthermore, the Group also stands that it has not caused the siltation of coastal waters but instead caused by high volume of lateritic content in the soil which triggered the discoloration of water into rusty-red even without mining activities.

On March 23, 2017, PGMC was no longer one of the companies whose mines are "for suspension" or "for closure" according to a list, accessed from the DENR official website, entitled “DENR Status of Mining Operations after the Review of the Mining Audit.

On March 30, 2017, the Parent Company has obtained regulatory approval on its follow-on offering with an offer share up to ₱250.0 million at an offer price of up to ₱8.10 per share.

During the first quarter of 2017, the Group has signed supply contracts with Baosteel Resources International Co. Ltd., Golden Harbour International Pte., Ltd. and Guangdong Century Tsinghan Nickel Industry Company Ltd. for the delivery of 4.0 million WMT of its mining production which is equivalent to about seventy percent (70%) of its target of 6.0 million WMT mining production for 2017.

38. Supplemental Disclosure to Consolidated Statements of Cash Flows

Noncash financing and investing activities as at December 31, 2016 pertain to the following:

- a. Increase in property and equipment as a result of:
 - Return of property and equipment arising from finance lease termination amounting to ₱138.3 million.
 - Acquisition of PIL and purchases on account amounting to ₱20.5 million and ₱0.8 million, respectively.
 - Addition to property and equipment acquired through finance lease agreement with BLFI amounting to ₱3.5 million.



- b. The acquisition of PIL has effects on the following:
 - Increase in trade and other receivables amounting to ₱38.2 million.
 - Decrease in prepayments and other current assets amounting to ₱13.6 million.
 - Decrease in advances to related parties amounting to ₱16.6 million.
 - Increase in amounts owed to related parties amounting to ₱22.5 million.
- c. Increase in interest received as a result of recognition of the remaining interest income on finance lease receivable amounting to ₱5.2 million.
- d. Decrease in receivable arising from termination of finance lease amounting to ₱106.8 million.
- e. Decrease in trade in other payables arising from the finance lease adjustments amounting ₱13.6 million, respectively.
- f. Accrual of interest on trade and other payable, finance lease liabilities, bank loans, retirement obligation amounting to ₱7.5 million, ₱1.0 million, ₱60.4 million and ₱2.2 million, respectively.
- g. Reclassification of deposits for future acquisition to advances to related parties and investment in a subsidiary amounting to ₱23.1 million and ₱0.1 million, respectively.
- h. Increase in deposits for future acquisition due to the Deed of Assignments among the Parent Company, SPNVI and the stockholders of SPNVI, wherein SPNVI assigned its payable to BNVI and to the previous stockholders of CNMEC to the Parent Company amounting to ₱532.0 million.
- i. Increase in advances to related parties amounting to ₱57.1 million and ₱0.3 million as a result of the various Deed of Assignments among the Parent Company, PGMC, SPNVI and the stockholders of SPNVI which became part of the deposits for future acquisition, and investment in an associate, respectively.

Noncash financing and investing activities as at December 31, 2015 pertain to the following:

- a. Increase in property and equipment amounting to ₱208.1 million due to the return of equipment as a result of the amended finance lease agreement with FVC.
- b. Net decrease in trade and other payables as a result of:
 - Offset of finance lease receivable with the Group's payable to contractors amounting to ₱90.8 million.
 - Application of advances from customers to outstanding receivables amounting to ₱27.1 million.
 - On account purchases of property and equipment amounting to ₱12.8 million
 - Accrual of interest in relation to retirement obligation amounting to ₱1.5 million (see Note 17).
- c. Increase in deposits for future acquisition due to various Deed of Assignments wherein PGMC assigned all the rights, title, and interest for the cash advances made by PGMC to SPNVI, amounting to ₱1,628.1 million, to the Parent Company.

Noncash financing and investing activities as at December 31, 2014 pertain to the increase in property and equipment amounting to ₱5.9 million due to purchases on account.

39. Reclassification

During the year, the Group amended its presentation of "Cost of sales" and "Excise taxes and royalties" in the consolidated financial statements to facilitate better presentation.

"Provision for IP Mining" which amounted to ₱66.2 million for the year ended December 31, 2015 was reclassified from "Cost of sales" to "Excise taxes and royalties".



40. Operating Segment Information

Operating segments are components of the Group that engage in business activities from which they may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision-maker (the BOD) to make decisions about how resources are to be allocated to the segment and assess their performances, and for which discrete financial information is available.

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group conducts majority of its business activities in the following areas:

- The mining segment is engaged in the exploration, mining and exporting of nickel saprolite and limonite ore.
- The services segment is engaged in the chartering out of LCTs by PCSSC to PGMC.

The Group's core business is the sale of nickel ore to external customers which accounted for the Group's total revenue. Accordingly, the Group operates mainly in one reportable business and two geographical segments which is the Philippines and Hong Kong. Noncurrent assets of the Group comprising property and equipment, finance lease receivable, mining rights, investment property, mine exploration costs and other noncurrent assets are located in the Philippines and Hong Kong.

The Group has revenue information from external customers as follows:

Country of Domicile	Years Ended December 31		Six Months Ended
	2016	2015	December 31
China	₱3,773,669	₱6,533,218	₱8,218,683
Australia	-	-	828,793
	₱3,773,669	₱6,533,218	₱9,047,476



Financial information on the operation of the various business segments for the years ended December 31, 2016 and 2015 and six months ended December 31, 2014 are as follows:

	December 31, 2016					Total
	Mining		Service	Others	Elimination	
	Philippines	Hongkong				
External customers	₱3,121,712	₱651,957	₱-	₱-	₱-	₱3,773,669
Intersegment revenues	532,895	-	95,489	-	(628,384)	-
Total revenues	3,654,607	651,957	95,489	-	(628,384)	3,773,669
Cost of sales	2,236,282	614,070	71,938	-	(614,070)	2,308,220
Excise taxes and royalties	503,275	-	-	-	-	503,275
Shipping and distributions	385,424	-	-	-	(95,019)	290,405
Segment operating earnings	529,626	37,887	23,551	-	80,705	671,769
General and administrative	(329,196)	(40,722)	(9,117)	(81,879)	-	(460,914)
Finance costs	(65,832)	(1,798)	-	(66)	-	(67,696)
Finance income	6,402	70	9	24	-	6,505
Share in net loss of an associate	-	-	-	(184)	-	(184)
Other income (charges) - net	55,720	(11)	449	-	(88,531)	(32,373)
Provision for income tax	(75,184)	-	(4,429)	-	-	(79,613)
Net income (loss) attributable to equity holders of GFHI	₱121,536	(₱4,574)	₱10,463	(₱82,105)	(₱7,826)	₱37,494
Segment assets	₱9,249,951	₱299,675	₱353,812	₱12,018,784	(₱12,558,240)	₱9,363,982
Deferred tax assets	64,998	-	-	-	-	64,998
Total assets	₱9,314,949	₱299,675	₱353,812	₱12,018,784	(₱12,558,240)	₱9,428,980
Segment liabilities	₱2,509,711	₱311,960	₱1,894	₱4,314,930	(₱4,268,805)	₱2,869,690
Deferred tax liabilities	12,734	-	-	-	-	12,734
Total liabilities	₱2,522,445	₱311,960	₱1,894	₱4,314,930	(₱4,268,805)	₱2,882,424
Capital expenditures	₱410,496	₱376	₱146	₱2,013	₱-	₱413,031
Depreciation, depletion and amortization	₱350,569	₱4,401	₱32,836	₱302	₱-	₱388,108



	December 31, 2015				
	Mining	Service	Others	Elimination	Total
External customers	₱6,533,218	₱-	₱-	₱-	₱6,533,218
Intersegment revenues	-	89,594	-	(89,594)	-
Total revenues	6,533,218	89,594	-	(89,594)	6,533,218
Cost of sales	3,427,294	82,623	-	-	3,509,917
Excise taxes and royalties	972,546	-	-	-	972,546
Shipping and distributions	256,066	-	-	(89,594)	166,472
Segment operating earnings	1,877,312	6,971	-	-	1,884,283
General and administrative	(462,832)	(8,370)	(157,069)	-	(628,271)
Finance costs	(88,888)	-	(3)	-	(88,891)
Finance income	9,408	6	17	-	9,431
Other charges - net	(115,500)	-	-	-	(115,500)
Provision for (benefit from) income tax	53,205	(2,507)	-	-	50,698
Net income attributable to equity holders of GFHI	₱1,272,705	(₱3,900)	(₱157,055)	₱-	₱1,111,750
Segment assets	₱9,271,572	₱347,125	₱11,461,116	(₱12,102,128)	₱8,977,685
Deferred tax assets	107,328	-	-	-	107,328
Total assets	₱9,378,900	₱347,125	₱11,461,116	(₱12,102,128)	₱9,085,013
Segment liabilities	₱2,784,787	₱5,200	₱3,657,390	(₱3,909,781)	₱2,537,596
Deferred tax liabilities	9,543	-	-	-	9,543
Total liabilities	₱2,794,330	₱5,200	₱3,657,390	(₱3,909,781)	₱2,547,139
Capital expenditures	₱252	₱-	₱-	₱-	₱252
Depreciation, depletion and amortization	₱548,631	₱45,852	₱-	₱-	₱594,483



	December 31, 2015				
	Mining	Service	Others	Elimination	Total
External customers	₱9,047,476	₱-	₱-	₱-	₱9,047,476
Intersegment revenues	-	50,007	-	(50,007)	-
Total revenues	9,047,476	50,007	-	(50,007)	9,047,476
Cost of sales	2,536,280	17,572	-	-	2,553,852
Excise taxes and royalties	1,258,746	-	-	-	1,258,746
Shipping and distribution	116,473	-	-	(50,007)	66,466
Segment operating earnings	5,135,977	32,435	-	-	5,168,412
General and administrative	(232,342)	(2,900)	(118)	-	(235,360)
Finance costs	(73,323)	-	-	-	(73,323)
Finance income	3,465	-	-	-	3,465
Other charges - net	(77,569)	-	-	-	(77,569)
Provision for (benefit from) income tax	(40,708)	7,404	-	-	(33,304)
Net income attributable to equity holders of GFHI	₱4,796,916	₱22,131	(₱118)	₱-	₱4,818,929
Segment assets	₱7,545,680	₱353,048	₱397,414	(₱684,534)	₱7,611,608
Deferred tax assets	57,889	-	-	-	57,889
Total assets	₱7,603,569	₱353,048	₱397,414	(₱684,534)	₱7,669,497
Segment liabilities	₱2,251,594	₱7,223	₱300	(₱30,276)	₱2,228,841
Deferred tax liabilities	14,626	-	-	-	14,626
Total liabilities	₱2,266,220	₱7,223	₱300	(₱30,276)	₱2,243,467
Capital expenditures	₱78,656	₱17,768	₱-	₱-	₱96,424
Depreciation, depletion and amortization and	₱84,380	₱8,303	₱-	₱-	₱92,683



GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
ANNUAL AUDITED FINANCIAL REPORT
TABLE OF CONTENTS
DECEMBER 31, 2016

	<u>Page</u>
Financial Statements:	
Cover Page	
Statement of Management’s Responsibility	
Independent Auditor’s Report	
Independent Auditor’s Report on Supplementary Schedules	
Consolidated Statements of Financial Position	
Consolidated Statements of Comprehensive Income	
Consolidated Statements of Changes in Equity	
Consolidated Statements of Cash Flows	
Notes to Consolidated Financial Statements	1-70
Supplementary Schedules:	
Schedule I: Reconciliation of Retained Earnings Available for Dividend Declaration	
Schedule II: Tabular Schedule of Effective Standards and Interpretation Under the PFRS	
Schedule III: Supplementary Schedules under Annex 68-E	
Schedule A: Financial Assets	
Schedule B: Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	
Schedule C: Amounts Receivable from Related Parties which are Eliminated During Consolidation of Financial Statements	
Schedule D: Intangible Assets - Other Assets	
Schedule E: Long-term Debt	
Schedule F: Indebtedness to Related Parties (Long-term Loans from Related Companies)	
Schedule G: Guarantees of Securities and Other Issues	
Schedule H: Capital Stock	
Schedule IV: Map of the Relationships of the Companies Within the Group	
Schedule V: Schedule Showing Financial Soundness Indicators	

GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2016

SUPPLEMENTARY SCHEDULES

- I. Reconciliation of retained earnings available for dividend declaration
- II. Tabular schedule of effective standards and interpretations under the PFRS
- III. Supplementary schedules under Annex 68-E
- IV. Map of the relationships of the companies within the group
- V. Schedule showing financial soundness indicators

SCHEDULE I
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
RECONCILIATION OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION
PURSUANT TO SRC RULE 68, AS AMENDED AND
SEC MEMORANDUM CIRCULAR NO. 11
FOR THE YEAR ENDED DECEMBER 31, 2016
(Amounts in Thousands)

Unappropriated Retained Earnings, beginning		₱5,981,084
Unrealized foreign exchange gain - net except attributable to cash		108,436
Recognized deferred tax assets		<u>(107,328)</u>
Unappropriated Retained Earnings, as adjusted, beginning		5,982,192
<u>Add: Net income during the period closed to retained earnings</u>	<u>159,887</u>	
<u>Less: Non-actual/unrealized income net of tax</u>		
Recognized DTA	6,035	
Unrealized actuarial gain	3,065	
Unrealized foreign exchange loss - net except attributable to cash	-	
Fair value adjustment of investment property resulting to gain	-	
Adjustment due to deviation from PFRS/GAAP - gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Subtotal	<u>150,787</u>	
Add: Non-actual losses		
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)	49,575	
Recognized DTA	-	
Depreciation on revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS/GAAP-loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
Unrealized actuarial loss	-	
Subtotal	<u>49,575</u>	
<u>Net Income Actual/Realized</u>		<u>200,362</u>
Add (Less):		
Dividend declarations during the period	-	
Appropriations of retained earnings	-	
Reversals of appropriations	-	
Effects of prior period adjustments	-	
Treasury shares	-	-
Unappropriated Retained Earnings, as adjusted, ending		<u>₱6,182,554</u>

SCHEDULE II
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
TABULAR SCHEDULE OF EFFECTIVE STANDARDS
AND INTERPRETATIONS UNDER THE PFRS
PURSUANT TO SRC RULE 68, AS AMENDED
AS AT DECEMBER 31, 2016

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] issued and effective for December 31, 2016 period-end.

PFRS		Adopted	Not Adopted/ Not Early Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
PFRSs				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendments to PFRS 1: Meaning of Effective PFRS			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Definition of Vesting Condition			✓
	Amendments to PFRS 2: Share-based Payment, Classification and Measurement of Share-based Payment Transactions			✓

PFRS		Adopted	Not Adopted/ Not Early Adopted	Not Applicable
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4		✓	
PFRS 5	Noncurrent Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
	Amendments to PFRS 7: Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in PFRS 9			✓
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
	Amendments to PFRS 7: Disclosures - Servicing Contracts			✓

PFRS		Adopted	Not Adopted/ Not Early Adopted	Not Applicable
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments		✓	
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture		✓	
	Amendments to PFRS 10, PFRS 12 and PAS 28 Investment Entities: Applying the Consolidation Exception	✓		
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Investment Entities			✓
	Amendments to PFRS 11: Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Transition Guidance			✓
	Amendment to PFRS 12, Clarification of the Scope of the Standard		✓	
PFRS 13	Fair Value Measurement (2013 Version)	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables			✓
	Amendment to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers		✓	
PFRS 16	Leases		✓	
PASs				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓

PFRS		Adopted	Not Adopted/ Not Early Adopted	Not Applicable
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Presentation of Financial Statements - Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendment to PAS 7: Disclosure Initiative		✓	
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
	Amendment to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Regional Market Issue regarding Discount Rate			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓

PFRS		Adopted	Not Adopted/ Not Early Adopted	Not Applicable
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 28 Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture		✓	
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Disclosure of Information "Elsewhere in the Interim Financial Report"			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		

PFRS		Adopted	Not Adopted/ Not Early Adopted	Not Applicable
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Proportionate Restatement of Accumulated Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment- Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Investment Property: Clarifying the relationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property			✓
	Amendments to PAS 40: Investment Property, Transfers of Investment Property		✓	
PAS 41	Agriculture			✓
	Amendment to PAS 16 and PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		

PFRS		Adopted	Not Adopted/ Not Early Adopted	Not Applicable
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 15	Agreements for the Construction of Real Estate			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC-22	Foreign Currency Transactions and Advance Consideration		✓	
SIC-7	Introduction of the Euro			✓

PFRS		Adopted	Not Adopted/ Not Early Adopted	Not Applicable
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

The Group has not early adopted any other standard , interpretation or amendment that has been issued but is not yet effective.

SCHEDULE III
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
AS AT DECEMBER 31, 2016
(Amounts in Thousands; Except Number of Shares)

Schedule A. Financial Assets

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Income Received and Accrued
Cash on hand and with banks	N/A	₱551,942	₱1,270
Trade receivables	N/A	708,553	-
Advances to related parties	N/A	1,614,084	-
AFS financial assets	4,216,100 shares	4,470	-
Total		₱2,879,049	₱1,270

**Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and
Principal Stockholders (Other than Related Parties)**

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off/ reclassified	Current	Not current	Balance at end of period
Various stockholders	₱1,538,677	₱693,550	₱609,203	₱115,892	₱1,507,132	₱-	₱1,507,132
Southeast Palawan Nickel Ventures, Inc.	92,701	12,617	-	12,391	92,927	-	92,927
GHGC Metallic Ore Resources Inc.	6,054	-	-	-	6,054	-	6,054
Swift Glory Int'l Holdings, Inc.	-	3,467	-	-	3,467	-	3,467
Sohoton Eco-tourism Development, Inc.	-	1,972	-	-	1,972	-	1,972
Ipilan Nickel Corporation	-	923	-	-	923	-	923
Cagdianao Lateritic Nickel Mining, Inc.	-	661	-	-	661	-	661
Celestial Nickel Mining Exploration Corporation	-	640	-	-	640	-	640
Nickel Laterite Resources, Inc.	-	307	-	-	307	-	307
Ferrochrome Resources, Inc.	1,799	-	1,798	-	1	-	1
	₱1,639,231	₱714,137	₱611,001	₱128,283	₱1,614,084	₱-	₱1,614,084

Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts reclassified	Current	Not current	Amount eliminated
PGMC-CNEP Shipping Services, Corp.	₱64,323	₱22,861	₱-	₱-	₱87,184	₱-	₱87,184
Surigao Integrated Resources Corporation	8,466	-	102	1,554	6,810	-	6,810
PGMC International Limited	-	530,161	480,742	-	49,419	-	49,419
	₱72,789	₱553,022	₱480,844	₱1,554	₱143,413	₱-	₱143,413

Schedule D. Intangible Assets - Other Assets

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Ending balance
Mining rights	₱301,605	₱-	₱36,717	₱-	₱-	₱264,888

Schedule E. Long Term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown as Current	Amount shown as Noncurrent
Taiwan Cooperative Bank	-	₱994,400	₱-
Banco de Oro	-	4,295	713
	₱-	₱998,695	₱713

Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Beginning balance	Ending balance
	Not Applicable	

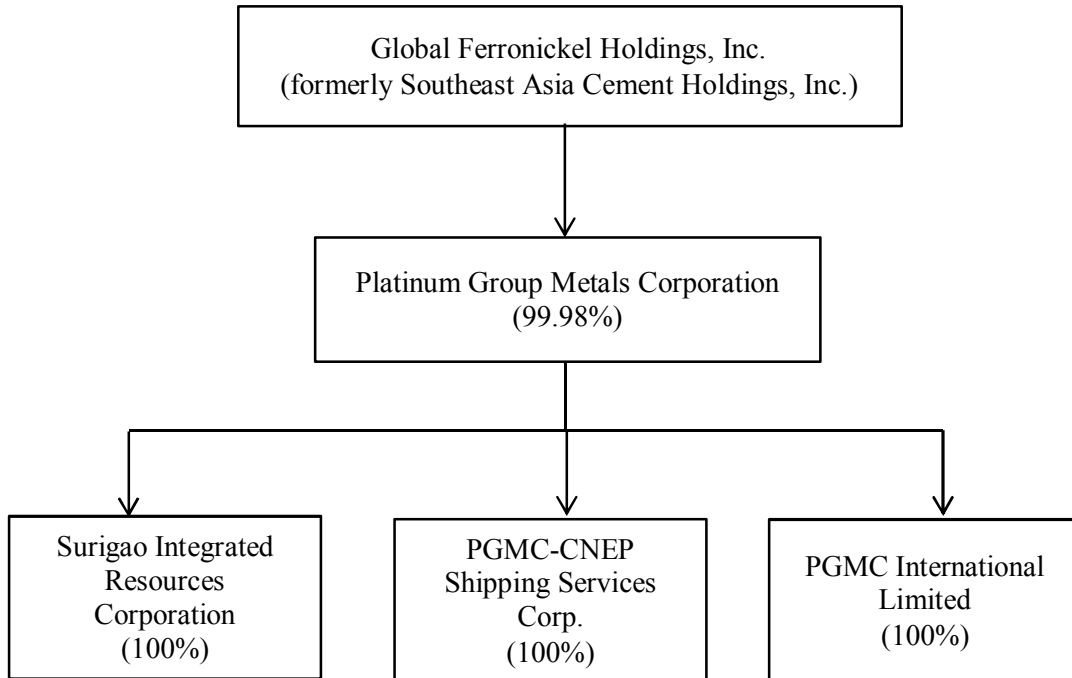
Schedule G. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the Group for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by a person for which statement is filed	Nature of guarantee
Not Applicable				

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial condition caption	Number of shares reserved for options, warrants, conversion and other rights	No of shares held by		
				Affiliates	Directors and Officers	Others
Common shares	11,957,161,906	5,816,021,398	-	-	100,750,286	5,715,271,112

SCHEDULE IV
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
MAP OF THE RELATIONSHIPS OF THE COMPANIES
WITHIN THE GROUP
PURSUANT TO SRC RULE 68, AS AMENDED
AS AT DECEMBER 31, 2016



SCHEDULE V
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE SHOWING FINANCIAL SOUNDNESS INDICATORS
PURSUANT TO SRC RULE 68, AS AMENDED
FOR THE YEAR ENDED DECEMBER 31, 2016

	Years Ended December 31		Six Months Ended December 31
	2016	2015	2014
Profitability ratios:			
Return on assets	0.41%	13.28%	62.93%
Return on equity	0.57%	18.59%	88.78%
Net profit margin	0.99%	17.02%	53.24%
Solvency and liquidity ratios:			
Current ratio	1.52:1	1.50:1	1.53:1
Debt to equity ratio	0.44:1	0.39:1	0.41:1
Quick ratio	1.39:1	1.23:1	1.39:1
Asset to equity ratio	1.44:1	1.39:1	1.41:1

ANNEX G

Global Ferronickel Holdings, Inc. and Subsidiaries

Audited Consolidated Financial Statements

As at December 31, 2015 and 2014 and

For the Year Ended December 31, 2015,

Six Months Ended December 31, 2014, and

Six Months Ended June 30, 2014



Global Ferronickel Holdings, Inc.

7th Floor Corporate Business Center, 151 Paseo De Roxas corner Arnaiz Street, Makati City, 1228 Philippines
Telephone No.:(632) 812 1494 & (632) 519 7888 Fax No.:(632) 812 0833 & (632)519 7999


STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Global Ferronickel Holdings, Inc. and Subsidiaries (the Group) is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2015 and 2014 in accordance with Philippine Financial Reporting Standard. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders, has examined the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders and Board of Directors, has expressed its opinion on the fairness of presentation upon completion of such examination.

Signature: 
DANTE R. BRAVO - PRESIDENT


Signature: 
JOSEPH C. SY - CHAIRMAN

Signature: 
MARY BELLE D. BITUIN - CHIEF FINANCE OFFICER

Signed this APR 14 2016 day of April 2016.

SUBSCRIBED AND SWORN TO BEFORE ME ON
THIS DAY OF APR 14 2016 IN THE CITY
OF MAKATI AFFAIRS HAVING EXHIBITED TO ME
HIS/HER CTC NO. _____ ISSUED
ON _____ ISSUED AT _____

JUC. NO. 444
PAGE NO. 89
BOOK NO. 17
SERIES OF 2016


ATTY. JOHN DOMINGO L. PONCE, JR.
NOTARY PUBLIC
APPOINTMENT No. M-432 / MAKATI CITY
UNTIL DECEMBER 31, 2016
PTR No. 532361 2 / 01-04-2016 / MAKATI CITY
IBP No. 90137 12 / 01-04-2016 / RIZAL
MCLE COMPLIANCE No. IV-00-23626 / 05-29-2014
ROLL NO. 36452

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	S	O	9	4	0	0	3	9	9	2
---	---	---	---	---	---	---	---	---	---	---

COMPANY NAME

G	L	O	B	A	L		F	E	R	R	O	N	I	C	K	E	L		H	O	L	D	I	N	G	S	,	I	
N	C	.		A	N	D		S	U	B	S	I	D	I	A	R	I	E	S		(	F	O	R	M	E	R	L	y
	S	O	U	T	H	E	A	S	T		A	S	I	A		C	E	M	E	N	T		H	O	L	D	I	N	G
	S	,		I	N	C	.		a	n	d		S	U	B	S	I	D	I	A	R	I	E	S)				

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

7	t	h		F	l	o	o	r	,		C	o	r	p	o	r	a	t	e		B	u	s	i	n	e	s	s	
C	e	n	t	r	e	,		1	5	1		P	a	s	e	o		d	e		R	o	x	a	s		c	o	r
n	e	r		A	r	n	a	i	z		S	t	r	e	e	t	,		M	a	k	a	t	i		C	i	t	y

Form Type

A	A	C	F	S
---	---	---	---	---

Department requiring the report

C	R	M
---	---	---

Secondary License Type, If Applicable

N	/	A
---	---	---

COMPANY INFORMATION

Company's Email Address

www.gfni.com.ph

Company's Telephone Number

(632) 519-7888

Mobile Number

N/A

No. of Stockholders

1,722

Annual Meeting (Month / Day)

7/29

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Ms. Mary Belle D. Bituin

Email Address

MDBituin@gfni.com.ph

Telephone Number/s

(632) 519-7888

Mobile Number

N/A

CONTACT PERSON'S ADDRESS

7th Floor, Corporate Business Centre, 151 Paseo de Roxas corner Arnaiz Street, Makati City

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



INDEPENDENT AUDITORS' REPORT

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 the accompanying consolidated financial statements of Global Ferronickel Holdings, Inc. (formerly Southeast Asia Cement Holdings, Inc.) and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30 2014, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Global Ferronickel Holdings, Inc. and Subsidiaries as at December 31, 2015 and 2014, and their financial performance and their cash flows for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Jaime F. del Rosario

Partner

CPA Certificate No. 56915

SEC Accreditation No. 0076-AR-3 (Group A),

March 21, 2013, valid until April 30, 2016

Tax Identification No. 102-096-009

BIR Accreditation No. 08-001998-72-2015,

March 24, 2015, valid until March 23, 2018

PTR No. 5321628, January 4, 2016, Makati City

April 8, 2016



GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
(Formerly Southeast Asia Cement Holdings, Inc. and Subsidiaries)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2015	2014 (As restated, Note 2)
ASSETS		
Current Assets		
Cash (Note 4)	₱502,876	₱691,869
Trade and other receivables (Note 5)	700,770	324,468
Current portion of finance lease receivable (Note 18)	167,949	95,910
Advances to related parties (Note 29)	1,639,231	1,767,858
Inventories - at cost (Note 6)	643,783	246,042
Prepayments and other current assets (Note 7)	15,477	55,345
Total Current Assets	3,670,086	3,181,492
Noncurrent Assets		
Property and equipment (Note 8)	2,048,979	2,305,893
Deposits for future acquisition (Note 29a)	1,651,247	-
Mining rights (Note 9)	301,605	396,500
Finance lease receivable - net of current portion (Note 18)	319,593	770,814
Investment property (Note 10)	319,865	319,865
Mine exploration costs (Note 11)	140,790	140,659
Deferred income tax assets - net (Note 30)	97,785	43,263
Available-for-sale (AFS) financial assets (Note 12)	5,903	8,854
Other noncurrent assets (Note 13)	529,160	487,531
Total Noncurrent Assets	5,414,927	4,473,379
TOTAL ASSETS	₱9,085,013	₱7,654,871
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 14 and 33)	₱792,661	₱1,107,819
Current portion of bank loans (Note 15)	987,350	573,865
Amounts owed to related parties (Note 29)	624,211	344,293
Dividends payable (Note 19)	20,287	20,287
Current portion of finance lease liabilities (Note 18)	14,994	26,451
Income tax payable	1,063	4,101
Total Current Liabilities	2,440,566	2,076,816
Noncurrent Liabilities		
Bank loans - net of current portion (Note 15)	7,234	46,361
Provision for mine rehabilitation and decommissioning (Note 16)	58,259	60,212
Retirement obligation (Note 17)	39,985	30,101
Finance lease liabilities - net of current portion (Note 18)	-	14,994
Other noncurrent liabilities (Note 33)	1,095	357
Total Noncurrent Liabilities	106,573	152,025
Total Liabilities	2,547,139	2,228,841
Equity		
Capital stock (Note 19)	6,113,455	6,113,455
Valuation gain on AFS financial assets (Note 12)	-	506
Gain on remeasurement of retirement obligation	2,277	1,675
Retained earnings (deficit) (Note 19)	422,160	(696,966)
Treasury stock (Note 19)	(18)	(18)
Equity attributable to the Equity holders of Global Ferronickel Holdings, Inc. (GFHI; the Parent Company)	6,537,874	5,418,652
Non-controlling interest (NCI)	-	7,378
Total Equity	6,537,874	5,426,030
TOTAL LIABILITIES AND EQUITY	₱9,085,013	₱7,654,871

See accompanying Notes to Consolidated Financial Statements.



GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
(Formerly Southeast Asia Cement Holdings, Inc. and Subsidiaries)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015, SIX MONTHS ENDED
DECEMBER 31, 2014 AND YEAR ENDED JUNE 30, 2014
(Amounts in Thousands)

	December 31		June 30
	2015	2014	2014
SALE OF ORE (Note 33)	₱6,533,218	₱9,047,476	₱5,667,768
COST OF SALES (Note 21)	3,574,596	2,556,640	2,514,842
GROSS PROFIT	2,958,622	6,490,836	3,152,926
OPERATING EXPENSES			
Excise taxes and royalties (Note 22)	906,351	1,258,746	795,893
General and administrative (Note 23)	629,788	237,316	430,546
Shipping and distribution (Note 24)	166,471	63,749	202,243
	1,702,610	1,559,811	1,428,682
FINANCE INCOME (Notes 4 and 18)	9,431	3,465	7,956
FINANCE COSTS (Note 27)	(88,891)	(73,323)	(202,058)
OTHER INCOME (CHARGES) - net (Note 28)	(115,500)	(77,424)	209,164
INCOME BEFORE INCOME TAX	1,061,052	4,783,743	1,739,306
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 30)			
Current	4,081	6,673	142
Deferred	(54,779)	(39,977)	68,835
	(50,698)	(33,304)	68,977
NET INCOME	1,111,750	4,817,047	1,670,329
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Item that may be reclassified to profit or loss in subsequent periods:</i>			
Valuation gain (loss) on AFS financial assets (Note 12)	(506)	(337)	4,174
<i>Item that will not be reclassified to profit or loss in subsequent periods:</i>			
Remeasurement gain (loss) on retirement obligation (Note 17)	857	(6,224)	204
Income tax effect	(257)	1,867	(61)
	600	(4,357)	143
	94	(4,694)	4,317
TOTAL COMPREHENSIVE INCOME	₱1,111,844	₱4,812,353	₱1,674,646
Net Income Attributable To:			
Equity holders of the Parent Company	₱1,111,750	₱4,809,681	₱1,667,776
NCI	-	7,366	2,553
	₱1,111,750	₱4,817,047	₱1,670,329
Total Comprehensive Income Attributable To:			
Equity holders of the Parent Company	₱1,111,844	₱4,804,995	₱1,672,087
NCI	-	7,358	2,559
	₱1,111,844	₱4,812,353	₱1,674,646
Basic/Diluted Earnings Per Share on Net Income Attributable to			
Equity Holders of the Parent Company (Note 20)	₱0.06	₱0.66	₱0.24

See accompanying Notes to Consolidated Financial Statements.



GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES

(Formerly Southeast Asia Cement Holdings, Inc. and Subsidiaries)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2015, SIX MONTHS ENDED DECEMBER 31, 2014 AND YEAR ENDED JUNE 30, 2014

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent Company							Total	NCI	Total Equity
	Capital Stock (Note 19)	Additional Paid-in Capital (APIC) (Note 19)	Treasury Stock (Note 19)	Valuation Gain (Loss) on AFS Financial Assets (Note 12)	Gain (Loss) on Remeasurement of Retirement Obligation	Equity Reserve (Note 19)	Retained Earnings (Deficit) (Note 19)			
Balances at June 30, 2013	₱2,451,372	₱127,171	(₱18)	(₱3,326)	₱5,882	(₱1,878,341)	₱4,358,289	₱5,061,029	₱6,868	₱5,067,897
Net income for the year	-	-	-	-	-	-	1,667,776	1,667,776	2,553	1,670,329
Other comprehensive income - net of tax	-	-	-	4,168	143	-	-	4,311	6	4,317
Total comprehensive income	-	-	-	4,168	143	-	1,667,776	1,672,087	2,559	1,674,646
Dividend declaration	-	-	-	-	-	-	(5,061,301)	(5,061,301)	(7,749)	(5,069,050)
Balances at June 30, 2014	2,451,372	127,171	(18)	842	6,025	(1,878,341)	964,764	1,671,815	1,678	1,673,493
Net income for the period	-	-	-	-	-	-	4,809,681	4,809,681	7,366	4,817,047
Other comprehensive loss for the period- net of tax	-	-	-	(336)	(4,350)	-	-	(4,686)	(8)	(4,694)
Total comprehensive income (loss) for the period	-	-	-	(336)	(4,350)	-	4,809,681	4,804,995	7,358	4,812,353
Issuance of shares through Share Swap, As restated (Notes 1 and 2)	3,662,083	1,695,121	-	-	-	(5,357,204)	-	-	-	-
Assumption and cancellation of GFHI receivables	-	-	-	-	-	(2,589,722)	-	(2,589,722)	-	(2,589,722)
Effect of acquisition of net assets of the accounting acquiree	-	-	-	-	-	2,605,460	-	2,605,460	-	2,605,460
Application of APIC and retained earnings to equity reserve	-	(1,822,292)	-	-	-	7,210,807	(5,388,515)	-	-	-
Issuance of shares by Platinum Group Metals Corporation (PGMC)	-	-	-	-	-	9,000	-	9,000	-	9,000
Dividend declaration	-	-	-	-	-	-	(1,082,896)	(1,082,896)	(1,658)	(1,084,554)
Balances at December 31, 2014, As restated (Note 2)	6,113,455	-	(18)	506	1,675	-	(696,966)	5,418,652	7,378	5,426,030
Net income for the year	-	-	-	-	-	-	1,111,750	1,111,750	-	1,111,750
Other comprehensive income (loss) - net of tax	-	-	-	-	600	-	-	600	-	600
Unrealized gains transferred from equity to consolidated statements of comprehensive income	-	-	-	(506)	-	-	-	(506)	-	(506)
Total comprehensive income (loss)	-	-	-	(506)	600	-	1,111,750	1,111,844	-	1,111,844
Dilution of NCI (Note 1)	-	-	-	-	2	-	7,376	7,378	(7,378)	-
Balances at December 31, 2015	₱6,113,455	₱-	(₱18)	₱-	₱2,277	₱-	₱422,160	₱6,537,874	₱-	₱6,537,874

See accompanying Notes to Consolidated Financial Statements.



GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
(Formerly Southeast Asia Cement Holdings, Inc. and Subsidiaries)

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015, SIX MONTHS ENDED DECEMBER 31, 2014
AND YEAR ENDED JUNE 30, 2014

(Amounts in Thousands)

	December 31		June 30
	2015	2014	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱1,061,052	₱4,783,743	₱1,739,306
Adjustments for:			
Depreciation, depletion and amortization (Notes 8, 9 and 26)	594,483	92,683	216,890
Loss on modification of finance lease receivable (Notes 18 and 28)	86,885	-	-
Interest expense (Note 27)	75,716	55,348	150,732
Interest income (Notes 4 and 18)	(9,431)	(3,469)	(7,956)
Retirement benefits costs (Notes 17 and 25)	9,368	3,195	6,215
Loss (gain) on disposals of property and equipment (Notes 8 and 28)	6,327	(91)	159
Unrealized foreign exchange gains - net	(3,040)	26,231	(205,543)
Impairment loss on AFS financial assets (Notes 12 and 28)	2,445	-	-
Amortization of discount on bank loans (Note 27)	2,068	6,650	20,805
Accretion interest on provision for mine rehabilitation and decommissioning (Notes 16 and 27)	1,117	549	1,279
Levelization of rental expense	743	(34)	323
Operating income before changes in working capital	1,827,733	4,964,805	1,922,210
Decrease (increase) in:			
Trade and other receivables	(403,448)	563,990	(599,417)
Inventories - at cost	(397,741)	51,065	(58,088)
Prepayments and other current assets	39,868	(187,487)	(98,807)
Increase (decrease) in trade and other payables	(210,403)	(1,997,001)	772,402
Net cash generated from operations	856,009	3,395,372	1,938,300
Interest paid	(73,848)	(58,304)	(144,739)
Income taxes paid	(7,119)	(2,855)	(66)
Interest received	1,202	1,045	813
Retirement benefits paid (Note 17)	(90)	(3,819)	(4,201)
Net cash flows from operating activities	776,154	3,331,439	1,790,107
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment (Notes 8 and 37)	(31,146)	(86,198)	(803,778)
Mine exploration costs (Note 11)	(131)	-	(72,021)
Decrease(increase) in:			
Advances to related parties	(1,499,565)	(2,003,156)	(772,274)
Deposits for future acquisition (Notes 29 and 37)	(23,055)	-	-
Other noncurrent assets	(44,135)	(34,481)	149,894
Proceeds from insurance of property and equipment (Note 8)	1,582	227	-
Cash inflow from acquisition of net assets of accounting acquiree (Parent Company)	-	20,322	-
Net cash flows used in investing activities	(1,596,450)	(2,103,286)	(1,498,179)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availments of bank loans (Note 15)	2,393,284	302,935	432,400
Issuance of capital stock	-	9,000	-
Payments of bank loans	(1,989,598)	(1,074,621)	(632,449)
Increase (decrease) in:			
Amounts owed to related parties	279,982	24,710	78,693
Finance lease liabilities	(26,451)	(19,597)	(28,707)
Other noncurrent - liabilities	-	(282)	-
Net cash flows from (used in) financing activities	657,217	(757,855)	(150,063)
NET INCREASE (DECREASE) IN CASH	(163,079)	470,298	141,865
EFFECT OF EXCHANGE RATE CHANGES ON CASH (Note 28)	(25,914)	(11,593)	(14,048)
CASH AT BEGINNING OF YEAR (Note 4)	691,869	233,164	105,347
CASH AT END OF YEAR	₱502,876	₱691,869	₱233,164

See accompanying Notes to Consolidated Financial Statements.



GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
(Formerly Southeast Asia Cement Holdings, Inc. and Subsidiaries)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

The Parent Company

GFHI (formerly Southeast Asia Cement Holdings, Inc) is a corporation listed in the Philippine Stock Exchange (PSE). It was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on May 3, 1994. The principal activities of the Parent Company are to invest in, purchase or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, including shares of stock, and other securities or obligations of any corporation.

As at June 30, 2014, the Parent Company is 74.80%, 10.17% and 4.85% owned by IHoldings, Inc., Kwantlen Development Corp. and Januarius Resources Realty Corp. (collectively, the IHoldings Group), respectively.

On July 9, 2014, IHoldings Group entered into a Share Purchase Agreement, as amended on September 4, 2014, with Huatai Investment Holding Pty. Ltd. (HIHPL), Regulus Best Nickel Holdings, Inc., Bellatrix Star, Inc., Alpha Centauri Fortune Group, Inc. (ACFGI), Antares Nickel Capital, Inc. (ANCI), Blue Eagle Elite Ventures, Inc., Ultimate Horizon Capital, Inc., Sohoton Energy, Inc., Great South Group Ventures, Inc., Red Lion Fortune Group, Inc., and three (3) individuals (collectively the Thirteen Stockholders) pursuant to which IHoldings Group will sell to the Thirteen Stockholders 6,291,132,047 common shares of GFHI (the Subject Shares), comprising the entirety of their respective shareholdings and representing 89.82% of the total issued and outstanding capital stock of GFHI.

On September 5, 2014, as a requirement under the Securities Regulation Code (SRC), the Thirteen Stockholders have launched a mandatory tender offer to acquire the shares of the minority stockholders holding 712,781,634 common shares of GFHI and filed a Tender Offer Report with the SEC and PSE. The Tender Offer period lapsed last October 10, 2014 where 204,264 common shares were tendered to the Thirteen Stockholders (the Tendered Shares). After the lapse of the tender offer period, the Thirteen Stockholders completed the purchase of the Subject Shares in accordance with the Share Purchase Agreement. The Subject and Tendered Shares were crossed through the PSE on October 15, 2014.

On September 10, 2014 and October 22, 2014, the Board of Directors (BOD) and stockholders of the Parent Company, respectively, approved the following amendments to the Articles of Incorporation (AOI) and By-laws:

- Change in the Parent Company's name from Southeast Asia Cement Holdings, Inc. to Global Ferronickel Holdings, Inc.;
- Change in the registered and principal address from Room 1104, Liberty Center Building, 104 H.V. dela Costa corner Leviste Streets, Salcedo Village, Makati City to 7th Floor, Corporate Business Centre, 151 Paseo de Roxas corner Arnaiz Street, Makati City;
- Increase in the number of directors from nine (9) to ten (10) members;
- Increase in the authorized capital stock of the Parent Company from ₱2,555.0 million divided into 7,300,000,000 common shares with a par value of ₱0.35 per share to ₱12,555.0 million divided into 35,871,428,572 common shares with a par value of ₱0.35 per share; and
- Change in the reporting period from June 30 to December 31.



The amendments to the AOI and By-laws of the Parent Company were approved by the SEC on December 22, 2014.

Moreover, the BOD and stockholders of the Parent Company also approved the following transactions on September 10, 2014 and October 22, 2014, respectively:

- The acquisition of the 99.85% outstanding shares of PGMC through issuance of 10,463,093,371 common shares, coming from the increase in authorized capital stock, to the stockholders of PGMC selling and/or exchanging their shares in PGMC to the Parent Company; and
- The follow-on offering and listing of shares with the PSE which includes the 10,463,093,371 common shares issued to the stockholders of PGMC.

GFHI and PGMC Share-for-Share Swap (Share Swap) Transaction

On October 23, 2014, GFHI executed a Deed of Exchange for a Share Swap with the Thirteen Stockholders of PGMC. GFHI will issue 10,463,093,371 common shares to the Thirteen Stockholders in exchange for the 99.85% outstanding shares of PGMC and cancel the ₱2,591.9 million receivables of GFHI assumed by the Thirteen Stockholders from IHoldings Group pursuant to the Share Purchase Agreement dated July 9, 2014, as amended on September 4, 2014. The total par value of the 10,463,093,371 common shares to be issued by GFHI to the Thirteen Stockholders amounted to ₱3,662.1 million.

The shares issued by GFHI to the Thirteen Stockholders of PGMC came from the increase in authorized capital stock. The increase in the authorized capital stock was approved by the SEC on December 22, 2014.

Memorandum of Agreements (MOA)

On November 27, 2014, GFHI entered into two (2) MOAs with the following:

- GHGC Metallic Ore Resources, Inc. (GMORI) and eight (8) individuals for the purchase of 126,500,000 common shares or one hundred percent (100%) interest of Ferrochrome Resources, Inc. (FRI; formerly Golden Harvest Global Corporation) for United States Dollar (US\$)30.0 million or its Philippine Peso equivalent.
- Giantlead Prestige, Inc., ACFG, ANCI, HIHPL and an individual (the Sellers) for the purchase of 500,000 common shares and 6,250,000,000 preferred shares or one hundred percent (100%) interest of Southeast Palawan Nickel Ventures, Inc. (SPNVI) for US\$50.0 million or its Philippine Peso equivalent.

The acquisition of FRI and SPNVI shares are still subject to the fulfillment of the pre-conditions as indicated in the MOA including the need to conduct a due diligence examination of FRI and SPNVI. The MOA shall expire upon the lapse of six (6) months from the date of execution of the MOA, unless extended by the parties under a written agreement.

On February 26, 2015, the Group's stockholders representing 71.64% of the total issued shares unanimously approved and ratified the above planned acquisitions.

On March 16, 2015, the Parent Company's BOD approved the termination of the MOA with GMORI and eight (8) individuals for the acquisition of one hundred percent (100%) interest of FRI due to the non-fulfillment of the conditions in the MOA.



On August 6, 2015, the members of the BOD of the Parent Company approved the following:

- Pursuant to the MOA dated November 27, 2014 executed between GFHI and the Sellers, for the sale of 500,000 common shares and 6,250,000,000 preferred shares or one hundred percent (100%) interest of SPNVI for the purchase price of US\$50.0 million or its Philippine Peso equivalent, GFHI shall execute a Contract to Sell to acquire the aforementioned shares with the understanding that the payment of the purchase price shall be made by GFHI either after the conduct of the follow-on offering to the general public and for which a permit to sell has been secured from the SEC or whenever GFHI has generated sufficient funds to pay the purchase price from its operations or the conduct of other fund raising activities; and
- To allow SPNVI to complete the permitting processes of its mineral property covered by Mineral Production Sharing Agreement (MPSA) No. 017-93-IV granted by the Philippine Government to Celestial Nickel Mining Exploration Corporation on September 19, 1993, as amended on April 10, 2000, the Parent Company shall subscribe to the remaining unissued and unsubscribed shares of SPNVI consisting of 300,000 common shares with a par value of ₱1.00 per share and 3,750,000,000 preferred shares with a par value of ₱0.01 per share, for a total subscription price of ₱37.8 million.

The approval of the stockholders to authorize this transaction has already been secured during the Corporation's Special Stockholders' Meeting held last February 26, 2015.

As at December 31, 2015, the Parent Company has made various cash advances for the acquisition of SPNVI and treated these advances as deposits for future acquisition amounting to ₱1,628.1 million (see Note 29). The acquisition of SPNVI will be finalized in 2016.

The Subsidiaries

PGMC

PGMC was registered with the SEC on February 10, 1983. PGMC's primary purpose is "to prospect, explore, locate, acquire, hold, work, develop, lease, operate and exploit mineral lands for chromite, copper, manganese, magnesite, silver, gold, and other precious and non-precious minerals; to acquire and dispose of mining claims and rights, and to conduct and carry on the business of preparing, milling, concentrating, smelting, treating or preparing for market; and to market, sell, exchange or otherwise deal in chromite, copper, manganese, magnesite, silver, gold and other mineral products". Pursuant to this purpose, PGMC acquired control and currently operates the mining tenement containing nickel ore located in Surigao del Norte.

Registration with the Board of Investments (BOI)

On November 16, 2007, PGMC was registered with the BOI as a new producer of beneficiated nickel ore on a non-pioneer status on its Surigao registered nickel project (see Note 34).

PGMC has been certified by BOI as a qualified enterprise for the purpose of value-added tax (VAT) zero-rating of its transactions pursuant to the terms and conditions set forth by the BOI. On February 17, 2015, PGMC received the renewed certification of BOI for the VAT zero-rated status (see Note 33).

On July 23, 2014, PGMC received the approval for the extension of its one (1) year income tax holiday (ITH) starting November 16, 2014 to November 15, 2015.



Increase in Authorized Capital Stock

In March 2015, PGMC applied for an increase in authorized capital stock, from ₱715.4 million, consisting of 12,522,318,274 shares, to ₱1,515.4 million, consisting of 92,522,318,274 shares by increasing the number of Class A common shares by 80,000,000,000 shares. The increase was approved by the Philippine SEC on May 19, 2015.

On April 22, 2015, GFHI subscribed for an additional 20,000,000,000 Class A common shares with a par value of ₱0.01 amounting to a total of ₱200.0 million and paid a total amount of ₱50.0 million out of the subscribed shares. There was no additional subscription of shares from the increase in authorized capital stock of PGMC by the NCI which resulted to its dilution as at December 31, 2015.

As a result, PGMC is 99.98% and 99.89%, owned by GFHI as at December 31, 2015 and 2014, respectively.

Surigao Integrated Resources Corporation (SIRC)

SIRC is a one hundred percent (100%)-owned subsidiary of PGMC and was organized in July 1999 and duly registered with the SEC on July 16, 1999. Its primary purposes are to engage in the exploration and processing of minerals, petroleum and other mineral oils, to enter into financial and technical assistance agreements for the large scale exploration, development and utilization of mineral resources or otherwise engage in mining activities or enter into agreements as may be allowed by law.

On June 2, 2015, the Philippine SEC approved the increase in authorized capital stock of SIRC from ₱10.0 million divided into 15,000 common shares with a par value of ₱100 to ₱100.0 million divided into 915,000 common shares with a par value of ₱100. PGMC subscribed for additional 225,000 common shares amounting to ₱22.5 million of which forty two percent (42%) have been paid.

PGMC-CNEP Shipping Services Corp. (PCSSC)

On June 4, 2013, PGMC incorporated PCSSC, its wholly owned subsidiary. It was registered with the SEC, primarily to conduct and carry on the business of inter-island shipping, including chartering, hiring, leasing, or otherwise acquiring tug and barge, self-propelled barges or landing craft transport or other ships or vessels, together with equipment, appurtenances and furniture therefor; and to employ the same in the conveyance and carriage of ores, minerals, goods, wares and merchandise of every kind and description.

PGMC, SIRC and PCSSC are hereinafter collectively referred to as PGMC Group. PGMC Group's registered address is the same as that of the Parent Company.

The accompanying consolidated financial statements of GFHI and Subsidiaries (the Group) as at December 31, 2015 and 2014 and for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014 were authorized for issue by the BOD on April 8, 2016.



2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements have been prepared on a historical cost basis, except for quoted AFS financial assets, which are carried at fair value. The consolidated financial statements are presented in Philippine peso, which is the Group's functional and presentation currency under the Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest thousand (₱000), except number of shares, per share data and as indicated.

Acquisition of PGMC Group

As discussed in Note 1, GFHI and the Thirteen Stockholders of PGMC entered into a Share Swap that resulted to GFHI owning 99.85% of PGMC.

The transaction is an asset acquisition because GFHI does not meet the definition of a business. PGMC was deemed to be the accounting acquirer for accounting purposes accounted for under the reverse acquisition method following the guidance provided by the standard. In a reverse acquisition, the legal parent, GFHI is identified as the acquiree for accounting purposes because based on the substance of the transaction, the legal subsidiary PGMC is adjudged to be the entity that gained control over the legal parent. Accordingly, the consolidated financial statements of GFHI have been prepared as a continuation of the financial statements of PGMC Group. PGMC has accounted for the acquisition of GFHI on December 22, 2014, which was the date when PGMC acquired or gained control over GFHI.

The Share Swap transaction was a transaction between entities under common control since at acquisition date on December 22, 2014, GFHI and PGMC are under the common control of the Thirteen Stockholders.

The comparative June 30, 2014 information presented in the consolidated statements of changes in equity is that of PGMC Group, not originally presented in the previous financial statements of the legal parent (the Parent Company - accounting acquiree) and is also retroactively adjusted to reflect the legal capital (i.e., the number and type of "Capital stock" issued, "APIC" and "Treasury stock") of GFHI. The adjustment, which is the difference between the capital structure of PGMC Group and GFHI, is recognized as part of the "Equity reserve" in the consolidated statements of financial position. Refer to Note 19 for the movements in the "Equity reserve" account.

Because the accompanying consolidated financial statements represent a continuation of the financial statements of PGMC Group, except for its capital structure, the consolidation reflects:

- a. The consolidated assets and liabilities of PGMC Group (legal subsidiary/accounting acquirer) recognized and measured at their pre-combination carrying amounts and not at fair value, and the assets and liabilities of GFHI (legal parent/accounting acquiree) were recognized and measured at acquisition cost;
- b. The retained earnings of PGMC Group for full period together with the post-combination results of GFHI from December 22, 2014, the date when GFHI was acquired by PGMC;
- c. The total equity that shows the combined equity of PGMC Group and GFHI. However, the legal capital of PGMC Group will be eliminated as the legal capital that will be reflected would be that of GFHI (legal parent);
- d. Any difference between the consideration transferred by GFHI and the legal capital of PGMC Group that is eliminated is reflected as "Equity reserve"; and



- e. The consolidated statements of comprehensive income for the year ended December 31, 2015, six months ended December 31, 2014 and for the year ended June 30, 2014 reflect that of the PGMG Group for the full period. The six months ended December 31 2014 includes the post-combination results of GFHI (e.g. for the period from December 22, 2014 to December 31, 2014).

Reverse acquisition applies only to the consolidated financial statements. The Parent Company financial statements will continue to represent GFHI as a stand-alone entity as at December 31, 2015 and 2014.

Statement of Compliance

The accompanying consolidated financial statements of the Group have been prepared in compliance with PFRS.

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries after eliminating significant intercompany balances and transactions. These subsidiaries are all based in the Philippines and are duly registered with the SEC. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using uniform and consistent accounting policies.

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if, and only if, the Parent Company has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Parent Company's voting rights and potential voting rights

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.



Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the NCI, even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, NCI and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations based on International Financial Reporting Interpretations Committee (IFRIC) and improvements to PFRS which were adopted as at January 1, 2015 and the accounting for equity reserve as a result of reverse acquisition.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is not relevant to the Group, since the Group has no defined benefit plans with contributions from employees or third parties.

Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015 and have no material impact on the Group's consolidated financial statements. They include:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
 - A performance condition must contain a service condition.
 - A performance target must be met while the counterparty is rendering service.
 - A performance target may relate to the operations or activities of an entity, or to those of another entity in the same company.
 - A performance condition may be a market or non-market condition.
 - If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.
- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
The amendment is applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at FVPL whether or not it falls within the scope of



PAS 39, *Financial Instruments: Recognition and Measurement* (or PFRS 9, *Financial Instruments*, if early adopted). The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
The amendments are applied retrospectively and clarify that:
 - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are “similar”.
 - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.
- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset.
- PAS 24, *Related Party Disclosures - Key Management Personnel*
The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRSs (2011-2013 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and do not have an impact on the Group's consolidated financial statements. They include:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
 - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
 - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.
- PFRS 13, *Fair Value Measurement - Portfolio Exception*
The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, if early adopted).



- PAS 40, *Investment Property*

The description of ancillary services in PAS 40 differentiates between the investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

Accounting for Equity Reserve

Any difference between the consideration transferred by GFHI and the legal capital of PGMC that is eliminated is reflected as “Equity reserve” (see Note 19). In 2015, the Group changed the accounting treatment for equity reserve as a result of change in the valuation of investment in a subsidiary (PGMC) of the Parent Company acquired through Share Swap from ₱6,565.7 million to ₱7,946.9 million. Management assessed that the investment in a subsidiary should be measured using the original carrying amount of the investment in a subsidiary in the Thirteen Stockholder’s separate financial statements since the Share Swap is considered as common control transaction.

The change made is accounted for as change in accounting policy and has been applied retrospectively in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. In 2015, management retrospectively applied its existing APIC to equity reserve with the excess applied to retained earnings amounting to ₱1,822.3 million and ₱5,388.5 million, respectively.

The composition of equity reserve, APIC and retained earnings in the consolidated financial statements are as follows:

	As at December 31, 2014		
	As previously reported	Increase (decrease)	As restated
Equity Reserve			
Issuance of GFHI shares	₱3,662,083	₱–	₱3,662,083
APIC from issuance of shares through Share Swap	313,893	1,381,228	1,695,121
Assumption and cancellation of receivables	2,589,722	–	2,589,722
Elimination of PGMC Capital, net of NCI of ₱191	(709,184)	–	(709,184)
Elimination of GFHI retained earnings prior to acquisition	(26,935)	–	(26,935)
	₱5,829,579	₱1,381,228	₱7,210,807
Application of:			
APIC	–	(1,822,292)	(1,822,292)
Retained earnings	–	(5,388,515)	(5,388,515)
Equity reserve (Note 19)	₱5,829,579	(₱5,829,579)	₱–



	As at December 31, 2014		
	As previously reported	Increase (decrease)	As restated
APIC			
Balances as at June 30, 2014	₱127,171	₱-	₱127,171
Issuance of shares through Share Swap	313,893	1,381,228	1,695,121
	441,064	1,381,228	1,822,292
Application to equity reserve	-	(1,822,292)	(1,822,292)
Balances as at December 31, 2014	₱441,064	(₱441,064)	₱-

	As at December 31, 2014		
	As previously reported	Increase (decrease)	As restated
Retained Earnings			
Balances as at June 30, 2014	₱964,764	₱-	₱964,764
Net income	4,809,681	-	4,809,681
Dividend declaration	(1,082,896)	-	(1,082,896)
	4,691,549	-	4,691,549
Application to equity reserve	-	(5,388,515)	(5,388,515)
Balances as at December 31, 2014, As restated	₱4,691,549	(₱5,388,515)	(₱696,966)

Standards and Interpretations Issued but not yet Effective

The Group will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS, PAS and Philippine Interpretations to have significant impact on its consolidated financial statements. The relevant disclosures will be included in the notes to the consolidated financial statements when these become effective.

Effective beginning January 1, 2016

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception* (Amendments)
 These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity associate or joint venture), when applying the equity method, to retain fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.
- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
 These amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively.



- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)

These amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3), to apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

- PAS 1, *Presentation of Financial Statements - Disclosure Initiative* (Amendments)

The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following

- That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions;
- That specific line items in the statement of profit or loss and other comprehensive income (OCI) and the statement of financial position may be disaggregated; and
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect the entity's accounting policies or accounting estimates. The Group will assess the impact of these amendments on its financial statements.

- PFRS 14, *Regulatory Deferral Accounts*

PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and OCI. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

- PAS 16 and PAS 41, *Agriculture - Bearer Plants* (Amendments)

These amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer



plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply.

- PAS 16 and PAS 38 - *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)*

These amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets.

Annual Improvements to PFRSs (2012-2014 cycle)

These Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have an impact on the Group. They include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*

This amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*

This standard requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - Regional Market Issue Regarding Discount Rate*

This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.



- PAS 34, *Interim Financial Reporting - Disclosure of Information “Elsewhere in the Interim Financial Report”*

This amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

- PFRS 9, *Financial Instruments* (2014 or final version)
In July 2014, the International Accounting Standards Board (IASB) issued a final version of International Financial Reporting Standards (IFRS) 9, *Financial Instruments*. The new standard (renamed as PFRS 9) reflects all phases of all financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all of previous PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Group did not early adopt PFRS 9.

The adoption of PFRS 9 will have an effect on the classification and measurement of the Group’s financial assets and impairment methodology for financial assets, but will have no impact on the classifications and measurements of the Group’s financial liabilities. The Group will assess the impact of adopting this standard.

The following new standards issued by IASB has not yet been adopted by the Financial Reporting Standards Council (FRSC).

- IFRS 15, *Revenue from Contracts with Customers*
IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Effective January 1, 2019

- IFRS 16, *Leases*
On January 13, 2016, the IASB issued its new standard, IFRS 16 which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.



Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of twelve (12) months or less or for which the underlying asset is of low value are exempted from these requirements.

The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure into residual value.

Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15. When adopting IFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs. The Group will assess the impact of IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

Effective Date to be Determined

- *Philippine Interpretation IFRIC 15, Agreement for Construction of Real Estate*
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and FRSC have deferred the effectivity of this interpretation until the final revenue standard is issued by the IASB and an evaluation of the requirements of the final revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group.

The revised, amended and additional disclosures or accounting changes provided by the standards and interpretations will be included in the consolidated financial statements in the year of adoption, if applicable.

Summary of Significant Accounting Policies

Presentation of Consolidated Financial Statements

The Group has elected to present all items of recognized income and expense in single consolidated statements of comprehensive income.

Cash

Cash represents cash on hand and with banks.



Financial Instruments - Initial Recognition and Subsequent Measurement

Date of Recognition

Financial instruments within the scope of PAS 39 are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provision of the instrument. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date (i.e., the date that the Group commits to purchase or sell the asset).

Initial Recognition and Measurement of Financial Instruments

The Group determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this designation at each end of the reporting period.

All financial instruments are recognized initially at fair value. Directly attributable transaction costs are included in the initial measurement of all financial instruments, except for financial instruments measured at FVPL.

Financial Assets

Financial assets are classified, at initial recognition, as financial FVPL, loans and receivables, held-to-maturity (HTM) investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at FVPL, transaction costs that are attributable to the acquisition of the financial asset.

The Group's financial assets are in the nature of loans and receivables and AFS financial assets. As at December 31, 2015 and 2014, there were no financial assets at FVPL, HTM investments or as derivatives designated as hedging instruments in an effective hedge.

Financial Liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities are in the nature of loans and borrowings and payables. As at December 31, 2015 and 2014, the Group has no financial liabilities at FVPL or as derivatives designated as hedging instruments in an effective hedge.

Fair Value Measurement

The Group measures financial instruments, such as AFS financial assets, at fair value at the end of the reporting period. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 32.

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.



The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at each end of the reporting period.

The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market close prices at the close of business on the end of the reporting period.

For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include comparison to similar investments for which market observable prices exist and discounted cash flow analysis or other valuation models.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Subsequent Measurement

The subsequent measurement of financial instruments depends on their classification as follows:

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as "Financial assets held for trading", designated as "AFS financial assets" or "Financial assets designated at FVPL". After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in "Finance income" in the consolidated statements of



comprehensive income. Any losses arising from impairment are recognized in “General and administrative expenses” in the consolidated statements of comprehensive income. Gains and losses are recognized in the consolidated statements of comprehensive income when the loans are derecognized or impaired as well as through the amortization process.

Loans and receivables are included in current assets if maturity is within twelve (12) months from the end of the reporting period or within the Group’s operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

As at December 31, 2015 and 2014, the Group’s loans and receivables include cash, trade and other receivables, advances to related parties, and restricted cash and mine rehabilitation fund (MRF) classified under “Other noncurrent assets” (see Notes 4, 5, 29 and 13).

AFS Financial Assets

AFS financial assets are those which are designated as such or do not qualify to be classified as designated as at FVPL, HTM investments, or loans and receivables.

Financial assets may be designated at initial recognition as AFS financial assets if they are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. The Group’s AFS financial assets include equity investments. After initial measurement, AFS financial assets are subsequently measured at fair value with unrealized gains or losses recognized as “Valuation gain (loss) on AFS financial assets” in the OCI until the investment is derecognized, at which time the cumulative gain or loss is recognized in “Other income (charges)” or determined to be impaired, at which time the cumulative loss is reclassified to the consolidated statements of comprehensive income in “Other charges” and removed from “Valuation gain (loss) on AFS financial assets”. Interest earned whilst holding AFS financial assets is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

As at December 31, 2015 and 2014, the Group’s AFS financial assets consist of quoted equity instruments (see Note 12).

Other Financial Liabilities

Financial liabilities are classified in this category if these are not held for trading, not derivatives, or not designated as at FVPL upon inception of the liability.

After initial recognition, interest-bearing other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the consolidated statements of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in “Finance costs” in the consolidated statements of comprehensive income.

Other financial liabilities are included under current liabilities if it will be settled within twelve (12) months after the end of the reporting period. Otherwise, these are classified as noncurrent liabilities.



As at December 31, 2015 and 2014, the Group's other financial liabilities include trade and other payables (excluding statutory payables), bank loans, amounts owed to related parties and dividends payable (see Notes 14, 15, 29 and 19).

Derecognition of Financial Instruments

Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed is recognized in the consolidated statements of comprehensive income.

Impairment of Financial Assets

The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one (1) or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an effect on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.



Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and Receivables

For financial assets carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial assets original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

Interest income continues to be recognized based on the original EIR of the asset. The interest income is recorded as part of "Finance income" in the consolidated statements of comprehensive income. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statements of comprehensive income. Loans and receivables, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance amount. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS Financial Assets

For AFS financial assets, the Group assesses at each end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. "Significant" is to be evaluated against the original cost of the investment and "Prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized as OCI is removed from equity and recognized in "Other charges" in the consolidated statements of comprehensive income.

Impairment losses on equity investments are not reversed through the consolidated profit or loss; while increases in fair value after impairment are recognized directly in equity through the consolidated statements of comprehensive income.



Objective evidence of impairment includes, but is not limited to, significant financial difficulty of the issuer or obligor and it becoming probable that the borrower will enter bankruptcy or other financial reorganization.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined by the moving average production cost during the year for nickel ore inventories exceeding a determined cut-off grade and moving average method for materials and supplies. The NRV of nickel ore inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. The NRV of materials and supplies is the current replacement cost. In determining NRV, the Group considers any adjustment necessary for obsolescence.

Prepayments and Other Current and Noncurrent Assets

Prepayments and other current assets are composed of prepaid rent, prepaid taxes and licenses and prepaid insurance. Other noncurrent assets are composed of restricted cash, input VAT, advances to suppliers and MRF. These are classified as current when it is probable to be realized or consumed within one (1) year from the end of the reporting period. Otherwise, these are classified as noncurrent assets.

Input VAT

Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations.

Input VAT on capitalized assets subject to amortization and any excess which may be utilized against output VAT, if any, beyond twelve (12) months from the end of the reporting period or will be claimed for refund or as tax credits with the Court of Tax Appeals are presented as part of "Other noncurrent assets" in the consolidated statements of financial position. Input VAT is stated at its estimated NRV.

Deferred Transaction Costs

Transaction costs are specific incremental costs directly associated with the Parent Company's follow-on offering, primarily legal and accounting costs, which are deferred and reflected as assets until classification to equity upon successful conclusion of the follow-on offering. These capitalized costs is expensed out and charged to the consolidated statements of comprehensive income if the follow-on offering is not materialized.

Deposits for Future Acquisition

This pertains to advances made to related parties converted into deposits for future acquisition of shares with the intention of applying the same as payment for future issuance of stock. This is shown as part of noncurrent assets in the consolidated statement of financial position.



Property and Equipment

Property and equipment, except land, is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and depletion and accumulated impairment in value. Such cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met. Likewise, when significant parts of equipment are required to be repaired at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. Land is carried at cost less any impairment in value.

Construction in-progress (CIP), included in property and equipment, is stated at cost. CIP is not depreciated until such time the relevant assets are completed and become available for use.

Depreciation of property and equipment, excluding mining properties, are computed on a straight-line basis over the following estimated useful lives of the respective assets:

<u>Category</u>	<u>Number of Years</u>
Building and land improvements	25
Machineries and other equipment	5-10
Furniture and fixtures, and equipment and supplies	2-5
Roads and bridges	5-10

Leasehold improvements included under “Building and land improvements” are amortized over the term of the lease or the estimated useful life of five (5) to ten (10) years, whichever is shorter.

Mining properties, included in property and equipment, consist of mine development costs and capitalized costs of mine rehabilitation and decommissioning, and other development costs necessary to prepare the area for operations.

Mine development costs consist of capitalized costs previously carried under “Mine exploration costs”, which are transferred to mining properties under “Property and equipment” upon start of commercial operations. The net carrying amount of mine development costs, including the capitalized cost of mine rehabilitation and decommissioning, is depleted using the unit-of-production (UOP) method based on the estimated economically recoverable reserves to which they relate or are written off if the property is abandoned.

Depreciation and depletion of property and equipment, except land, begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, or in case of mining properties, from start of commercial operations upon extraction of mineral reserves. Depreciation and depletion ceases when the assets are fully depreciated or depleted, or at the earlier of the date that the item is classified as held for sale (or included in the disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the item is derecognized.

The estimated recoverable reserves, estimated useful lives and depreciation and depletion methods are reviewed periodically to ensure that the estimated recoverable reserves, residual values, if any, periods and methods of depreciation and depletion are consistent with the expected pattern of economic benefits from items of property and equipment. The residual values is reviewed and adjusted, if appropriate, at each end of the reporting period. If there is an indication that there has been a significant change in depreciation and depletion rate, useful life, mineral reserve estimates



or residual value of an asset, the depreciation and depletion of that asset is revised prospectively to reflect the new expectations.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statements of comprehensive income in the year the asset is derecognized.

The residual values and useful lives of property and equipment are reviewed at each financial year and adjusted prospectively, if appropriate. Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

Mining Rights

Mining rights refer to the right of the Group as the holder of the MPSA located in Cagdianao, Claver, Surigao del Norte acquired with the assignment of MPSA from Case Mining Development Corporation (CMDC) to the Group under the Deed of Assignment. It also includes initial deferred exploration costs incurred by the Group relative to the exploration works on the mining properties.

Mining rights with an indefinite useful life is stated at cost less accumulated impairment in value and is not amortized. The useful life of such an asset is reviewed at each end of the reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for as a change in estimate. Mining rights with finite useful life is stated at cost less amortization and accumulated impairment in value. Impairment assessments are made if events or changes of circumstances indicate that the carrying value of the assets may not be recoverable.

The net carrying amount of mining rights of the Group is amortized using the UOP method based on the estimated economically recoverable reserves to which they relate or are written off if the properties covered by the mining rights are abandoned.

Investment Property

Investment property is measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, investment property is carried at cost less any accumulated impairment.

Investment property is derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statements of comprehensive income in the period of derecognition.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.



Under the cost model, transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Mine Exploration Costs

Pre-license costs are expensed in the period in which they are incurred. Once the legal right to explore has been acquired, exploration and evaluation expenditure is deferred as asset when future economic benefit is more likely than not to be realized. These costs include materials and fuels used, surveying costs, drilling costs and payments made to contractors. The Group capitalizes any further evaluation costs incurred to exploration and evaluation assets up to the point when a commercial reserved is established. Upon the start of commercial operations, such costs are transferred to property and equipment. If no mineable ore body is discovered, capitalized acquisition costs are expensed in the period in which it is determined that the mineral property has no future economic value.

Impairment of Non-Financial Assets

Property and Equipment, Mining Rights, Investment Property and Other Noncurrent Assets

The Group assesses, at each end of the reporting period, whether there is an indication that an asset may be impaired. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset cash generating unit (CGU) is written down to its recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value-in-use (VIU) and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. The fair value less cost to sell is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participant at the measurement date less the costs of disposal, while VIU is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognized in "General and administrative expenses" in the consolidated statements of comprehensive income.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the consolidated statements of comprehensive income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation, depletion and amortization) had no impairment loss been recognized for that asset in prior years.

Mine Exploration Costs

An impairment review is performed, either individually or at the CGU level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, at the end of the reporting period in which this is determined. Mine exploration costs are reassessed on a regular basis and these costs are carried forward provided that at least one (1) of the following conditions is met:

- The period for which the entity has the right to explore in the specific area has not expired during the period or will not expire in the near future, and is expected to be renewed;
- Such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or



- Exploration and evaluation activities in the area of interest have reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

Advances from Customers

The Group obtained advances from its customers in the form of deposits for future nickel ore shipments. These deposits are to be applied against receivables from the customers on ore shipment made to them.

Provisions

General

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as "Finance costs" in the consolidated statements of comprehensive income.

Provision for Mine Rehabilitation and Decommissioning

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and demolition of infrastructures, removal of residual materials and remediation of disturbed areas. The obligation generally arises when the asset is installed or the ground/environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in "Finance costs" in the consolidated statements of comprehensive income. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and provision for mine rehabilitation and decommissioning when they occur.

Decrease in provision for mine rehabilitation and decommissioning that exceeds the carrying amount of the corresponding rehabilitation asset is recognized immediately in the consolidated statements of comprehensive income.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each end of the reporting period and the cost is charged to the consolidated statements of comprehensive income.

The ultimate cost of mine rehabilitation and decommissioning is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience. The expected timing of expenditure can also change, for example in response to changes in mineral reserves or production rates. As a result, there could be significant adjustments to the provision for mine rehabilitation and decommissioning, which would affect future financial results.



MRF committed for use in satisfying environmental obligations are included under “Other noncurrent assets” in the consolidated statement of financial position.

OCI

OCI comprises items of income and expense (including items previously presented under the consolidated statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS.

Capital Stock

Common shares are classified as equity.

Preferred shares are classified as equity if these are non-redeemable, or redeemable only at the Group’s option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the Group’s BOD. Preferred shares are classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary.

Subscribed capital stock is reported in equity less the related subscription receivable not collectible currently.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds. The excess of proceeds from issuance of shares over the par value of shares are credited to APIC.

Treasury Stock

Treasury stock is recorded at cost and is presented as a deduction from equity. Any consideration paid or received in connection with treasury stock is recognized directly in equity.

When the shares are retired, the capital stock account is reduced by its par value. The excess of cost over par value upon retirement is debited to the following accounts in the order given: (1) APIC to the extent of the specific or average APIC when the shares are issued, and (2) retained earnings. When shares are sold, the treasury stock account is credited and reduced by the weighted average cost of the shares sold. The excess of any consideration over the cost is credited to APIC.

Transaction costs incurred such as registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties (net of any related income tax benefit) in relation to the issuing or acquiring the treasury shares are accounted for as reduction from equity, which is disclosed separately.

Retained Earnings (Deficit) and Dividends

Retained earnings represent the cumulative balance of periodic net income or loss, dividend declarations, prior period adjustments, effect of changes in accounting policy and other capital adjustments.

Dividend distribution to the Group’s stockholders is recognized as a liability and deducted from retained earnings when they are approved by the Group’s BOD. Dividends for the year that are approved after the end of the reporting period are dealt with as an event after the end of the reporting period.



Equity Reserve

Equity reserve represents the residual amount recognized in the consolidated financial statements to reflect the equity of the legal subsidiary (accounting acquirer) before the business combination, which was accounted for as a reverse acquisition. However, the equity structure (i.e., the number and type of equity instruments issued) still reflects the equity structure of the legal parent (accounting acquiree), including the equity instruments issued by the legal parent to effect the combination.

Reverse Acquisition

Consolidated financial statements prepared following a reverse acquisition are issued under the name of the legal parent (accounting acquiree) but described in the notes as a continuation of the financial statements of the legal subsidiary (accounting acquirer), with one adjustment, which is to adjust retroactively the accounting acquirer's legal capital to reflect the legal capital of the accounting acquiree. That adjustment is required to reflect the capital of the legal parent (the accounting acquiree). Comparative information presented in those consolidated financial statements also is retroactively adjusted to reflect the legal capital of the legal parent (accounting acquiree).

Earnings Per Share (EPS)

Basic EPS is computed by dividing earnings applicable to common equity holders of the Parent Company by the weighted average number of common shares outstanding, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year.

Diluted EPS amounts are calculated by dividing the net income attributable to common equity holders of the Parent Company by the weighted average number of ordinary shares outstanding, adjusted for any stock dividends declared during the year plus weighted average number of ordinary shares that would be issued on the conversion of all the dilutive ordinary shares into ordinary shares, excluding treasury shares.

Since the Parent Company has no potential dilutive common shares, basic and diluted EPS are stated at the same amount.

Operating Segment

For management purposes, the Group is organized and managed separately according to the nature of the products and services provided. The Group has two segments: (1) the mining segment which is engaged in the mining and exploration of nickel saprolite and limonite ore; and (2) the services segment which is engaged in the chartering out of Landing Craft Transport by PCSSC to PGMC. The Group's core service is the sale of ore to external customers which accounted for the majority of the Group's total revenue. Accordingly, the Group operates mainly in one reportable business and geographical segment which is the Philippines. Noncurrent assets of the Group comprising property and equipment, finance lease receivable, mining rights, investment property, mine exploration costs and other noncurrent assets are located in the Philippines.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when payments are being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements.



The following specific recognition criteria must also be met before revenue is recognized:

Sale of Beneficiated Nickel Ore

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which coincides with the completion of loading of the ores onto the buyer's vessel and date of the bill of lading issued by the buyer's shipping agent. Under the terms of supply agreements with customers, the Group issues a provisional invoice for the entire volume of ore loaded to customer's vessel. Final invoice is made thereafter upon customer's outturn of ore delivered and submission of their final assay report. Adjustment is accordingly made against the final invoice with respect to provisional collections received by the Group to determine amounts still owing from customers.

Interest Income

Revenue is recognized as the interest accrues (using the EIR that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Other Income

Revenue is recognized in the consolidated statements of comprehensive income as they are earned.

Costs and Expenses Recognition

Costs and expenses are decreases in economic benefits during the period in the form of outflows or decreases in assets or incurrences of liabilities that result in decrease in retained earnings or increase in deficit. Cost and expenses are recognized in the consolidated statements of comprehensive income in the period these are incurred.

Cost of Sales

Cost of sales is incurred in the normal course of business and is recognized when incurred. They comprise mainly of contract hire, personnel costs, depreciation, depletion, and amortization, fuel, operation overhead and others, which are provided in the period when the goods are delivered.

Operating Expenses

Operating expenses consist of costs associated with the development and execution of shipping and distribution activities, excise taxes and royalties due to government and other third parties and expense incurred in the direction and general administration of day-to-day operations of the Group. These are generally recognized when the expense arises.

Leases

Determination of Whether an Arrangement Contains a Lease

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

- a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- c. There is a change in the determination of whether fulfillment is dependent on a specified asset;
or
- d. There is a substantial change to the asset.



Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Operating Leases

Operating leases represent those leases under which substantially all risks and rewards of ownership of the leased assets remains with the lessors. Noncancellable operating lease payments are recognized under “General and administrative expenses” in the consolidated statements of comprehensive income on a straight-line basis over the lease term.

Finance Leases

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and the reduction of the lease liability so as to achieve a constant periodic rate of interest on the remaining balance of the liability. Lease receivables are based on the present value of contractual cash flows discounted at market adjusted rates. “Finance income” and “Finance costs” are reflected in the consolidated statements of comprehensive income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the Group will obtain ownership of the asset by the end of the lease term.

Retirement Benefits Costs

The Group has an unfunded, noncontributory, defined benefits retirement plan. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. This method reflects service rendered by employees to the date of valuation and incorporates assumptions concerning the employees’ projected salaries.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as “Retirement benefits costs” under “Personnel costs” under “Cost of sales” and “General and administrative expenses” in the consolidated statements of comprehensive income.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as “Finance costs” or “Finance income” in the consolidated statements of comprehensive income.



Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. Remeasurements recognized in OCI after the initial adoption of Revised PAS 19 are retained in OCI which is presented as “Gain on remeasurement of retirement obligation” under equity.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group’s right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

The standard requires an entity to recognize short-term employee benefits when an employee has rendered services in exchange of those benefits.

Foreign Currency Transactions

The consolidated financial statements are presented in Philippine peso, which is the Group’s functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at functional currency rate of exchange ruling at the end of the reporting period. Nonmonetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of the initial transactions. All differences are taken to the consolidated statements of comprehensive income.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authority. The income tax rates and income tax laws used to compute the amount are those that have been enacted or substantively enacted at the end of the reporting period.

Deferred Income Tax

Deferred income tax is provided using liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and



- In respect of taxable temporary differences associated with investments in foreign subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, and the carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and
- In respect of deductible temporary differences associated with investments in foreign subsidiaries and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each end of the reporting period and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient future taxable income will allow the deferred income tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred income tax assets and liabilities are measured at the income tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on income tax rates and income tax laws that have been enacted or substantively enacted at each end of the reporting period.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed when an inflow of economic benefits is probable.



Events After the End of the Reporting Period

Post year-end events that provide additional information about the Group's position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make judgment, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcome can differ from these estimates.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Determining Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group has been determined to be the Philippine peso. The Philippine peso is the currency that most faithfully represents the economic substance of the Group's underlying transactions, events and conditions.

Classifying Financial Instruments

The Group classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position.

The Group classified its equity instruments as AFS financial assets and classified under noncurrent assets since management does not intend to dispose the investments within twelve (12) months from the end of the reporting period.



Distinction Between Investment Property and Owner-occupied Property

The Group determines whether a property is classified as investment property or owner-occupied property:

- Investment property comprises land which is not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.
- Owner-occupied property is property held (by the owner or by the lessee under a finance lease) for use in the production or supply of goods or services or for administrative purposes.

Operating Lease Commitments - Group as Lessee

The Group has entered into leases on its mine site and facility, and administrative office locations. The Group has determined that it does not retain all the significant risks and rewards of ownership of these properties which are leased on operating leases.

Finance Lease Commitments - Group as Lessor

The Group has entered into a mining contract with Frasec Ventures Corporation (FVC) and JL Earthmoving Corporation (JLEC) to undertake mining operations within the mining property of the Group, wherein the latter shall be allowed to the use of all the Group's transportation and handling equipment subject to reimbursement based on the book value and estimated useful life. In the contract, the Group will transfer all the risk and rewards incidental to the ownership of the equipment at the end of the lease term. At the inception of the lease, the present value of the minimum lease payment that the Group will receive amounts to at least substantially the fair value of the leased asset (see Note 18).

Finance Lease Commitments - Group as Lessee

The Group has entered into Master Finance Lease Agreement with the Caterpillar Financial Services Philippines, Inc. (CFSPI) and SBM Leasing Inc. (SBML) on its equipment. In the lease contract with CFSPI, the Group has determined that the lease transfers substantially all the risks and rewards incidental to the ownership of the contractor's equipment at the end of the lease term. At the inception of the lease, the Group has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the period the option becomes exercisable. In the lease contract with SBML, the present value of all minimum lease payment amounts to at least substantially the fair value of the leased asset at the inception of the lease (see Note 18).

Assessing Production Start Date

The Group assesses the stage of each mine development project to determine when a mine moves into the production stage. The criteria used to assess the start date of a mine are determined based on the unique nature of each mine development project. The Group considers various relevant criteria to assess when the mine is substantially complete, ready for its intended use and moves into the production phase.

Some of the criteria include, but are not limited to the following:

- The level of capital expenditure compared to construction or development cost estimates;
- Completion of a reasonable period of testing of the property and equipment;
- Ability to produce ore in saleable form; and
- Ability to sustain ongoing production of ore.



When a mine development project moves into the production stage, the capitalization of certain mine construction or development costs ceases and costs are either regarded as inventory or expensed, except for capitalizable costs related to mining asset additions or improvements or mineable reserve development. It is also at this point that depreciation or depletion commences.

Assessing UOP Depletion

Estimated recoverable reserves are used in determining the depletion of mine assets. This results in a depletion charge proportional to the depletion of the anticipated remaining mine life. Each item's life, which is assessed annually, has regard to both physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. The calculations require the use of estimates of future capital expenditure. The Group uses the tons of ore produced as the basis for depletion. Any change in mineral reserves estimates is accounted for prospectively.

Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are discussed below.

Estimating Allowance for Impairment Losses on Trade and Other Receivables and Advances to Related Parties

The provision for impairment losses on trade and other receivables and advances to related parties is based on the Group's assessment of the collectibility of payments from customers, contractors, related parties and others. This assessment requires judgment regarding the outcome of disputes and the ability of each of the debtors to pay the amounts owed to the Group. The Group assesses individually the receivable based on factors that affect the collectibility of the receivables, such as the length of the relationship of the Group with the debtor, the historical payment behavior, a review of the age and status of its receivable, the probability of insolvency of the counterparty, as well as its significant financial difficulties.

In addition to specific allowance against individually significant loans and receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is based on any deterioration in the Group's assessment of the accounts since their inception. The Group's assessments take into consideration factors such as any deterioration in country risk, industry, and technological obsolescence, as well as identified structural weaknesses or deterioration in cash flows. The Group used specific impairment on its loans and receivables. The Group did not assess its loans and receivables for collective impairment due to the few counterparties which can be specifically identified.

Trade and other receivables amounted to ₱700.8 million and ₱324.5 million as at December 31, 2015 and 2014, respectively (see Note 5).

Allowance for impairment losses on trade and other receivables amounted to ₱17.4 million as at December 31, 2015 and 2014. There were no impairment losses recognized for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014 (see Note 5).

Advances to related parties amounted to ₱1,639.2 million and ₱1,767.9 million as at December 31, 2015 and 2014, respectively. There were no allowance for impairment losses on advances to related parties as at December 31, 2015 and 2014 (see Note 29).



Allowance for Inventory Losses

The Group maintains allowance for inventory losses at a level considered adequate to reflect the excess of cost of inventories over their NRV. NRV of inventories are assessed regularly based on prevailing estimated selling prices of inventories and the corresponding cost of disposal. Increase in the NRV of inventories will increase cost of inventories but only to the extent of their original acquisition costs.

The carrying value of inventories amounted to ₱643.8 million and ₱246.0 million as at December 31, 2015 and 2014, respectively. There were no allowance for inventory losses as at December 31, 2015 and 2014 (see Note 6).

Estimating Mineral Reserves and Resources

Mineral reserves are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties. The Group estimates its mineral reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may affect the carrying value of mine exploration costs, property and equipment, provision for mine rehabilitation and decommissioning, recognition of deferred income tax assets, and depreciation and depletion charges. Any change in the reserve or resource estimates as a result of latest available information is accounted for prospectively.

In 2015, total ore estimate pertaining to the Surigao Mine Cagdianao Area (CAGA) was changed from 77.7 million dry metric tons (DMT) of mineral resources to 24.2 million DMT of mineral reserves based on the latest Joint Ore Reserves Committee (JORC) Report received in February 2015.

Estimating Useful Lives of Property and Equipment

The Group estimates the useful lives of property and equipment, except land, based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property and equipment would increase the recorded expenses and decrease the noncurrent assets. Any change in the reserve or resource estimates as a result of latest available information is accounted for prospectively.

In 2015, total ore estimate pertaining to the operating CAGA 2 and 4 was changed from 55.9 million DMT of mineral resources to 13.2 million DMT of mineral reserves based on the latest JORC Report received in February 2015 which will have an impact on the remaining life of the Group's mining properties classified under "Property and equipment". Except for the effect of the change in mineral reserves mentioned, there is no other change in the estimated useful lives of property and equipment as at December 31, 2015 and 2014.



The aggregate net book values of property and equipment amounted to ₱2,049.0 million and ₱2,305.9 million as at December 31, 2015 and 2014, respectively. The balance of the accumulated depreciation and depletion of property and equipment amounted to ₱793.1 million and ₱309.9 million and as at December 31, 2015 and 2014, respectively (see Note 8).

Estimating Impairment of Property and Equipment and Investment Property

The Group assesses impairment of property and equipment and investment property whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

In determining the present value of estimated future cash flows expected to be generated from the continued use and ultimate disposition of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

An impairment loss is recognized and charged to earnings if the discounted expected future cash flows are less than the carrying amount. Fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the market rate for a term consistent with the period of expected cash flows. There were no impairment losses recognized in 2015 and 2014.

The aggregate net book values of property and equipment amounted to ₱2,049.0 million and ₱2,305.9 million as at December 31, 2015 and 2014, respectively (see Note 8).

The carrying value of mining rights amounted to ₱301.6 million and ₱396.5 million as at December 31, 2015 and 2014, respectively (see Note 9).

The aggregate net book value of investment property amounted to ₱319.9 million as at December 31, 2015 and 2014 (see Note 10).

Assessing Recoverability of Mining Rights and Mine Exploration Costs

The application of the Group's accounting policy for mining rights and mine exploration costs requires judgment in determining whether it is likely that future economic benefits are certain, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after mining rights and mine exploration costs are capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written-off in the consolidated statements of comprehensive income in the period when the new information becomes available. An impairment loss is recognized when the carrying value of these assets do not exceed their fair value.

The Group has no provision for impairment loss for mining rights and mine exploration costs for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014.



As at December 31, 2015 and 2014, the carrying values of mining rights amounted to ₱301.6 million and ₱396.5 million, respectively (see Note 9).

As at December 31, 2015 and 2014, mine exploration costs amounted to ₱140.8 million and ₱140.7 million, respectively (see Note 11).

Assessing Recoverability of Deferred Income Tax Assets

The Group reviews the carrying amounts of deferred income tax assets at each end of the reporting period and reduces deferred income tax assets to the extent that it is probable that sufficient future taxable income will be available against which these can be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of sufficient future taxable income together with future tax planning strategies.

Net deferred income tax assets amounted to ₱97.8 million and ₱43.3 million as at December 31, 2015 and 2014, respectively. The Group has NOLCO amounting to ₱613.1 million, ₱425.8 million and ₱357.2 million as at December 31, 2015 and 2014 and June 30, 2014, respectively. The Group has excess MCIT amounting to ₱1.8 million, ₱1.3 million and ₱1.3 million as at December 31, 2015 and 2014 and June 30, 2014, respectively. Deferred income tax asset on NOLCO amounting to ₱43.5 million and nil was recognized as at December 31, 2015 and 2014, respectively. Deferred income tax asset on excess MCIT amounting to ₱2.0 million and nil was recognized as at December 31, 2015 and 2014, respectively (see Note 30).

Estimating Impairment Losses on AFS Financial Assets

The Group follows the guidance of PAS 39 in determining when an AFS financial asset is other-than-temporarily impaired. The determination of what is significant or prolonged requires judgment. The Group treats “Significant” generally as twenty percent (20%) or more and “Prolonged” as greater than six (6) months. Also, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance and operational and financing cash flow.

In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities. The fair value of AFS financial assets amounted to ₱5.9 million and ₱8.9 million as at December 31, 2015 and 2014, respectively. Impairment loss recognized amounted to ₱2.4 million for the year ended December 31, 2015 and nil for the six months ended December 31, 2014 and year ended June 30, 2014, respectively (see Notes 12 and 28).

Estimating Allowance for Impairment Losses on Prepayments and Other Current Assets and Other Noncurrent Assets

The Group provides allowance for impairment losses on prepayments and other current assets and other noncurrent assets when they can no longer be realized. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease prepayments and other current assets and other noncurrent assets.

As at December 31, 2015 and 2014, the carrying value of prepayments and other current assets amounted to ₱15.5 million and ₱55.3 million, respectively. An allowance for bad debts was written-off as at December 31, 2015 (see Note 7).



The carrying values of other noncurrent assets excluding restricted cash and MRF amounted to ₱352.5 million and ₱252.4 million as at December 31, 2015 and 2014, respectively. Allowance for impairment losses on input VAT amounted to ₱19.5 million as at December 31, 2015 and 2014 (see Note 13).

Estimating Provision for Mine Rehabilitation and Decommissioning

The Group assesses its provision for mine rehabilitation and decommissioning annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation and decommissioning as there are numerous factors that will affect the provision. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at end of the reporting period represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the consolidated statement of financial position by adjusting the rehabilitation asset and liability.

Provision for mine rehabilitation and decommissioning amounted to ₱58.3 million and ₱60.2 million as at December 31, 2015 and 2014, respectively (see Note 16).

Estimating Retirement Benefits Costs

The cost of defined benefit retirement as well as the present value of the retirement obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates, and future retirement expenses. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit retirement obligation are highly sensitive to changes in these assumptions. All assumptions are reviewed at each end of the reporting period. The retirement obligation amounted to ₱40.0 million and ₱30.1 million as at December 31, 2015 and 2014, respectively (see Note 17).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit retirement obligation.

Further details about the assumptions used are provided in Note 17.

Determining Fair Values of Financial Instruments

Where the fair values of financial assets and liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation.

Any change in the fair value of financial assets and financial liabilities would directly affect net income (see Note 32).



Estimating Contingencies

The Group evaluates legal and administrative proceedings to which it is involved based on analysis of potential results. Management and its legal counsels do not believe that any current proceedings will have material adverse effects on its financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings (see Note 35).

4. Cash

	2015	2014
Cash on hand	₱614	₱620
Cash with banks	502,262	691,249
	₱502,876	₱691,869

Cash with banks earn interest at the respective bank deposit rates. Interest income earned on cash with banks amounted to ₱1.2 million, ₱1.1 million and ₱0.8 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively.

The Group has US\$-denominated cash with banks amounting to US\$8.5 million and US\$5.6 million as at December 31, 2015 and 2014, respectively (see Note 31).

5. Trade and Other Receivables

	2015	2014
Trade	₱704,056	₱337,544
Advances to:		
Contractors	2,203	1,347
Officers, employees and others	11,870	2,936
	718,129	341,827
Less allowance for impairment losses	17,359	17,359
	₱700,770	₱324,468

Trade receivables arising from shipment of nickel ore are noninterest-bearing and are generally collectible within thirty (30) to ninety (90) days. The Group has US\$-denominated trade receivables amounting to US\$15.3 million and US\$7.5 million as at December 31, 2015 and 2014, respectively (see Note 31).

Advances to contractors are advanced payment for contract hire fee. These advances will be offset against the contract hire billings upon completion of future ore loading to vessel shipments by the contractors.

The Group provides cash advances to its officers and employees for various business related expenses incurred which are subject for liquidation. Other advances include advances to third party companies which are collectible upon demand.



Movements in the allowance for impairment losses follow:

	2015	2014
Beginning balance	₱17,359	₱21,834
Write-off	–	(4,475)
Ending balance	₱17,359	₱17,359

In 2013, the Group considered ₱17.4 million of trade receivables as impaired of which an allowance was provided. Advances to claim-owners under “Advances - others” amounting to ₱4.5 million were written-off as at December 31, 2014.

6. **Inventories - at cost**

	2015	2014
Beneficiated nickel ore	₱574,726	₱166,893
Materials and supplies	69,057	79,149
	₱643,783	₱246,042

Materials and supplies consist of tires, spare parts, and fuel and lubricants which were valued at cost.

7. **Prepayments and Other Current Assets**

	2015	2014
Prepaid taxes and licenses	₱9,899	₱1,957
Prepaid rent	463	921
Deferred transaction costs	–	50,179
Prepaid insurance and others	5,115	2,288
	₱15,477	₱55,345

Prepaid taxes and licenses represent advance payments made to Mines and Geosciences Bureau (MGB) and Bureau of Internal Revenue (BIR) necessary for the processing of shipments. These are expected to be realized within twelve (12) months after the end of reporting period.

Deferred transaction costs pertain to actual offer expenses incurred such as registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, in relation to the follow-on offering of new shares. In 2015, the Group did not push through with the follow-on offering of new shares due to the decreasing nickel market price that resulted to a decrease in stock prices. The Group re-assessed its accounting treatment for these costs and accounted it through expensing the transaction costs incurred in 2014 that could have been deducted from the offering proceeds. The Group considers postponing the follow-on offering of new shares until there is an upturn on nickel prices in the market.

Prepaid insurance and prepaid rent represent advance payments made for the insurance of the Group’s property and equipment and for the rent of the Group’s registered office address.



8. Property and Equipment

	December 31, 2015								
	Land	Building and Land Improvements	Machineries and Other Equipment	Furniture and Fixtures	Equipment and Supplies	Mining Properties	Roads and Bridges	CIP	Total
Cost:									
Balances at December 31, 2014	₱10,435	₱46,014	₱543,482	₱6,844	₱4,134	₱1,396,257	₱592,545	₱16,104	₱2,615,815
Additions	–	7,978	237,539	702	643	–	3,067	2,143	252,072
Adjustment to capitalized cost of mine rehabilitation (see Note 16)	–	–	–	–	–	(3,070)	–	–	(3,070)
Disposals	–	–	(22,702)	–	–	–	–	–	(22,702)
Reclassifications	–	–	–	(78)	78	–	–	–	–
Balances at December 31, 2015	10,435	53,992	758,319	7,468	4,855	1,393,187	595,612	18,247	2,842,115
Accumulated depreciation and depletion:									
Balances at December 31, 2014	–	13,400	102,081	4,532	1,742	119,893	68,274	–	309,922
Depreciation and depletion (see Note 26)	–	5,611	99,309	924	783	360,561	32,401	–	499,589
Disposals	–	–	(16,375)	–	–	–	–	–	(16,375)
Balances at December 31, 2015	–	19,011	185,015	5,456	2,525	480,454	100,675	–	793,136
Net book values	₱10,435	₱34,981	₱573,304	₱2,012	₱2,330	₱912,733	₱494,937	₱18,247	₱2,048,979

	December 31, 2014								
	Land	Building and Land Improvements	Machineries and Other Equipment	Furniture and Fixtures	Equipment and Supplies	Mining Properties	Roads and Bridges	CIP	Total
Cost:									
Balances at July 1, 2014	₱10,435	₱38,490	₱476,340	₱6,386	₱2,927	₱1,396,257	₱590,045	₱16,073	₱2,536,953
Additions	–	7,524	79,981	679	1,207	–	2,500	159	92,050
Disposals	–	–	(12,839)	(221)	–	–	–	(128)	(13,188)
Balances at December 31, 2014	10,435	46,014	543,482	6,844	4,134	1,396,257	592,545	16,104	2,615,815
Accumulated depreciation and depletion:									
Balances at July 1, 2014	–	11,153	85,804	4,363	1,477	72,268	54,264	–	229,329
Depreciation and depletion (see Note 26)	–	2,247	28,146	390	265	47,625	14,010	–	92,683
Disposals	–	–	(11,869)	(221)	–	–	–	–	(12,090)
Balances at December 31, 2014	–	13,400	102,081	4,532	1,742	119,893	68,274	–	309,922
Net book values	₱10,435	₱32,614	₱441,401	₱2,312	₱2,392	₱1,276,364	₱524,271	₱16,104	₱2,305,893



On March 7, 2014, the Group entered into a mining contract with FVC that resulted into the recognition of finance lease of transportation and handling equipment. Accordingly, the book value of transportation and handling equipment subjected to finance lease amounted to ₱954.3 million.

On February 26, 2015, the Group engaged JLEC as additional mining contractor in CAGA 2 whereby some assets to be returned by FVC to the Group are to be transferred to JLEC.

On March 7, 2015, the Group and FVC executed a First Addendum to the Mining Contract modifying the area where FVC undertake their mining operations and that some equipment originally transferred to them be reverted to the Group. Net book value of the assets transferred as result of the addendum and new mining contract entered into with FVC and JLEC, respectively, amounted to a total of ₱648.3 million. Assets amounting to ₱208.1 million were returned to and retained by the Group were recorded back as part of “Machineries and other equipment” under “Property and equipment” (Notes 18 and 37).

Part of the returned assets are damaged equipment due to accident with a book value amounting to ₱2.9 million. The Group received proceeds from insurance amounting to ₱1.6 million and a loss amounting to ₱1.3 million was recognized as part of the total loss on modification of finance lease receivable amounting to ₱86.9 million (see Notes 18 and 28).

In 2015, the Group disposed various assets under “Machineries and equipment” and recorded a loss equivalent to its net book value amounting to ₱6.3 million (see Note 28).

The rates used by the Group in computing depletion are ₱60.48, ₱15.57 and ₱11.21 per wet metric ton (WMT) for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively. For the year ended December 31, 2015, the rates used was based on the latest JORC Report received from Runge Pincock Minarco (RPM) in February 2015 with an indicated mineral reserve estimate of 13.2 million DMT for CAGAs 2 and 4. For the six months ended December 31, 2014 and the year ended June 30, 2014, the rates used was based on the previous JORC Report dated February 20, 2013 with an indicated mineral resource estimate of 55.9 million DMT for CAGAs 2 and 4.

The CIP balance in the books of the Group pertains to the construction of roads, fences and improvements in the mine site and ongoing construction of shipping equipment. The estimated completion of the CIP for the mine site improvements is ninety-five percent (95%) and eighty percent (80%) for the ongoing construction of shipping equipment as at December 31, 2015 and 2014.

The gross carrying amount of fully depreciated property and equipment that is still in use by the Group amounted to ₱33.7 million as at December 31, 2015 and 2014.

9. Mining Rights

Mining rights refer to the rights of the Group as the holder of MPSA No. 007-92-X located in Cagdianao, Claver, Surigao del Norte acquired through the assignment of MPSA from CMDC to SIRC, a wholly owned subsidiary, under the Deed of Assignment executed on March 3, 2004. Pursuant to the Deed of Assignment, CMDC transferred to SIRC all its rights, interest and obligations relating to the MPSA.



There were no provision for impairment losses on mining rights recognized for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014.

As at December 31, 2015 and 2014, the carrying value of mining rights amounted to ₱301.6 million and ₱396.5 million, respectively. Amortization of mining rights amounted to ₱94.9 million for the year ended December 31, 2015 and nil for the six months ended December 31, 2014 and year ended June 30, 2014.

10. Investment Property

State Properties Corporation (SPC)

In August 2011, the Group acquired parcels of land consisting of twenty (20) lots from SPC amounting to ₱79.6 million located in Las Piñas. The land was held for capital appreciation.

On March 7 and July 7, 2014, the Group sold eight (8) and twelve (12) lots from these parcels of land with proceeds from the sale amounting to ₱32.0 million and ₱47.6 million, respectively. No gain or loss related to the sale of land was recognized.

Portal Holdings, Inc. (PHI)

In June 2012, the Group acquired a parcel of land (Aseana Property) from PHI amounting to ₱319.9 million located in Paranaque. The land was held for capital appreciation. As at December 31, 2015 and 2014, related borrowings amounting to ₱40.0 million and ₱120.0 million, respectively, are presented as “Bank loans” (see Note 15).

Total investment property amounted to ₱319.9 million as at December 31, 2015 and 2014. The fair value of investment property amounted to ₱367.0 million as at December 31, 2015 and 2014 (see Note 32). The latest appraisal report is dated June 19, 2014.

There was no income earned nor direct operating expense incurred related to the investment property for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014.

11. Mine Exploration Costs

	2015	2014
Beginning balance	₱140,659	₱140,659
Exploration expenditures incurred	131	–
Ending balance	₱140,790	₱140,659

The Group operates the Cagdianao mineral tenements by virtue of the twenty-five (25)-year Operating Agreement executed by and between the PGMC and SIRC (see Note 33).

In February 2015, the Group received an updated JORC Report from RPM for the CAGA 1, 2, 3, 4 and 5 of the Cagdianao mining property. CAGA 2 and 4 are operating areas while CAGA 1, 3, and 5 are under exploration activities. The Group is yet to conduct its exploration activities for CAGA 6 and 7.

In 2015, the Group incurred costs for the deferred exploration activities and feasibility study of the Cagdianao Nickel Expansion Project in CAGA 1, 3 and 5.



12. AFS Financial Assets

As at December 31, 2015 and 2014, the Group holds 4,216,100 shares of stock of Oriental Peninsula Resources Group, Inc. (OPRGI), a publicly listed company in the Philippines. The fair value of the quoted equity instrument is based on the exit market price as at December 31, 2015 and 2014.

Movements in fair value of quoted equity instrument follow:

	2015	2014
Beginning balance	₱8,854	₱9,191
Impairment loss on AFS financial assets (see Note 28)	(2,445)	-
Unrealized gains transferred from equity to consolidated statements of comprehensive income	(506)	-
Valuation gain	-	(337)
Ending balance	₱5,903	₱8,854

Movements in the “Valuation gain (loss) on AFS financial assets” presented as a separate component in the consolidated statements of changes in equity follow:

	2015	2014
Beginning balance	₱506	₱843
Unrealized gains transferred from equity to consolidated statements of comprehensive income	(506)	-
Increase in fair value of AFS financial assets	-	(337)
Ending balance	₱-	₱506

There was no dividend income earned from the quoted equity instrument for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014.

Impairment loss recognized amounted to ₱2.4 million for the year ended December 31, 2015 and nil for the six months ended December 31, 2014 and year ended June 30, 2014 (see Note 28).

13. Other Noncurrent Assets

	2015	2014
Input VAT	₱177,888	₱185,029
Advances to suppliers	174,572	67,368
Restricted cash	114,583	196,708
MRF	62,117	38,426
	₱529,160	₱487,531

Input VAT represents the VAT paid on purchases of applicable goods and services, net of output tax liabilities, if any, which may be recovered as tax credit against future tax liability of the Group upon approval by the Philippine BIR and/or the Philippine Bureau of Customs. Allowance for impairment losses on input VAT amounted to ₱19.5 million as at December 31, 2015 and 2014.

Advances to suppliers pertain to miscellaneous deposits on Group’s purchase of property and equipment from various suppliers.



Restricted cash includes Debt Service Reserve Account (DSRA) with Amsterdam Trade Bank (ATB), Taiwan Cooperative Bank (TCB) and Bank of China (BOC) for the FRI loans (see Notes 15 and 29). These will be utilized for application against the Group's outstanding loans for principal, interest and fees with the banks. The Group has US\$-denominated restricted cash as at December 31, 2015 and 2014 amounting to US\$2.4 million and US\$4.4 million, respectively (see Note 31). As at December 31, 2015, the DSRA of the Group with ATB was closed when the related loans were fully paid.

Pursuant to Section 181 of the Implementing Rules and Regulations of the Republic Act (RA) No. 7492, better known as the Philippine Mining Act of 1995, the Group has MRF at the Development Bank of the Philippines Surigao City Branch. The funds are to be used for physical and social rehabilitation, reforestation and restoration of areas and communities affected by mining activities, for pollution control and integrated community development. The funds earned interest based on the prevailing market rate.

14. Trade and Other Payables

	2015	2014
Trade payables	₱383,368	₱225,007
Advances from customers (see Note 33)	223,779	146,271
Accrued expenses and taxes	141,349	629,809
Nontrade payables	43,108	106,079
Interest payables	1,057	653
	₱792,661	₱1,107,819

Trade payables are noninterest-bearing and generally settled within thirty (30) days. Trade payables relate to payables to suppliers and relate to transactions in the ordinary course of business.

Advances from customers refer to amount received from customers before a service has been provided or before goods have been shipped. Advances from customers are settled by deducting the payments from collections based on the schedule of shipments.

Details of the accrued expenses and taxes are summarized below:

	2015	2014
Excise taxes and royalties payable	₱96,808	₱64,924
Business and other taxes	32,929	537,827
Provision for Indigenous People (IP)	3,604	3,056
Government dues	1,473	4,007
Accrued payroll	296	245
Others	6,239	19,750
	₱141,349	₱629,809

The Group paid final withholding tax amounting to ₱507.0 million, lodged under "Business and other taxes", related to the payment of dividends on December 29, 2014.

Mining companies are mandated to establish a provision for IP that would enhance the quality of life and ultimately develop a progressive and self-reliant host and neighboring communities. The program includes community development projects and activities such as establishment,



construction, and maintenance of infrastructures including schools, hospitals, roads, and the like; establishment of livelihood industries; and programs on education and health. The Company is required to allot annually a minimum of one and a half percent (1.5%) of the operating costs based on the Administrative Order No. 2010-13 issued by the Department of Environment and Natural Resources (DENR).

Accrued payroll and royalty fees to claim owners are noninterest-bearing and are payable on demand and/or generally settled within thirty (30) days' term. Royalty and excise taxes are payable immediately upon receipt from DENR-MGB of the Order of Payment and before every shipment of beneficiated nickel ores. Government dues consist of employer contributions normally payable fifteen (15) to thirty (30) days after the end of each month.

Other payables substantially consist of outside services, accrued professional fees and purchases of supplies which are usual in the business operations of the Group. Other payables are noninterest-bearing and are payable on demand and/or normally settled within thirty (30) days' term.

Nontrade payables are normally settled within thirty (30) to ninety (90)-day term. This account includes purchases of machineries and equipment and land held for capital appreciation (see Notes 8 and 10). Interest expense related to interest-bearing nontrade payables amounted to nil, ₱11.1 million and ₱4.4 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively (see Note 27).

Interest payables arise from bank loans and finance lease obligations of the Group (see Notes 15 and 18).

The Group has US\$-denominated trade and other payables amounting to US\$6.0 million and US\$3.9 million as at December 31, 2015 and 2014, respectively (see Note 31).

15. Bank Loans

	2015	2014
TCB	₱941,200	₱166,543
Banco de Oro (BDO)	53,001	128,950
Unionbank of the Philippines (UnionBank)	215	1,528
EastWest Bank (EastWest)	168	961
ATB	-	281,426
Trade and Investment Development Corporation of the Philippines (PhilEXIM)	-	43,775
	994,584	623,183
Less unamortized discount on bank loans	-	2,957
	994,584	620,226
Less current portion		
TCB	941,200	165,385
BDO	45,767	82,804
UnionBank	215	1,314
EastWest	168	961
ATB	-	279,626
PhilEXIM	-	43,775
	987,350	573,865
	₱7,234	₱46,361



TCB

On July 4, 2013, the Group entered into a loan agreement with TCB to avail a US\$10.0 million loan for capital expenditure and general corporate purposes including refinancing of existing obligations. The loan is payable in eight (8) quarterly consecutive installments to commence on the first (1st) quarter from the date of borrowing.

As at December 31, 2015, the US\$10.0 million loan was fully paid and another US\$20.0 million or ₱941.2 million short-term loan was availed of by the Group.

Interest expense related to TCB loan amounted to ₱35.1 million, ₱6.6 million and ₱17.6 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively (see Note 27).

Amortization of discount on bank loans related to TCB loan amounted to ₱0.6 million, ₱2.0 million, and ₱7.6 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended December June 30, 2014, respectively (see Note 27).

The terms of the loan are complied by the Group as at December 31, 2015 and 2014, the Group's relevant reporting period.

BDO

On February 14, 2013, the Group obtained a term loan amounting to ₱240.0 million from BDO to finance seventy-five percent (75%) of the purchase price of Aseana property located at Brgy. Tambo, Paranaque City. The loan is payable in six (6) semi-annual payments every August and February with an interest of five and a half percent (5.5%) subject to monthly repricing based on the prevailing market rate of interest. The agreement is secured by a real estate mortgage over the Aseana property amounting to ₱319.9 million (see Note 10).

In May 2015, the Group was extended an additional US\$10.0 million on top of its existing US\$10.0 million export packing credit line for working capital purposes granted by BDO in May 2014. As at December 31, 2015 and 2014, the remaining balance of the loan availed to nil.

During the year, the Group entered into several service vehicle loans with BDO amounting to ₱11.2 million. The loans are payable within three (3) years at an interest rate ranging from seven percent (7%) to nine percent (9%) per annum.

Interest expense related to BDO loan amounted to ₱13.4 million, ₱7.1 million and ₱13.1 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively (see Note 27).

The terms of the loan are complied by the Group as at December 31, 2015 and 2014.

UnionBank and EastWest

The Group entered into several service vehicle loans with UnionBank and EastWest. The loans are payable within three (3) years at an interest rate ranging from twelve percent (12%) to fourteen percent (14%) per annum.

Interest expense related to the service vehicle loans amounted to ₱0.6 million, ₱0.3 million and ₱1.2 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively (see Note 27).



ATB and PhilEXIM

The Group obtained a US\$35.0 million loan facility (with an accordion feature of US\$5.0 million; Facility Agreement) from ATB to finance the Group's working capital and capital expenditures. The Facility Agreement was executed by and between the Group (as borrower), certain stockholders of PGMC and SIRC (collectively as Guarantors) and ATB (as original lender, arranger, agent, security agent, and account bank) on October 6, 2011.

The Group availed of the ATB loan amounting to US\$20.0 million and US\$15.0 million on November 25, 2011 and December 6, 2011, respectively.

On November 25, 2011, the Group, PhilEXIM and ATB entered into an increase deed in relation to the Original Facility Agreement to which PhilEXIM agreed to accede to the Original Facility Agreement as a lender to regulate and facilitate the making of Peso Loans amounting to ₱218.9 million payable in thirty (30) monthly installments starting on April 27, 2012.

The PhilEXIM loan was availed on November 29, 2011 and December 6, 2011 amounting to ₱93.8 million and ₱125.1 million, respectively.

As at December 31, 2015, the loans from ATB and PhilEXIM are fully paid.

Interest expense related to ATB loan amounted to ₱13.7 million, ₱18.5 million and ₱67.7 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively (see Note 27).

Interest expense related to PhilEXIM loan amounted to ₱2.0 million, ₱3.8 million and ₱9.1 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively (see Note 27).

Amortization of discount on bank loans amounted to ₱1.4 million, ₱3.3 million and ₱9.9 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively (see Note 27).

The terms of the Facility Agreement are complied by the Group as at December 31, 2015 and 2014.

BOC

The Group's US\$6.0 million short-term credit facility granted by BOC in 2014 to finance its working capital requirements, composed of US\$2.0 million export bills purchase and US\$4.0 million export packing credit line, was renewed by BOC with no sub-limit effective May 21, 2015 renewable yearly and payable from the collection proceeds on the assigned sales contract and/or covering Letter of Credit. The facility has no outstanding balance as at December 31, 2015 and 2014.

Interest expense amounted to ₱2.0 million, ₱0.4 million and ₱1.8 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively (see Note 27).



16. Provision for Mine Rehabilitation and Decommissioning

	2015	2014
Beginning balance	₱60,212	₱59,663
Accretion interest (see Note 27)	1,117	549
Effect of change in estimate (see Note 8)	(3,070)	–
Ending balance	₱58,259	₱60,212

Provision for mine rehabilitation and decommissioning pertains to the estimated decommissioning costs to be incurred in the future on the mined-out areas of the Group. The Group makes full provision for the future cost of rehabilitating mine sites and related production facilities on a discounted basis on the development of mines or installation of those facilities. The rehabilitation provision represents the present value of rehabilitation costs. These provisions have been created based on the Group's internal estimates. Assumptions based on the current economic environment, have been made which management believes are reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mine ceases to produce at economically viable rates. This, in turn, will depend upon future ore prices, which are inherently uncertain.

In 2015, the Group adjusted its provision for mine rehabilitation and decommissioning to reflect the current discount rates which resulted to a change in estimate amounting to ₱3.1 million (see Note 8).

17. Retirement Obligation

The Group has an unfunded, non-contributory defined benefit retirement plan covering substantially all of its regular employees. The Group does not have an established retirement plan and only conforms to the minimum regulatory benefit under the RA 7641, *Retirement Pay Law*, which is of the defined benefit type and provides a retirement benefit equal to twenty-two and a half (22.5) days' pay for every year of credit service. The regulatory benefit is paid in lump sum upon retirement. There was no plan termination, curtailment or settlement as at December 31, 2015 and 2014.

The latest actuarial valuation report of the retirement plan is as at December 31, 2015.



The following tables summarize the components of retirement benefits costs recognized in the consolidated statements of comprehensive income and the unfunded status and amounts recognized in the consolidated statements of financial position and other information about the plan.

The details of retirement benefits costs are as follows:

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
Retirement benefit costs (see Note 25)	₱9,368	₱3,195	₱6,215
Interest cost on retirement obligation (see Note 27)	1,463	641	1,197
	₱10,831	₱3,836	₱7,412

The Group has ninety-five (95) regular employees, eight (8) employees on probationary and project status and two hundred eighty (280) employees on a fixed term as at December 31, 2015 and eighty-seven (87) regular employees, six (6) employees on probationary and project status and forty-six (46) employees on a fixed term as at December 31, 2014.

The movements in present value of the retirement obligation are as follows:

	2015	2014
Beginning balance	₱30,101	₱23,860
Retirement benefit costs	9,368	3,195
Interest cost on retirement obligation	1,463	641
Remeasurement loss (gain) arising from:		
Financial assumptions	(3,746)	4,079
Experience adjustments	2,889	2,145
Benefits paid	(90)	(3,819)
Ending balance	₱39,985	₱30,101

The Group does not have any plan assets as at December 31, 2015 and 2014.

The cost of defined retirement benefits plan, as well as the present value of the retirement obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining retirement obligation for the defined retirement plan are shown below:

	December 31		June 30
	2015	2014	2014
Discount rate	5.38%	4.86%	5.69%
Salary increase rate	10.00%	10.00%	10.00%
Turnover rate	7.5% at age 19 decreasing to 0% at age 45	7.5% at age 19 decreasing to 0% at age 45	7.5% at age 19 decreasing to 0% at age 45



The sensitivity analyses below have been determined based on reasonably possible changes of each significant assumption on the defined retirement benefits obligation at the end of the reporting period, assuming all other assumptions were held constant:

	Increase (decrease)	2015	2014
Discount rate	+100 basis points	(P6,115)	(P4,967)
	-100 basis points	7,612	6,257
Salary increase rate	+100 basis points	P6,773	P5,555
	-100 basis points	(5,633)	(4,574)

The Group does not expect to contribute to the defined benefit pension plan in 2016. The Group does not have a Trustee Bank, and does not currently employ any asset-liability matching. Shown below is the maturity analysis of the undiscounted benefit payments as at December 31, 2015 and 2014:

	2015	2014
Less than one (1) year	P1,615	P824
More than one (1) year to five (5) years	3,202	887
More than five (5) years to ten (10) years	5,636	5,381
	P10,453	P7,092

The average duration of the defined retirement benefits obligation as at December 31, 2015 and 2014 is 21.2 years and 22.9 years, respectively.

18. Finance Lease

Finance Lease Receivable

On March 7, 2014, the Group entered into a service contract agreement with FVC that resulted into a finance lease of the Group's transportation and handling equipment which was formerly part of the "Machineries and other equipment" category under "Property and equipment" (see Note 8).

Finance lease receivable as at December 31, 2015 and 2014 consists of:

	2015		2014	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within one (1) year	P173,214	P167,949	P109,375	P95,910
After one (1) year but not more than five (5) years	326,755	319,593	801,947	750,115
More than five (5) years	-	-	20,955	20,699
Total minimum lease payments	499,969	487,542	932,277	866,724
Less amount representing finance charge	12,427	-	65,553	-
Present value of minimum lease payments	P487,542	P487,542	P866,724	P866,724

In 2015, an addendum to the mining contract with FVC was executed which resulted to FVC returning some assets to the Group amounting to P519.4 million. Subsequently, the Group entered into another mining contract with JLEC to operate part of the CAGA 2 area and to lease the property and equipment returned by FVC amounting to P311.3 million (see Note 8) which resulted to a loss amounting to P86.9 million (see Note 28). The remaining P208.1 million reverted by FVC to the Group are included as part of total additions (see Note 8).



Derived interest income related to finance lease amounted to ₱8.2 million, ₱2.4 million and ₱7.1 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively.

Finance Lease Liabilities

In 2013, the Group entered into finance lease agreements with SBML and CFSPI for various equipment. These are included as part of “Machineries and other equipment” category under “Property and equipment” as at December 31, 2015 and 2014.

Future annual minimum lease payments under the lease agreements, together with the present value of the minimum lease payments as at December 31, 2015 and 2014 are as follows:

	2015		2014	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Within one (1) year	₱15,850	₱14,994	₱29,434	₱26,451
After one (1) year but not more than five (5) years	–	–	15,850	14,994
Total minimum lease payments	15,850	14,994	45,284	41,445
Less amount representing finance charge	856	–	3,839	–
Present value of minimum lease payments	₱14,994	₱14,994	₱41,445	₱41,445

Interest expense related to finance lease amounted to ₱3.1 million, ₱4.0 million and ₱6.5 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively, is reported under “Finance costs” (see Note 27).

19. Equity

Capital Stock

The Parent Company has 35,871,428,572 authorized shares at ₱0.35 par value as at December 31, 2015 and 2014. Out of the total authorized shares of the Parent Company, 17,467,014,310 shares are issued amounting to ₱6,113,455 as at December 31, 2015 and 2014.

The Parent Company has only one class of common shares. The common shares do not carry any right to fixed income.

The Parent Company applied for an increase in its authorized capital stock from ₱2,555.0 million divided into 7,300,000,000 common shares with a par value of ₱0.35 per share to ₱12,555.0 million divided into 35,871,428,572 common shares with a par value of ₱0.35 per share. The increase in the authorized capital stock as well as the issuance of the 10,463,093,371 common shares to the Thirteen Stockholders in accordance with the Share Swap transaction was approved by the SEC on December 22, 2014 (see Note 1).



All issued shares of GFHI, except for the newly issued 10,463,093,371 common shares to the Thirteen Stockholders, are listed in the PSE. The following table summarizes the track record of registrations of securities under the SRC.

Transaction	Subscribers	Registration Date	Issue/Offer Price	Number of Shares
Initial registration	Various	October 1994	₱1.50	5,000,000,000
Additional registration	Various	September 1996	–	1,150,000,000
Exempt from registration	Various	December 1998	–	305,810,000
Exempt from registration	Two individuals	June 2013	0.35	554,000,000
				7,009,810,000

APIC

Below is the summary of the movements of the “APIC” account:

Balances at June 30, 2014	₱127,171
Issuance of shares through Share Swap (see Note 1); As restated (see Note 2)	1,695,121
Application of APIC to equity reserve	(1,822,292)
Balances at December 31, 2014, As restated (see Note 2)	–
Movement	–
Balances at December 31, 2015	₱–

Treasury Stock

The Company has 7,258 shares in treasury stock amounting to ₱18.4 thousand as at December 31, 2015 and 2014.

Retained Earnings (Deficit)

The Group has retained earnings (deficit) amounting to ₱422.2 million and (₱697.0 million) as at December 31, 2015 and 2014, respectively.

On June 15, 2014, PGMC’s BOD approved the declaration of cash dividends in the amount of ₱1,411.7 million and property dividends of ₱3,657.4 million to stockholders of record as at June 15, 2014. On September 1, 2014, PGMC’s BOD amended its initial dividend declaration dated June 15, 2014 by declaring cash dividends in the amount of ₱5,069.1 million out of its unrestricted retained earnings. Out of the total dividends declared, ₱4,309.0 million pertains to 16% participating, non-cumulative, preferred stockholders at ₱0.07 per share and the remaining ₱760.1 million pertains to common stockholders at ₱0.06 per share. On December 29, 2014, PGMC settled its cash dividends payable amounting to ₱5,069.1 million declared on June 15, 2014 to stockholders of record as at June 15, 2014. The dividends payable was offset against the cash advances to stockholders classified under “Advances to related parties”.

On July 15, 2014, PGMC’s BOD approved the declaration of cash dividends amounting to ₱1,084.6 million at ₱0.09 per share. The dividends were settled on August 29, 2014.

Dividends Payable

On May 22, 2013, the BOD of the Parent Company approved the declaration of cash dividends in the amount of ₱1.656 per outstanding common share or ₱10,500.0 million to stockholders of record as at June 5, 2013, payable on June 12, 2013. In 2014, cash dividends declared and paid to certain shareholders on May 22, 2013 amounting to ₱20.3 million were returned as stale checks and presented as cash dividends payable as at December 31, 2015 and 2014 and will be reissued to such investors subsequent to year-end.



Equity Reserve

As at July 1, 2013, as a result of the reverse acquisition, the “Equity reserve” account represents the difference between the legal capital (i.e., the number and type of “Capital stock” issued, “APIC” and “Treasury stock”) of the legal acquirer (GFHI) and accounting acquirer (PGMC). Subsequent to July 1, 2013 up to the date of the Share Swap transaction, the movements of the equity accounts of PGMC Group are adjusted to “Equity reserve”.

Below is the summary of the movements of the “Equity reserve” account:

Legal capital of PGMC (Accounting acquirer):	
Capital stock, net of NCI of ₱191	₱700,184
Legal capital of GFHI (legal acquirer):	
Capital stock	(2,257,472)
APIC	(127,171)
Issuance of stock by GFHI	(193,900)
Treasury stock	18
Balance as at June 30, 2013	(1,878,341)
Movement	–
Balance as at June 30, 2014	(1,878,341)
Issuance of stock by GFHI through Share Swap	(5,357,204)
Assumption and cancellation of GFHI receivables	(2,589,722)
Acquisition of net assets of the accounting acquiree (GFHI)	2,605,460
Application of equity reserve to APIC and retained earnings	7,210,807
Issuance of stock by PGMC	9,000
Balance as at December 31, 2014, as restated	<u>₱–</u>

20. EPS

The following reflects the income and share data used in the basic and diluted EPS computations:

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
Net income	₱1,111,750	₱4,809,681	₱1,667,776
Weighted average number of shares for basic EPS	17,467,014,310	7,261,907,764	7,003,913,681
Basic/Diluted EPS	₱0.06	₱0.66	₱0.24

As at December 31, 2015 and 2014, there is no potentially dilutive common shares.



21. Cost of Sales

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
Contract hire (see Note 33)	₱2,388,897	₱1,921,467	₱1,593,768
Depreciation, depletion and amortization (see Notes 8, 9 and 26)	579,482	86,889	204,893
Fuel, oil and lubricants	151,474	170,388	164,898
Personnel costs (see Note 25)	125,806	50,378	153,276
Rentals (see Note 33)	70,807	42,009	69,935
Contribution for IP	66,195	92,809	56,963
Community relations	45,003	10,996	44,630
Environmental protection cost	56,394	82,148	14,266
Assaying and laboratory	25,393	28,149	41,100
Repairs and maintenance	12,054	5,546	104,588
Operation overhead	7,993	44,582	32,485
Other charges	45,098	21,279	34,040
	₱3,574,596	₱2,556,640	₱2,514,842

Contract hire pertains to services offered by the contractors related to the mining operating activities of the Group. These services include, but not limited to, ore extraction and beneficiation, hauling and equipment rental.

Other charges include, but not limited to, power and utilities, health and safety expenses in mine site, manning expenses, agency fees, materials, supplies and spare parts, service fee and dry docking.

22. Excise Taxes and Royalties

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
Royalties to claim-owners (see Note 33)	₱449,053	₱631,610	₱395,901
Royalties to government	326,634	447,932	284,422
Excise taxes	130,664	179,204	115,570
	₱906,351	₱1,258,746	₱795,893

The Group, in accordance with DENR Administrative Order No. 96-40, Series 1996, on the Revised Implementing Rules and Regulations of RA No. 7942, is required to pay to the Philippine Government the following:

- A royalty tax of five percent (5%) of the market value of the gross output of the minerals/mineral products extracted or produced from its Surigao mines to DENR-MGB; and
- An excise tax of two percent (2%) of the market value of the gross output of the minerals/mineral products extracted or produced from its Surigao mines to the BIR.



The Group is paying to CMDC royalty fees of three percent (3%) to seven percent (7%) of gross receipts.

As at December 31, 2015 and 2014, excise taxes and royalties payable amounted to ₱96.8 million ₱64.9 million, respectively (see Note 14).

23. General and Administrative

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
Consultancy fees	₱160,780	₱19,837	₱23,252
Personnel costs (see Note 25)	159,459	56,924	65,155
Marketing and entertainment	72,926	32,334	157,137
Taxes and licenses	50,025	48,812	56,308
Outside services	38,124	18,592	39,612
Travel and transportation	37,088	18,557	23,864
SEC and listing fees	28,401	-	-
Depreciation and depletion (see Notes 8 and 26)	15,001	5,794	11,997
Rentals (see Note 33)	7,402	2,800	3,203
Repairs and maintenance	6,987	5,725	2,041
Supplies	6,389	3,351	2,382
Communication	5,771	2,501	3,572
Fuel, oil and lubricants	4,935	11,006	9,357
Membership and subscription	2,042	509	48
Insurance	1,887	1,519	232
Trainings, seminars and meetings	1,194	158	93
Power and utilities	1,347	630	967
Proressive mine rehabilitation	-	-	15,078
Other charges	30,030	8,267	16,248
	₱629,788	₱237,316	₱430,546

Other charges pertain to various expenses such as mailing and postage charges, and health and safety supplies.

24. Shipping and Distribution

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
Barging charges	₱121,872	₱63,704	₱156,544
Stevedoring charges and shipping expenses	29,627	-	21,268
Fuel, oil and lubricants	14,885	45	24,431
Government fees	87	-	-
	₱166,471	₱63,749	₱202,243

Barging charges pertain to expenses incurred from services provided to transport nickel ore.



25. Personnel Costs

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
Salaries and wages	₱239,459	₱94,301	₱189,155
Retirement benefits costs (see Note 17)	9,368	3,195	6,215
Other employee benefits	36,438	9,806	23,061
	₱285,265	₱107,302	₱218,431

Other employee benefits are composed of various benefits given to employees that are individually immaterial.

The personnel costs were distributed as follows:

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
Cost of sales (see Note 21)	₱125,806	₱50,378	₱153,276
General and administrative (see Note 23)	159,459	56,924	65,155
	₱285,265	₱107,302	₱218,431

26. Depreciation, Depletion and Amortization

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
Cost of sales (see Notes 8, 9 and 21)	₱579,482	₱86,889	₱204,893
General and administrative (see Notes 8 and 23)	15,001	5,794	11,997
	₱594,483	₱92,683	₱216,890

27. Finance Costs

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
Interest expense (see Notes 14, 15, 17, 18 and 29)	₱75,716	₱55,348	₱150,732
Bank charges	9,990	10,776	17,339
Amortization of discount on bank loans (see Notes 15 and 29)	2,068	6,650	20,805
Accretion interest on provision for mine rehabilitation and decommissioning (see Note 16)	1,117	549	1,279
Commission expense	-	-	11,903
	₱88,891	₱73,323	₱202,058



28. Other Income (Charges) - net

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2013
Loss on modification of finance lease receivable (see Note 8)	(P86,885)	P-	P-
Foreign exchange gains (losses) - net	(19,843)	(77,631)	209,323
Gain (loss) on disposals of property and equipment (see Note 8)	(6,327)	91	(159)
Impairment loss on AFS financial assets (see Note 12)	(2,445)	-	-
Others	-	116	-
	(P115,500)	(P77,424)	P209,164

Breakdown of the net foreign exchange gains (losses) follows:

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
Net realized foreign exchange gains (losses)	(P27,863)	P46,168	(P36,363)
Unrealized foreign exchange gains (losses) on:			
Cash	25,914	11,593	14,048
Trade and other receivables	14,196	(1,988)	(7,620)
Advances to related parties	-	(3,895)	142,486
Other noncurrent assets	2,506	1,986	(2,313)
Trade and other payables	(3,136)	(72,856)	23,267
Bank loans	(31,396)	(48,692)	67,965
Amounts owed to related parties	(64)	(9,947)	7,853
	(P19,843)	(P77,631)	P209,323



29. Related Party Disclosures

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities, which are under common control with the reporting enterprises and its key management personnel, directors or its stockholders.

Category	Amount/ Volume	Advances to related parties	Amounts owed to related parties	Terms	Conditions
<i>Stockholders</i>					
2015	₱715,806	₱1,538,677	₱50,000	Noninterest-bearing; collectible or payable on demand	Unsecured; no guarantee
2014	₱1,397,150	₱872,871	₱-		
<i>Affiliates with common officers, directors and stockholders</i>					
2015	(564,515)	100,554	574,211	Interest-bearing; payable in 8 installments	Unsecured; no guarantee
2014	1,256,212	894,987	344,293		
<i>Other Related Party</i>					
2015	-	-	-	Noninterest-bearing; collectible or payable on demand	Unsecured; no guarantee
2014	410,360	-	-		
Total		₱1,639,231	₱624,211		
Total		₱1,767,858	₱344,293		

The summary of significant transactions and account balances with related parties are as follows:

- a. In 2015, the Group entered into the following transactions which were recorded under “Deposits for future stock subscription”:
 - The Group made cash deposit amounting to US\$0.5 million or ₱23.1 million for the purchase of 10,000 shares or one hundred percent (100%) interest of PGMC International Limited, an entity incorporated in Hong Kong, China as part of the Group’s expansion plans.
 - GFHI, PGMC and the stockholders of SPNVI executed various Deed of Assignments wherein PGMC assigned all the rights, title, and interest for the cash advances made by PGMC to SPNVI, amounting to ₱1,628.1 million, to GFHI. These advances will form part of the purchase price of the acquisition of SPNVI pursuant to the Contract to Sell executed on August 6, 2015 (see Note 1).
- b. On December 30, 2012, the Group entered into a MOA with Century Sunshine PGMC Company Ltd. (CSPC), a corporation incorporated in British Virgin Islands, wherein the Group’s advances to CSPC under “Advances to related parties” amounting to ₱1,758.9 million will be treated by CSPC as deposit for future stock subscription of PGMC.



The advances to CSPC were made by PGMC partly to finance the acquisition of a joint venture entered by CSPC. Pending the listing of CSPC, both parties agree to treat the said advances as deposit for future subscription to shares equivalent to not more than ten percent (10%) of the total outstanding shares in CSPC. The actual conversion and issuance of the shares of stock of CSPC shall be subject to mutual agreement of the parties upon determination of the appropriate valuation of the shares of stock of CSPC, whether before or after the said listing. However, since the listing of CSPC was put on hold, the deposit for future subscription is treated purely as advances to shareholders and formed part of the declared dividends which was paid on December 29, 2014 (see Note 19).

- c. The Group's US\$35.0 million loan facility (with an accordion feature of US\$5.0 million) with ATB under the Facility Agreement, guaranteed by a Group's subsidiary and two (2) of the Parent Company's stockholders, was fully paid as at December 31, 2015 (see Note 15).
- d. In 2013, FRI availed a loan facility from BOC amounting to US\$5.0 million. On August 3, 2013, the Group and FRI executed a Deed of Assignment wherein FRI agreed to assign its rights, titles, interest, and benefits in the loan facility. As required, a DSRA was opened by the Group which have in deposit an amount equivalent to one and a half times (1.5x) the amount necessary to pay the principal, interest and fees for the immediately following quarterly loan repayment schedule.

The loan facility was actually utilized by the Group. Accordingly, the Group hereby assumes payment of the loan facility, its interest, charges and fees, and all other obligations stipulated in the loan agreement in which FRI was obliged to perform or comply.

The annual effective interest of the loan is 4.4%. The current portion of the loan recorded under "Amounts owed to related parties" amounted to nil and US\$1.9 million as at December 31, 2015 and 2014, respectively. The noncurrent portion of the loan amounted to nil as at December 31, 2015 and 2014, respectively. The loan was fully paid in during the year.

Interest expense amounted to ₱4.3 million, ₱2.9 million and ₱21.0 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively. Amortization of the discount on the loan amounted to ₱0.1 million, ₱1.3 million and ₱3.3 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014 (see Note 27).

- e. In March 2014, PGMC entered into a charter agreement with PCSSC for the use of five (5) land tank crafts at ₱2.6 million each per month. The charter hire incurred amounting to ₱89.6 million, ₱50.0 million and ₱29.9 million for the year ended December 31, 2015, six months ended December 31, 2014 and for the year ended June 30, 2014, respectively, is recorded as barging charges.
- f. On August 31, 2014 and December 29, 2014, the Group settled its dividends payables amounting to ₱975.9 million and ₱4,561.2 million, net of withholding tax, declared on July 15, 2014 and June 15, 2014, respectively. The dividends payables were offset against the cash advances to stockholders classified under "Advances to related parties".
- g. In 2013, the Group obtained advances from other related party amounting to US\$3.5 million. The amount advanced is used for working capital purposes. As at December 31, 2015, the Group has fully paid the advances. Interest expense for the advances amounted to nil, nil and



₱7.1 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively.

- h. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group. Compensation of the key management personnel of the Group follows:

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
Salaries and other employee benefits	₱39,339	₱16,960	₱27,216
Post-employee benefits	–	3,819	2,745
	₱39,339	₱20,779	₱29,961

30. Income Taxes

The current provision for income tax represents MCIT for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014 for taxable income not covered under ITH. Effective November 2007, the Group is entitled to ITH as one of the incentives granted by the BOI as a non-pioneer enterprise (see Note 36). The Group's ITH incentive expired last November 15, 2015.

The reconciliation between income before income tax computed at the statutory income tax rate and the provision for (benefit from) income tax at the effective income tax rates as shown in the consolidated statements of comprehensive income follow:

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
Income tax computed at statutory income tax rate	₱378,975	₱1,435,123	₱521,792
Add (deduct) tax effects of:			
Operating income subject to ITH	(551,677)	(1,531,852)	(570,123)
Change in unrecognized deferred income tax asset on NOLCO and excess MCIT	32,752	20,701	34,896
Expiration of deferred income tax asset on NOLCO and excess MCIT	41,331	–	–
Nondeductible expenses:			
Loss on modification of finance lease receivable	26,066	–	–
Marketing and entertainment	19,300	41,349	55,260
Interest	720	2,117	13,232
Donation	–	120	30
Deficiency taxes	–	1,789	6,168
Others	2,808	–	10,108
Interest income already subjected to final tax	(354)	(313)	(243)
Other nontaxable income	(619)	(2,338)	(2,143)
	(₱50,698)	(₱33,304)	₱68,977



The components of the Group's net deferred income tax assets follow:

	2015	2014
Deferred income tax assets:		
NOLCO	₱43,491	₱-
Provision for mine rehabilitation and decommissioning	17,478	18,064
Unrealized foreign exchange losses - net	14,891	22,182
Retirement obligation	11,996	9,030
Accrued taxes	11,969	3,300
Allowance for impairment losses on trade and other receivables	5,208	5,206
Excess MCIT	1,966	-
Rent payable	329	107
	107,328	57,889
Deferred income tax liability:		
Undepleted asset retirement obligation	9,543	14,626
	9,543	14,626
	₱97,785	₱43,263

The Group has the following NOLCO and excess MCIT that can be claimed as deduction from sufficient future taxable income and income tax due, respectively:

Year Incurred	Year of Expiration	NOLCO	MCIT
December 31, 2015	December 31, 2018	₱428,648	₱1,574
December 31, 2014	December 31, 2017	68,631	43
June 30, 2014	June 30, 2017	115,847	142
		₱613,126	₱1,759

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
NOLCO			
Beginning balance	₱425,840	₱357,209	₱264,531
Additions	428,648	68,631	115,847
Expirations	(241,362)	-	(23,169)
Ending balance	₱613,126	₱425,840	₱357,209

	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
MCIT			
Beginning balance	₱1,331	₱1,288	₱1,180
Additions	1,574	43	142
Expirations	(1,146)	-	(34)
Ending balance	₱1,759	₱1,331	₱1,288

As at December 31, 2015, the Group has recognized deferred income tax assets on NOLCO amounting to ₱43.8 million as a result of the expiration of its ITH incentive. Deferred income tax assets on NOLCO amounting to ₱140.1 million were not recognized since these NOLCO came from activities subjected to ITH incentive.

As at December 31, 2015, the Group has recognized deferred income tax assets on excess MCIT amounting to ₱2.0 million.



As at December 31, 2014, there were no deferred income tax assets recognized for NOLCO and MCIT as it is not probable that sufficient taxable income will be available against which the benefits of the deferred income tax assets can be utilized. Recognized deferred income tax assets in 2014 pertain to the NOLCO of PCSSC since the Subsidiary is expecting that sufficient taxable income will be available and its benefits can be utilized.

The Group has availed of the itemized deductions method in claiming its deductions for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014.

31. Financial Risk Management Objectives and Policies and Capital Management

The Group's financial instruments consist mainly of cash, amounts owed to related parties, AFS financial assets and bank loans. The main purpose of these financial instruments is to raise funds and maintain continuity of funding and financial flexibility for the Group. The Group has other financial assets and liabilities such as trade and other receivables, and restricted cash and MRF classified under "Other noncurrent assets", trade and other payables and advances to related parties, which arise directly from its operations.

The main risks arising from the Group's financial instruments are market, credit and liquidity risk. The BOD and Management review and agree on the policies for managing each of these risks which are summarized below.

Market Risk

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in foreign currency exchange rates, interest rates and equity prices.

Foreign Exchange Risk

Foreign exchange risk is the risk to earnings arising from changes in foreign exchange rates.

The Group has transactional currency exposures. The Group's exposure to foreign currency risk pertains to US\$-denominated financial assets and liabilities which primarily arise from export sales of mineral products and US\$-denominated loans with ATB, TCB and other bank loans.

To mitigate the effects of foreign currency risk, the Group seeks to accelerate the collection of foreign currency-denominated receivables and the settlement of foreign currency-denominated payables, whenever practicable. Also, foreign exchange movements are monitored on a daily basis via Philippine Dealing and Exchange Corp.



The Group's foreign currency-denominated financial assets and liabilities and their Philippine Peso equivalents as at December 31, 2015 and 2014 are as follows:

	2015		2014	
	US\$ Amount	Peso Equivalent	US\$ Amount	Peso Equivalent
Financial Assets:				
Cash with banks	US\$8,486	₱399,351	US\$5,586	₱249,806
Trade receivables	15,322	721,053	7,548	337,544
Restricted cash under "Other noncurrent assets"	2,438	114,732	4,399	196,723
	26,246	1,235,136	17,533	784,073
Financial Liabilities:				
Trade and other payables	6,007	282,689	3,921	175,347
Bank loans	20,000	941,200	10,017	447,969
	26,007	1,223,889	13,938	623,316
Net Financial Assets	US\$239	₱11,247	US\$3,595	₱160,757

The exchange rates used for conversion of US\$1.00 to peso equivalent were ₱47.06 and ₱44.72 as at December 31, 2015 and 2014, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the US\$ exchange rate, with all other variables held constant, of the Group's income before income tax (due to changes in revaluation of financial assets and liabilities) for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014.

	Foreign Currency Appreciates/Depreciates by	Effect on Income Before Income Tax
December 31, 2015	+2	(₱478)
	-2	478
December 31, 2014	+2	(₱7,604)
	-2	7,604
June 30, 2014	+2	(₱69,180)
	-2	69,180

There is no other effect on the Group's equity other than those already affecting the consolidated statements of comprehensive income.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's exposure to the risk for changes in interest relates primarily to its loan with banks with floating interest rate.

The Group regularly monitors interest rates movements to assess exposure impact. Management believes that cash generated from operations is sufficient to pay its obligations under the loan agreements as they fall due.



The terms and maturity profile of the interest-bearing financial assets and liabilities as at December 31, 2015 and 2014, together with its corresponding nominal interest rate and carrying values are shown in the following table:

2015	Nominal Interest Rate	Less than 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Cash with banks	Various	₱502,262	₱-	₱-	₱-	₱502,262
MRF under "Other noncurrent assets"	Various	-	-	-	62,117	62,117
Bank loans	10.50%-14.00%; LIBOR plus 9.00%	984,384	2,966	5,479	1,755	994,584
Amounts owed to related parties	6.72%	624,211	-	-	-	624,211
2014	Nominal Interest Rate	Less than 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Cash with banks	Various	₱691,249	₱-	₱-	₱-	₱691,249
MRF under "Other noncurrent assets"	Various	-	-	-	38,426	38,426
Bank loans	10.50%-14.00%; LIBOR plus 9.00%	286,727	287,138	43,350	3,011	620,226
Amounts owed to a related party	6.72%	289,729	54,564	-	-	344,293

The following table sets forth, for the year indicated, the impact of a reasonably possible change in interest rate for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014 consolidated statements of comprehensive income (through the impact of floating rate borrowings):

	Increase/Decrease in Basis Points	Effect on Income Before Income Tax
December 31, 2015	+100	(₱9,412)
	-100	9,412
December 31, 2014	+100	(₱2,348)
	-100	2,348
June 30, 2014	+100	(₱15,098)
	-100	15,098

There is no other effect on the Group's equity other than those already affecting the consolidated statements of comprehensive income.

Equity Price Risk

Equity price risk is the risk to earnings or capital arising from changes in stock prices relating to its quoted equity instrument. The Group's exposure to equity price risk relates primarily to its AFS financial assets in OPRGI.

The Group's policy is to maintain the risk to an acceptable level. Movement of share price is monitored regularly to determine effect on its financial position.



The table below shows the sensitivity to a reasonably possible change in equity prices on AFS equity instrument as at December 31, 2015 and 2014. The equity impact is arrived using the reasonably possible change of the relevant market indices and the specific adjusted beta of each stock the Group holds. Adjusted beta is the forecasted measure of the volatility of a security or a portfolio in comparison to the market as a whole.

	Average change in market indices	Sensitivity to equity
2015	-1.25%	(₱94)
	1.25%	94
2014	-0.52%	(₱56)
	0.52%	56

The AFS financial assets shares of stock are traded in the PSE.

Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits in banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group trades only with recognized, reputable and creditworthy third parties and/or transacts only with institutions and/or banks which have demonstrated financial soundness. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, export buyers are required to pay via Letters of Credit issued by reputable banks with the result that Group's exposure to bad debts is not significant. Also, the Group, in some circumstances, requires advances from customers. Since the Group trades only with recognized third parties, there is no requirement for collateral.

Credit Risk Exposure

The table below shows the gross maximum exposure to credit risk for the components of consolidated statements of financial position.

	Notes	2015	2014
Cash with banks	4	₱502,262	₱691,249
Trade and other receivables:	5		
Trade receivables		704,056	337,544
Advances to officers, employees and others		11,870	2,936
Advances to related parties:	29		
Stockholders		1,538,677	872,871
Affiliates with common officers, directors and stockholders		100,554	894,987
AFS financial assets:	12		
Quoted equity instrument		5,903	8,854
Other noncurrent assets:	13		
Restricted cash		114,583	196,708
MRF		62,117	38,426
Total		₱3,040,022	₱3,043,575



Aging Analyses of Financial Assets

The aging analyses of the Group's financial assets as at December 31, 2015 and 2014 are summarized in the following tables:

2015	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		90 days or less	91-120 days	More than 120 days		
Cash with banks	₱502,262	₱-	₱-	₱-	₱-	₱502,262
Trade and other receivables:						
Trade receivables	393,138	-	-	293,559	17,359	704,056
Advances to officers, employees and others	-	-	-	11,870	-	11,870
Advances to related parties:						
Stockholders	1,538,677	-	-	-	-	1,538,677
Affiliates with common officers, directors and stockholders	100,554	-	-	-	-	100,554
AFS financial assets:						
Quoted equity instrument	5,903	-	-	-	-	5,903
Other noncurrent assets:						
Restricted cash	114,583	-	-	-	-	114,583
MRF	62,117	-	-	-	-	62,117
Total	₱2,717,234	₱-	₱-	₱305,429	₱17,359	₱3,040,022

2014	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		90 days or less	91-120 days	More than 120 days		
Cash with banks	₱691,249	₱-	₱-	₱-	₱-	₱691,249
Trade and other receivables:						
Trade receivables	320,185	-	-	-	17,359	337,544
Advances to officers, employees and others	-	-	-	2,936	-	2,936
Advances to related parties:						
Stockholders	872,871	-	-	-	-	872,871
Affiliate with common officers, directors and stockholders	894,987	-	-	-	-	894,987
AFS financial assets:						
Quoted equity instrument	8,854	-	-	-	-	8,854
Other noncurrent assets:						
Restricted cash	196,708	-	-	-	-	196,708
MRF	38,426	-	-	-	-	38,426
Total	₱3,023,280	₱-	₱-	₱2,936	₱17,359	₱3,043,575

Credit Quality of Financial Assets

The credit quality of financial assets is managed by the Group using credit ratings and is classified into three (3): High grade, which has no history of default; Standard grade, which pertains to accounts with history of one (1) or two (2) defaults; and Substandard grade, which pertains to accounts with history of at least three (3) payment defaults or no repayment dates.



Accordingly, the Group has assessed the credit quality of the following financial assets classified as neither past due nor impaired:

- Cash with banks and other noncurrent assets are considered high-grade since these are deposited in reputable banks.
- Trade receivables, which pertain mainly from sale of ore, are assessed as high grade since these receivables are fully matched with advances from customers.
- Advances to officers, employees, and others are assessed as standard grade since these are subject for liquidation. Other advances are assessed as standard grade since amounts are collectible upon demand.
- Advances to related parties are assessed as substandard grade since these have no repayment dates.
- AFS financial assets in equity instrument are investments that can be traded to and from companies with good financial capacity, making the investment secured and realizable. Management assesses the quality of these assets as high grade.

The Group has no significant concentration of credit risk in relation to its financial assets.

Liquidity Risk

Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments.

The Group's objective is to maintain sufficient funding to finance mining activities through internally generated funds, advances from customers and availment of existing credit lines with banks. The Group considers its available funds and its liquidity in managing its long-term financial requirements. For its short-term funding, the Group's policy is to ensure that there are sufficient capital inflows to match repayments of short-term debts. The Group regularly evaluates its projected and actual cash flow information and continuously assesses conditions in the financial markets.

The tables below summarize the maturity profile of the Group's financial liabilities as at December 31, 2015 and 2014 based on contractual undiscounted payments.

2015	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Bank loans	₱-	₱512,198	₱472,186	₱2,966	₱5,479	₱1,755	₱994,584
Trade and other payables							
Trade	383,368	-	-	-	-	-	383,368
Accrued expenses	61,642	-	-	-	-	-	61,642
Nontrade	3,214	-	-	-	-	-	3,214
Amounts owed to related parties	624,211	-	-	-	-	-	624,211
Total	₱1,072,435	₱512,198	₱472,186	₱2,966	₱5,479	₱1,755	₱2,067,019



2014	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Bank loans	₱-	₱77,573	₱209,155	₱287,137	₱43,351	₱3,010	₱620,226
Trade and other payables							
Trade	225,007	-	-	-	-	-	225,007
Accrued expenses	44,355	-	-	-	-	-	44,355
Nontrade	106,079	-	-	-	-	-	106,079
Amounts owed to related parties	262,145	27,584	27,630	26,934	-	-	344,293
Total	₱637,586	₱105,157	₱236,785	₱314,070	₱43,352	₱3,010	₱1,339,960

The tables below summarize the maturity profile of the Group's financial assets used to manage the liquidity risk of the Group as at December 31, 2015 and 2014.

2015	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Cash							
Cash on hand	₱614	₱-	₱-	₱-	₱-	₱-	₱614
Cash with banks	502,262	-	-	-	-	-	502,262
Trade receivables	704,056	-	-	-	-	-	704,056
AFS financial assets	5,903	-	-	-	-	-	5,903
Restricted cash under "Other noncurrent assets"	-	-	-	-	-	114,583	114,583
Total	₱1,212,835	₱-	₱-	₱-	₱-	₱114,583	₱1,327,418

2014	On Demand	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 2 Years	More than 2 Years	Total
Cash							
Cash on hand	₱620	₱-	₱-	₱-	₱-	₱-	₱620
Cash with banks	691,249	-	-	-	-	-	691,249
Trade receivables	337,544	-	-	-	-	-	337,544
AFS financial assets	8,854	-	-	-	-	-	8,854
Restricted cash under "Other noncurrent assets"	-	-	-	-	-	196,708	196,708
Total	₱1,038,267	₱-	₱-	₱-	₱-	₱196,708	₱1,234,975

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains sufficient cash balances and strong credit rating to support its business and to maximize shareholders' value. The Group manages its capital structure and makes adjustments to it after carefully considering changes in the economic environment. To maintain or adjust the capital structure, the Group may utilize the following: (a) obtain additional shareholders' advances to augment capital, (b) issuance of new shares, and (c) to return capital to shareholders if and when feasible. No changes were made in the objectives, policies or processes in December 31, 2015 and 2014 and June 30, 2014.

The Group monitors capital using the monthly cash flows and financial statements. It is the policy of the Group to maintain a positive cash flow from operations. The Group determines the inflows from operations for the analysis of its cash position in order to pay currently maturing obligations.



The Group place reliance on sales projections and cost management in addressing cash flow concerns.

The Group likewise monitors certain ratios respective of the loan covenants it signed for credit facility obtained for the Surigao mining operations financing as well as for capital expenditure purposes.

32. Fair Value Measurement

The following table shows the carrying values and fair values of the Group's assets and liabilities, whose carrying values does not approximate its fair values as at December 31, 2015 and 2014:

	Carrying Values		Fair Values	
	2015	2014	2015	2014
Investment property	₱319,865	₱319,865	₱367,003	₱367,003
Bank loans	994,584	620,226	826,538	649,091
Finance leases liabilities	14,994	41,445	23,930	42,987

Cash, Trade and Other Receivables and Trade and Other Payables

The carrying amounts of cash, trade and other receivables and trade and other payables approximate their fair values due to the short-term nature of these accounts.

Restricted Cash and MRF

The carrying amounts of restricted cash and MRF approximate their fair values since they are restricted cash with bank. Restricted cash and MRF earns interest based on prevailing market rates repriced monthly.

AFS Financial Assets

The fair value of quoted equity instrument is determined by reference to market closing quotes at the end of the reporting period.

Investment Property

The fair value of investment property is determined using the Market Data Approach. In this approach, the value of the land was based on the sales and listings of comparable property registered within the vicinity. The technique of this approach requires the adjustments of comparable property by reducing reasonable comparative sales and listings to a common denominator. This was done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as bases of comparison are situated within the immediate vicinity of the subject property. The comparison was premised on the factors of location, size and shape of the lot, time element and others.

	Valuation technique	Significant unobservable Inputs	Range (weighted average)
Investment property	Market Data Approach	Estimated price per square meter Land area square meter	₱109,000 3,367



Advances to Related Parties and Amounts Owed to Related Parties

Advances to related parties and amounts owed to related parties do not have fixed repayment terms. As such, their carrying amounts approximate their fair values.

Bank Loans

Fair value of bank loans is estimated using the discounted cash flow methodology using the benchmark risk free rates for similar types of loans and borrowings, except for variable-rate borrowings which are repriced quarterly.

Finance Lease Receivables and Liabilities

The fair value of finance lease receivables approximates its carrying value given that it is valued on discount rates on the same year. The fair value of finance lease liabilities are based on the present value of contractual cash flows discounted at market adjusted rates.

Fair Value Hierarchy

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy as follows:

2015	Level 1	Level 2	Level 3	Total
<i>Asset measured at fair value:</i>				
AFS financial assets	₱5,903	₱-	₱-	₱5,903
<i>Asset for which the fair value is disclosed:</i>				
Investment property	-	-	367,003	367,003
	₱5,903	₱-	₱367,003	₱372,906
<i>Liabilities for which fair values are disclosed:</i>				
Bank loans	₱-	₱-	₱826,538	₱826,538
Finance lease liabilities	-	-	23,930	23,930
	₱-	₱-	₱850,468	₱850,468
<hr/>				
2014	Level 1	Level 2	Level 3	Total
<i>Asset measured at fair value:</i>				
AFS financial assets	₱8,854	₱-	₱-	₱8,854
<i>Asset for which the fair value is disclosed:</i>				
Investment property	-	-	367,003	367,003
	₱8,854	₱-	₱367,003	₱375,857
<hr/>				
<i>Liabilities for which fair values are disclosed:</i>				
Bank loans	₱-	₱-	₱649,091	₱649,091
Finance lease liabilities	-	-	42,987	42,987
	₱-	₱-	₱692,078	₱692,078

There were no transfers between levels of fair value measurement as at December 31, 2015 and 2014.



33. Significant Agreements and Other Matters

Ore Supply Agreements

Ore Supply Agreements with Chinese Customers

The Group has ore supply agreements with Chinese customers, each for a fixed tonnage at specific nickel grades and iron content. The fixed tonnage of ore is generally the volume expected delivery within a few months. Revenue from Chinese customers amounted to ₱6,533.2 million, ₱8,218.7 million and ₱5,667.8 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively.

Queensland Nickel Pty. Limited (QNPL)

The Group has ore supply agreement with QNPL, an Australian corporation, for a fixed tonnage at specific nickel grades and iron content. The fixed tonnage of ore is generally the volume expected delivery within a few months. Revenue from QNPL amounted to nil and ₱828.8 million for the years ended December 31, 2015 and six months ended December 31, 2014, respectively.

Advances from QNPL to the Group to be applied against future shipments amounted to nil and ₱27.1 million as at December 31, 2015 and 2014, respectively.

Operating Agreements

SIRC

On September 15, 2006, PGMC entered into an Operating Agreement with SIRC, holder of rights to mining tenements located in the Surigao provinces. SIRC grants PGMC exclusive privilege and right to occupy, explore, develop, utilize, mine, mill, beneficiate and undertake activities within the areas in the Cagdianao mining tenement covered under MPSA No. 007-92-X for a period of twenty-five (25) years. For purposes of royalty obligation, PGMC adopts the royalty agreement entered into by SIRC with CMDC. PGMC shall pay CMDC royalty fees of three percent (3%) to seven percent (7%) of gross receipts determined through freight on board price from the sale of nickel ore mined and produced from the Cagdianao mining properties.

Total royalty fees incurred to CMDC amounted to ₱449.1 million, ₱631.6 million and ₱395.9 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively (see Note 22).

4K Development Corporation

On July 16, 2009, as amended on March 8, 2011, the Group entered into a service contract with 4K Development Corporation, a contractor, to operate the mining activities within CAGA 4 in Surigao, wherein the Group will pay the contractor a fixed amount of per metric ton shipped ore. Total contract hire incurred amounted to ₱1,552.0 million, ₱1,298.3 million and ₱1,428.9 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively (see Note 21). The service contract expired this year and was not renewed.

FVC and JLEC

On February 26, 2015 and March 7, 2014, the Group entered into a service contract with JLEC and FVC, mining contractors, respectively, to operate the mining activities within CAGA 1 upon start of commercial operations and CAGA 2 in Surigao, wherein the Group will pay the contractor on a per metric ton based on the grade of the ore shipped. Total contract hire incurred amounted to ₱836.9 million, ₱623.2 million and ₱164.9 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, respectively for CAGA 2 (see Note 21).



Lease Agreements

The Group leases its Makati office premises and various machineries and equipment in the mine site. This lease has a remaining term of less than ten (10) years. Renewals are subject to the mutual consent of the lessors and the lessee.

Future minimum lease payments follow:

<u>Category</u>	2015	2014
Within one (1) year	₱2.9 million	₱4.7 million
After one (1) year but not more than five (5) years	20.8 million	26.9 million
More than five (5) years	10.0 million	10.4 million

Rent payable reported under “Other noncurrent liabilities” amounted to ₱1.1 million and ₱0.4 million as at December 31, 2015 and 2014, respectively.

Total rent expense incurred amounted to ₱78.2 million, ₱44.8 million and ₱73.1 million for the year ended December 31, 2015, six months ended December 31, 2014 and year ended December 31, 2014, respectively (see Notes 21 and 23). Prepaid rent related to these lease agreements amounted to ₱0.5 million and ₱0.9 million as at December 31, 2015 and 2014, respectively (see Note 7).

Certification for VAT Zero-Rated Status

On February 17, 2015, BOI issued a certification pursuant to Revenue Memorandum Order No. 9-2000 entitled “Tax Treatment of Sales of Goods, Properties and Services made by VAT-registered Suppliers to BOI registered Manufacturers-Exporters with one hundred percent (100%) Export Sales”. The certification is valid from February 9 to December 31, 2015 and renewable annually, unless sooner revoked by the BOI Governing Board (see Note 1).

34. Registration with the BOI

On November 16, 2007, the Group was registered with the BOI as a new producer of beneficiated nickel ore on a non-pioneer status on its Surigao registered nickel project.

The terms and conditions of the registration, as well as the fiscal and non-fiscal incentives available to the registered project are as follows:

Significant Terms and Conditions

- The Group to start commercial operations in November 2007. Request for amendment of timetable shall be filed before the scheduled start of commercial operations.
- The Group to comply with all the provisions of RA 7942, the Philippine Mining Act of 1995, its implementing rules and regulations and the Group’s MPSA.
- The Group to maintain a separate book of account for its registered nickel project located in Claver, Surigao del Norte.
- The Group to undertake Corporate Social Responsibility (CSR) projects/activities. A report on completed/on-going CSR projects/activities shall be submitted to the BOI prior to availment of ITH incentive.
- The Group to submit a copy of Operating Agreement between SIRC, duly noted by the Secretary of DENR-MGB prior to availment of the ITH incentive.
- The Group to submit to the Supervision and Monitoring Department of the BOI, a quarterly report on actual investments, employment and sales pertaining to the registered project. This



report shall be due within fifteen (15) days after the end of each quarter, starting on the date of registration.

- Observance of a specified production and sales schedule and project timetable.

Fiscal and Non-fiscal Incentives

- ITH for a period of six (6) years from November 2007 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.
- For the first five (5) years from the date of registration, the firm shall be allowed an additional deduction from taxable income of one hundred percent (100%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board of US\$10,000 to one worker and provided that this incentive shall not be availed of simultaneously with ITH.
- Employment of foreign nationals for five (5) years from the date of registration.
- Tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming part thereof for ten (10) years from the start of commercial operations.
- Simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies.
- Access to Customs Bonded Manufacturing Warehouse (CBMW) subject to Custom rules and regulations provided firm exports are at least seventy percent (70%) of production output.
- Exemption from wharfage dues, any export tax, duty, imports and fees for ten (10) years from date of registration.
- Importation of consigned equipment for a period of ten (10) years from date of registration, subject to the posting of re-export bond.
- Exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least seventy percent (70%) of production.
- Additional deduction from taxable income of one hundred percent (100%) of the expenses incurred in the development of necessary and major infrastructure facilities, provided that the location of the project is in a less developed area (Surigao del Norte).

On April 4 2016, PGMC received the Certificate of ITH Entitlement for taxable year 2015. This certifies that PGMC is a bonafide BOI-registered enterprise and is entitled to ITH incentive as provided above. This certificate shall be attached to the income tax return where the ITH claim is reflected and cannot be used for any other purpose. PGMC availed of the ITH incentives amounting to ₱547.4 million and ₱1,847.7 million in 2015 and 2014, respectively (see Note 30). The ITH incentive of PGMC expired last November 15, 2015.

35. Other Matters

- a. PGMC is a defendant to a certain pending legal case filed by Tribal Coalition of Mindanao, Inc, for a petition for Writ of Kalikasan with Prayer for Temporary Environmental Protection Order (TEPO) on May 25, 2011, originally filed before the Supreme Court (SC) and which is currently pending before the Court of Appeals (CA). Petitioner alleged that a member of mining companies, including PGMC, are causing environmental damage of such magnitude in Surigao del Sur and Surigao del Norte so as to cause irreparable prejudice and damage to the lives, health and properties of the Petitioners. As such, Petitioners prayed for: (i) the issuance of a TEPO and/or a Writ of Kalikasan ordering the mining companies to cease and desist from conducting all mining activities and that all ships docked in the ports not be allowed to leave



the area; (ii) a resolution be issued to the effect that the TEPO remains effective until termination of the case; and (iii) after due proceedings, a decision be rendered in favor of petitioners: (a) making the TEPO and/or Writ of Kalikasan permanent and directing all mining companies to cease and desist from conducting all mining activities and directing the management/proper authorities responsible for the ports, as well as the ships in the port, to release all loaded nickel and other minerals and equipment of mining companies in favor of the petitioners and (b) nullifying all mining-related permits, licenses or agreements issued by government agencies.

The SC denied petitioners' prayer for TEPO and the case was remanded to the CA in Cagayan de Oro City for reception of evidence, in a resolution dated June 28, 2011. On March 2, 2012, the CA issued a Notice of Resolution with Writ of Kalikasan requiring the respondents to file a verified return. The prayer for TEPO by petitioners was denied by the CA. Respondents of PGMC have filed its verified return as well as a Motion for Reconsideration to the CA. Said Motion for Reconsideration was denied by the CA and considered the case as submitted for resolution. As at December 31, 2015, the case is still pending before the CA.

- b. Caraga IP Management and Development Corp and alleged tribal chieftains Bago and Olorico, filed an environmental case for payment of one percent (1%) royalty fees, accounting, liquidation and receivership for violation of RA 7942 (The Philippine Mining Act of 1995) and RA 8371 (IP's Rights Act Law) before the Regional Trial Court Branch 4 docketed as Civil Case No. 6111. However, PGMC has been religiously paying the royalty fees to the IP community duly recognized and registered with the National Commission on IP. PGMC filed a Motion to Dismiss last February 3, 2014 following the decision of the CA in PGMC, etc. vs. CIPMAD, etc., et. al., docketed as CA-GR. SP No. 04842-MIN, ordering the Regional Trial Court to dismiss the case for lack of jurisdiction.

Based on management's assessment in consultation with PGMC's legal counsel, PGMC does not have present legal or constructive obligation with respect to these pending legal cases as at December 31, 2015 and 2014. There was no provision recognized in the consolidated financial statements with respect to these matters as at December 31, 2015 and 2014.

- c. There were some reclassifications made in 2014 balances to conform with 2015 presentation.

36. Events after the End of the Reporting Period

During the first quarter of 2016, PGMC has secured commitments from various customers for the delivery of a total of 4.5 million WMT of nickel ore for a period of one (1) year at spot prices. The orders represent almost ninety percent (90%) of the Group's target production for 2016.

On February 9, 2016, PGMC has received the certification from BOI granting the renewal of the VAT zero-rated status. The certification is valid from February 9 up to December 31, 2016 unless sooner revoked by the BOI Governing Board.

On April 4, 2016, PGMC received the Certificate of ITH Entitlement for taxable year 2015 and ITH entitlement period is November 16, 2014 to November 15, 2015 bonus year.



37. Supplemental Disclosure to Consolidated Statements of Cash Flows

Noncash financing and investing activities as at December 31, 2015 pertain to the following:

- a. Increase in property and equipment amounting to ₱208.1 million due to the return of equipment as a result of the amended finance lease agreement with FVC.
- b. Net decrease in trade and other payables as a result of:
 - Offset of finance lease receivable with the Group's payable to contractors amounting to ₱90.8 million.
 - Application of advances from customers to outstanding receivables amounting to ₱27.1 million (see Note 33).
 - On account purchases of property and equipment amounting to ₱12.8 million.
 - Accrual of interest in relation to retirement obligation amounting to ₱1.5 million (see Note 17).
- c. Increase in deposits for future acquisition due to various Deed of Assignments wherein PGMC assigned all the rights, title, and interest for the cash advances made by PGMC to SPNVI, amounting to ₱1,628.1 million, to GFHI.

Noncash financing and investing activities as at December 31, 2014 pertain to the increase in property and equipment amounting to ₱5.9 million due to purchases on account.

Noncash financing and investing activities as of June 30, 2014 pertain to the following:

- a. Decrease in property and equipment amounting to ₱942.3 million due to the finance lease agreement entered into by the Group with FVC.
- b. Increase in property and equipment amounting to ₱61.2 million due to the finance lease agreement entered into by the Group with SBML and CFSPI.

38. Operating Segment Information

The Group's operating business are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group has revenue information from external customers as follows:

Country of Domicile	Year Ended December 31, 2015	Six Months Ended December 31, 2014	Year Ended June 30, 2014
China	₱6,533,218	₱8,218,683	₱5,667,768
Australia	-	828,793	-
	₱6,533,218	₱9,047,476	₱5,667,768

The mining segment is engaged in the mining and exploration of nickel saprolite and limonite ore and limestone.

The services segment is engaged in the chartering out of land craft tanks to PGMC.



Financial information on the operation of the various business segments for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014 are as follows:

December 31, 2015					
	Mining	Service	Others	Elimination	Total
External customers	₱6,533,218	₱-	₱-	₱-	₱6,533,218
Intersegment revenues	-	89,594	-	(89,594)	-
Total revenues	6,533,218	89,594	-	(89,594)	6,533,218
Cost of sales	3,493,488	81,108	-	-	3,574,596
Excise taxes and royalties	906,351	-	-	-	906,351
Shipping and distributions	256,065	-	-	(89,594)	166,471
Segment operating earnings	1,877,314	8,486	-	-	1,885,800
General and administrative	462,832	9,884	157,072	-	629,788
Finance income	9,408	6	17	-	9,431
Finance costs	(88,888)	-	(3)	-	(88,891)
Other charges - net	(115,500)	-	-	-	(115,500)
Provision for (benefit from) income tax	(53,205)	2,507	-	-	(50,698)
Net income attributable to equity holders of GFHI	₱1,272,707	(₱3,899)	(₱157,058)	₱-	₱1,111,750
Segment assets	₱9,271,572	₱347,125	₱11,461,116	(₱12,102,128)	₱8,977,685
Deferred income tax assets	107,328	-	-	-	107,328
Total assets	₱9,378,900	₱347,125	₱11,461,116	(₱12,102,128)	₱9,085,013
Segment liabilities	₱2,784,787	₱5,200	₱3,657,390	(₱3,909,781)	₱2,537,596
Deferred income tax liabilities	9,543	-	-	-	9,543
Total liabilities	₱2,794,330	₱5,200	₱3,657,390	(₱3,909,781)	₱2,547,139
Capital expenditures	₱252	₱-	₱-	₱-	₱252
Depreciation, depletion and amortization	₱548,631	₱45,852	₱-	₱-	₱594,483

December 31, 2014					
	Mining	Service	Others	Elimination	Total
External customers	₱9,033,646	₱-	₱-	₱-	₱9,033,646
Intersegment revenues	-	49,930	-	(49,930)	-
Total revenues	9,033,646	49,930	-	(49,930)	9,033,646
Cost of sales	2,532,403	20,329	-	-	2,552,732
Excise taxes and royalties	1,256,821	-	-	-	1,256,821
Shipping and distribution	113,583	-	-	(49,930)	63,653
Segment operating earnings	5,130,839	29,601	-	-	5,160,440
General and administrative	234,966	111	1,878	-	236,955
Finance income	3,462	(2)	-	-	3,460
Finance costs	(73,211)	-	-	-	(73,211)
Other income (charges)	(77,307)	-	1	-	(77,306)
Provision for (benefit from) income tax	(40,646)	7,393	-	-	(33,253)
Net income attributable to equity holders of GFHI	₱4,789,463	₱22,095	(₱1,877)	₱-	₱4,809,681
Segment assets	₱7,943,094	₱353,048	₱-	(₱684,534)	₱7,611,608
Deferred income tax assets	57,889	-	-	-	57,889
Total assets	₱8,000,983	₱353,048	₱-	(₱684,534)	₱7,669,497



	December 31, 2014				Total
	Mining	Service	Others	Elimination	
Segment liabilities	₱2,251,894	₱7,223	₱-	(₱30,276)	₱2,228,841
Deferred income tax liabilities	14,626	-	-	-	14,626
Total liabilities	₱2,266,520	₱7,223	₱-	(₱30,276)	₱2,243,467
Capital expenditures	₱78,656	₱17,768	₱-	₱-	₱96,424
Depreciation, depletion and amortization	₱84,380	₱8,303	₱-	₱-	₱92,683

	June 30, 2014			Total
	Mining	Service	Elimination	
External customers	₱5,659,105	₱-	₱-	₱5,659,105
Intersegment revenues	-	29,854	(29,854)	-
Total revenues	5,659,105	29,854	(29,854)	5,659,105
Cost of sales	2,486,561	24,436	-	2,510,997
Excise taxes and royalties	794,676	-	-	794,676
Shipping and distribution	231,790	-	(29,854)	201,936
Segment operating earnings	2,146,078	5,418	-	2,151,496
General and administrative	417,150	12,738	-	429,888
Finance income	7,943	-	-	7,943
Finance costs	(201,749)	-	-	(201,749)
Other income - net	208,844	-	-	208,844
Provision for (benefit from) income tax	69,336	(466)	-	68,870
Net income attributable to equity holders of GFHI	₱1,674,630	(₱6,854)	₱-	₱1,667,776
Segment assets	₱11,505,913	₱359,152	(₱713,463)	₱11,151,602
Deferred income tax assets	35,779	-	-	35,779
Total assets	₱11,541,692	₱359,152	(₱713,463)	₱11,187,381
Segment liabilities	₱9,492,666	₱35,457	(₱59,205)	₱9,468,918
Deferred income tax liabilities	34,359	-	-	34,359
Total liabilities	₱9,527,025	₱35,457	(₱59,205)	₱9,503,277
Capital expenditures	₱610,915	₱326,084	₱-	₱936,999
Depreciation, depletion and amortization	₱210,662	₱6,230	₱-	₱216,892



GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2015

SUPPLEMENTARY SCHEDULES

- I. Reconciliation of retained earnings available for dividend declaration
- II. Tabular schedule of effective standards and interpretations under the PFRS
- III. Supplementary schedules under Annex 68-E
- IV. Map of the relationships of the companies within the group
- V. Schedule showing financial soundness indicators



INDEPENDENT AUDITORS' 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 as at December 31, 2015 and December 31, 2014 and for the year ended December 31, 2015, six months ended December 31, 2014 and year ended June 30, 2014, and have issued our report thereon dated April 8, 2016. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Parent Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic 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 financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Jaime F. del Rosario
Partner
CPA Certificate No. 56915
SEC Accreditation No. 0076-AR-3 (Group A),
March 21, 2013, valid until April 30, 2016
Tax Identification No. 102-096-009
BIR Accreditation No. 08-001998-72-2015,
March 24, 2015, valid until March 23, 2018
PTR No. 5321628, January 4, 2016, Makati City

April 8, 2016



SCHEDULE I
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
RECONCILIATION OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION
PURSUANT TO SRC RULE 68, AS AMENDED AND
SEC MEMORANDUM CIRCULAR NO. 11
FOR THE YEAR ENDED DECEMBER 31, 2015
(Amounts in Thousands)

Unappropriated Retained Earnings, beginning		₱4,611,935
Unrealized foreign exchange loss - net except attributable to cash		85,528
Recognized deferred tax assets		(57,889)
Unappropriated Retained Earnings, as adjusted, beginning		4,639,574
<u>Add: Net income during the period closed to retained earnings</u>	<u>1,369,149</u>	
<u>Less: Non-actual/unrealized income net of tax</u>		
Equity in net income of associate/joint venture	-	
Unrealized actuarial gain	-	
Fair value adjustment (FVPL)	-	
Fair value adjustment of investment property resulting to gain	-	
Adjustment due to deviation from PFRS/GAAP - gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Benefit from income tax - deferred recognized directly to statement of income	47,933	
Subtotal	<u>47,933</u>	
<u>Add: Non-actual losses</u>		
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)	108,436	
Depreciation on revaluation increment (after tax)	-	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
Stock option expense for the period	-	
Unrealized actuarial loss	-	
Subtotal	<u>108,436</u>	
<u>Net Income Actual/Realized</u>		<u>1,429,652</u>
<u>Add (Less):</u>		
Dividend declarations during the period	-	
Appropriations of retained earnings	-	
Reversals of appropriations	-	
Effects of prior period adjustments	-	
Treasury shares	-	-
Unappropriated Retained Earnings, as adjusted, ending		₱6,069,226



SCHEDULE II
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
TABULAR SCHEDULE OF EFFECTIVE STANDARDS
AND INTERPRETATIONS UNDER THE PFRS
PURSUANT TO SRC RULE 68, AS AMENDED
AS AT DECEMBER 31, 2015

List of Philippine Financial Reporting Standards (PFRSs) [which consist of PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations] effective as at December 31, 2015:

PFRS		Adopted	Not adopted	Not applicable
Framework for the Preparation and Presentation of Financial Statements				
Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓



PFRS		Adopted	Not adopted	Not applicable
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 10, PFRS 12 and PAS 27	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities	✓		
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
PFRS 13	Fair Value Measurement	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
PAS 1 (Revised)	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		



PFRS		Adopted	Not adopted	Not applicable
PAS 10	Events after the Reporting Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
PAS 19 (Amended)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
PAS 28	Investments in Associates			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓



PFRS		Adopted	Not adopted	Not applicable
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
PAS 39	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		



PFRS		Adopted	Not adopted	Not applicable
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
IFRIC 9	Amendments to Philippine Interpretation IFRIC - 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 11	PFRS 2 - Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC-7	Introduction of the Euro			✓



PFRS		Adopted	Not adopted	Not applicable
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

The Group has not early adopted any PFRSs, PAS and Philippine Interpretations effective January 1, 2015 onwards.



SCHEDULE III
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES UNDER ANNEX 68-E
PURSUANT TO SRC RULE 68, AS AMENDED
AS AT DECEMBER 31, 2015
(Amounts in Thousands; Except Number of Shares)

Schedule A. Financial Assets

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position	Value Based on Quotations at the End of Reporting Period	Income Received and Accrued
Cash on hand and with banks	N/A	₱502,876	₱502,876	₱1,201
Trade	N/A	704,056	704,056	–
Advances to:				
Contractors	N/A	2,203	2,203	–
Officers, employees and others	N/A	11,870	11,870	–
Trade and other receivables		718,129	718,129	
Advances to related parties	N/A	1,639,231	1,639,231	–
Oriental Peninsula Resources Group, Inc.	4, 216,100 shares	5,903	5,903	–
AFS financial assets		5,903	5,903	
Restricted cash	N/A	114,583	114,583	–
Mine rehabilitation fund	N/A	62,117	62,117	–
Other noncurrent assets		176,700	176,700	
Total		₱3,042,839	₱3,042,839	₱1,201

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off/ reclassified	Current	Not current	Balance at end of period
Various stockholders	₱872,871	₱–	₱130,426	₱–	₱742,445	₱–	₱742,445
GHGC Metallic Resources Inc.	6,054	–	–	–	6,054	–	6,054
Southeast Palawan Nickel Ventures Inc.	888,933	–	–	796,232	92,701	–	92,701
Ferrochrome Resources Inc.	–	1,799	–	–	1,799	–	1,799
	₱1,767,858	₱1,799	₱130,426	₱796,232	₱842,999	₱–	₱842,999



Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Amount eliminated
PGMC-CNEP Shipping Services, Corp.	₱29,758	₱34,565	₱-	₱-	₱64,323	₱-	₱64,323
Surigao Integrated Resources Inc.	518	7,948	-	-	8,466	-	8,466
	₱30,276	₱42,513	₱-	₱-	₱72,789	₱-	₱72,789

Schedule D. Intangible Assets - Other Assets

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other charges additions (deductions)	Ending balance
Mining rights	₱396,500	₱-	₱94,895	₱-	₱-	₱301,605

Schedule E. Long Term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown as Current	Amount shown as Noncurrent
Taiwan Cooperative Bank	₱-	₱941,200	₱-
Banco de Oro	-	45,767	7,234
Unionbank of the Philippines	-	215	-
EastWest Bank	-	168	-
	₱-	₱987,350	₱7,234

Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

Name of related party	Beginning balance	Ending balance
	Not Applicable	

Schedule G. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the Group for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by a person for which statement is filed	Nature of guarantee
		Not Applicable		

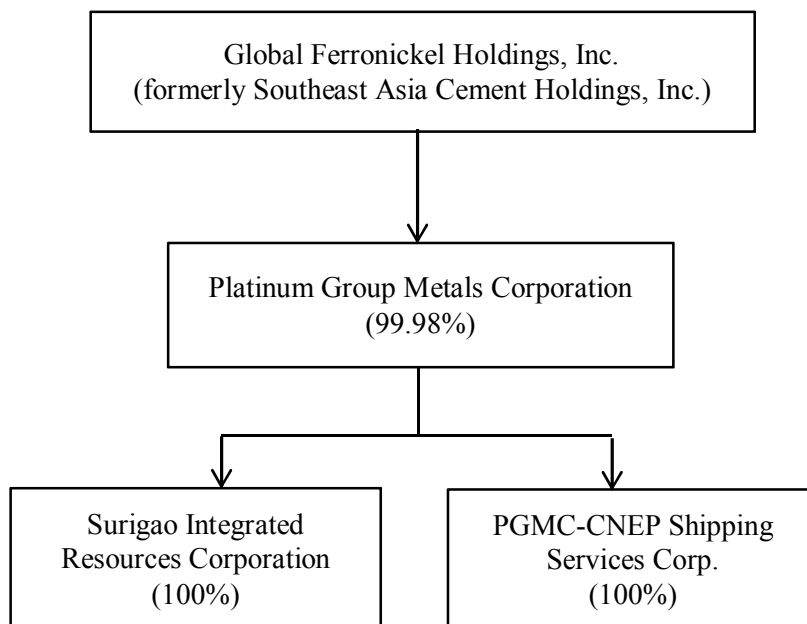


Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related financial condition caption	Number of shares reserved for options, warrants, conversion and other rights	No of shares held by		
				Affiliates	Directors and Officers	Others
Common shares	35,871,428,572	17,467,014,310	-	12,058,574,192	138,666,704	5,269,773,414



SCHEDULE IV
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
MAP OF THE RELATIONSHIPS OF THE COMPANIES
WITHIN THE GROUP
PURSUANT TO SRC RULE 68, AS AMENDED
AS AT DECEMBER 31, 2015



SCHEDULE V
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE SHOWING FINANCIAL SOUNDNESS INDICATORS
PURSUANT TO SRC RULE 68, AS AMENDED
FOR THE YEAR ENDED DECEMBER 31, 2015

	Twelve Months Ended December 31, 2015	Six Months Ended December 31, 2014	Twelve Months Ended June 30, 2014
Profitability ratios:			
Return on assets	12%	63%	15%
Return on equity	17%	89%	25%
Net profit margin	17%	53%	29%
Solvency and liquidity ratios:			
Current ratio	151.1:1	153.2:1	0.7:1
Debt to equity ratio	0.4:1	0.4:1	5.7:1
Quick ratio	1.2:1	1.3:1	0.7:1
Asset to equity ratio	1.4:1	1.4:1	6.7:1



SECURITIES AND EXCHANGE COMMISSION
SEC FORM – ACGR
ANNUAL CORPORATE GOVERNANCE REPORT

GENERAL INSTRUCTIONS

(A) Use of Form ACGR

This SEC Form shall be used to meet the requirements of the Revised Code of Corporate Governance.

(B) Preparation of Report

These general instructions are not to be filed with the report. The instructions to the various captions of the form shall not be omitted from the report as filed. The report shall contain the numbers and captions of all items. If any item is inapplicable or the answer thereto is in the *negative*, an appropriate statement to that effect shall be made. Provide an explanation on why the item does not apply to the company or on how the company's practice differs from the Code.

(C) Signature and Filing of the Report

- A. Three (3) complete sets of the report shall be filed with the Main Office of the Commission.
- B. At least one complete copy of the report filed with the Commission shall be **manually** signed.
- C. All reports shall comply with the full disclosure requirements of the Securities Regulation Code.
- D. This report is required to be filed annually together with the company's annual report.

(D) Filing an Amendment

Any material change in the facts set forth in the report occurring within the year shall be reported through SEC Form 17-C. The cover page for the SEC Form 17-C shall indicate "Amendment to the ACGR".

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year **2015**
2. Exact Name of Registrant as Specified in its Charter **Global Ferronickel Holdings, Inc.**
3. **7F Corporate Business Center, 151 Paseo de Roxas cor. Arnaiz St., Makati City** **1228**
Address of Principal Office Postal Code
4. SEC Identification Number **AS094-03992**
5. (SEC Use Only)
Industry Classification Code
6. BIR Tax Identification Number **003-871-592**
7. **(632) 519-7888**
Issuer's Telephone number, including area code
8. **Southeast Asia Cement Holdings, Inc.**
Former name or former address, if changed from the last report

TABLE OF CONTENTS

A. BOARD MATTERS.....	5
1) BOARD OF DIRECTORS	
(a) Composition of the Board.....	5
(b) Corporate Governance Policy/ies.....	5
(c) Review and Approval of Vision and Vision.....	6
(d) Directorship in Other Companies.....	6
(e) Shareholding in the Company.....	7
2) CHAIRMAN AND CEO.....	7
3) PLAN FOR SUCCESSION OF CEO/MANAGING DIRECTOR/PRESIDENT AND TOP KEY POSITIONS	10
4) OTHER EXECUTIVE, NON-EXECUTIVE AND INDEPENDENT DIRECTORS.....	10
5) CHANGES IN THE BOARD OF DIRECTORS.....	11
6) ORIENTATION AND EDUCATION PROGRAM.....	20
B. CODE OF BUSINESS CONDUCT & ETHICS.....	21
1) POLICIES.....	21
2) DISSEMINATION OF CODE.....	23
3) COMPLIANCE WITH CODE.....	23
4) RELATED PARTY TRANSACTIONS.....	23
(a) Policies and Procedures.....	23
(b) Conflict of Interest.....	24
5) FAMILY, COMMERCIAL AND CONTRACTUAL RELATIONS.....	24
6) ALTERNATIVE DISPUTE RESOLUTION.....	25
C. BOARD MEETINGS & ATTENDANCE.....	25
1) SCHEDULE OF MEETINGS.....	25
2) DETAILS OF ATTENDANCE OF DIRECTORS.....	25
3) SEPARATE MEETING OF NON-EXECUTIVE DIRECTORS.....	25
4) QUORUM REQUIREMENT	25
5) ACCESS TO INFORMATION.....	25
6) EXTERNAL ADVICE.....	27
7) CHANGES IN EXISTING POLICIES.....	27
D. REMUNERATION MATTERS.....	28
1) REMUNERATION PROCESS.....	28
2) REMUNERATION POLICY AND STRUCTURE FOR DIRECTORS.....	28
3) AGGREGATE REMUNERATION	29
4) STOCK RIGHTS, OPTIONS AND WARRANTS.....	29
5) REMUNERATION OF MANAGEMENT.....	30
E. BOARD COMMITTEES.....	30
1) NUMBER OF MEMBERS, FUNCTIONS AND RESPONSIBILITIES.....	30
2) COMMITTEE MEMBERS.....	32
3) CHANGES IN COMMITTEE MEMBERS.....	34
4) WORK DONE AND ISSUES ADDRESSED.....	35
5) COMMITTEE PROGRAM.....	36
F. RISK MANAGEMENT SYSTEM.....	37
1) STATEMENT ON EFFECTIVENESS OF RISK MANAGEMENT SYSTEM.....	37
2) RISK POLICY.....	37
3) CONTROL SYSTEM.....	39

G. INTERNAL AUDIT AND CONTROL	41
1) STATEMENT ON EFFECTIVENESS OF INTERNAL CONTROL SYSTEM.....	41
2) INTERNAL AUDIT	
(a) Role, Scope and Internal Audit Function.....	42
(b) Appointment/Removal of Internal Auditor.....	42
(c) Reporting Relationship with the Audit Committee.....	43
(d) Resignation, Re-assignment and Reasons.....	43
(e) Progress against Plans, Issues, Findings and Examination Trends.....	43
(f) Audit Control Policies and Procedures.....	43
(g) Mechanisms and Safeguards.....	44
H. ROLE OF STAKEHOLDERS	44
I. DISCLOSURE AND TRANSPARENCY	46
J. RIGHTS OF STOCKHOLDERS	47
1) RIGHT TO PARTICIPATE EFFECTIVELY IN STOCKHOLDERS' MEETINGS.....	47
2) TREATMENT OF MINORITY STOCKHOLDERS.....	53
K. INVESTORS RELATIONS PROGRAM	54
L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES	55
M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL	56
N. INTERNAL BREACHES AND SANCTIONS	56

A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	10
---	----

Actual number of Directors for the year	10
---	----

(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) ¹	Elected when (Annual /Special Meeting)	No. of years served as director
Joseph C. Sy	ED			Aug 29, 2014	July 29, 2015	ASM*	1 year
Dante R. Bravo	ED			Aug 29, 2014	July 29, 2015	ASM*	1 year
Gu Zhi Fang	NED			Oct 22, 2014	July 29, 2015	ASM*	1 year
Mary Belle D. Bituin	ED			Aug 29, 2014	November 2, 2015		
Francis C. Chua	NED			Aug 29, 2014	July 29, 2015	ASM*	1 year
Dennis Allan T. Ang	NED			Oct 22, 2014	August 6, 2015		
Shirley Solis-Sin	NED			Oct 22, 2014	July 29, 2015	ASM*	1 year
Yuqiang Xie	NED			Oct 22, 2014	July 29, 2015	ASM*	
Roberto Amores	ID			Aug 29, 2014	July 29, 2015	ASM*	
Miguel B. Varela	ID			Aug 29, 2014	July 29, 2015	ASM*	1 year

*Annual Stockholders' Meeting held on July 29, 2015

(b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

¹ Reckoned from the election immediately following January 2, 2012.

The Corporation adopted a Revised Manual on Corporate Governance (“Governance Manual”) as amended in June 2010, March 2011 and in July 22, 2014. The Governance Manual institutionalizes the principles of good corporate governance in the entire organization.

Under the Governance Manual, the Board of Directors is primarily responsible for the governance of the Corporation. Corollary to setting the policies for the accomplishment of the corporate objectives, it shall provide an independent check on Management. It shall be the Board’s responsibility to foster the long-term success of the Corporation and secure its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Corporation, its shareholders and other stakeholders. The Board shall conduct itself with utmost honesty and integrity in the discharge of its duties, functions and responsibilities. The Governance Manual also states that to ensure a high standard of best practice for the Corporation and its stakeholders, the Board shall, among others, ensure the implementation of a process of selection of a mix of competent directors and officers and appoint competent, professional, honest and highly-motivated management officers, as necessary; determine the Corporation’s purpose, its vision and mission and strategies, and policies and procedures to carry out its objectives and to guide its activities; and periodically monitor the implementation of such strategies and policies and Management’s performance; and ensure that the Corporation complies with all relevant laws, regulations and codes of best business practices.

As provided in the Governance Manual, the Corporation recognizes the rights of its shareholders including minority shareholders such as the following: voting right, power to inspect corporate books and records including minutes of Board meetings and stock registries, right to dividends, and appraisal right or the right to dissent and demand payment of the fair value of their shares.

The Governance Manual also mandates that the Board should be transparent and fair in the conduct of the annual and special stockholders’ meetings of the Corporation. The stockholders should be encouraged to personally attend such meetings. If they cannot attend, they should be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the By-Laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder’s favor.

The Governance Manual also directs the Board to take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders’ meaningful participation in meetings. Accurate and timely information is made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

To insure adherence to corporate principles and best practices, the Board shall designate a Compliance Officer, who shall have direct reporting responsibilities to the Chairman of the Board. As stated in the Corporate Governance Manual, the Board of Directors and Management, employees and shareholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management and will therefore undertake every effort necessary to create awareness within the organization.

- (c) How often does the Board review and approve the vision and mission?

In the course of its governance, the Board reviews the Corporation’s vision and mission as and when appropriate.

- (d) Directorship in Other Companies

- (i) Directorship in the Company’s Group²

Identify, as and if applicable, the members of the company’s Board of Directors who hold the office of director in other companies within its Group:

Director’s Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if
-----------------	-------------------------------------	---

² The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

		director is also the Chairman.
Joseph C. Sy	Platinum Group Metals Corporation (“PGMC”)	ED and Chairman
Dante R. Bravo	PGMC	ED
Mary Belle D. Bituin	PGMC	ED
Francis C. Chua	PGMC	NED
Shirley Solis-Sin	PGMC	NED

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company’s Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director’s Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Miguel B. Varela	Megaworld Corporation	NED

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director’s Name	Name of the Significant Shareholder	Description of the relationship
Joseph C. Sy	Gu Zhi Fang	Mr. Sy and Ms. Gu are husband and wife
Gu Zhi Fang	Joseph C. Sy	

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

The Governance Manual expressly requires all directors to devote time and attention necessary to properly discharge their duties and responsibilities as directors. The Manual also states that a director should exercise sound judgment in the number of directorships that he holds and accept only such directorships that will allow him to diligently and efficiently perform his duties and responsibilities to the Corporation.

(e) Shareholding in the Company

Complete the following table on the members of the company’s Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)*	% of Capital Stock*
Joseph C. Sy	1	5,402,559,254	31.98
Dante R. Bravo	65,032,614	-	0.37
Gu Zhi Fang	1	-	0.00
Mary Belle D. Bituin	1	-	0.00
Francis C. Chua	1,000	-	0.00
Dennis Allan T. Ang	73,233,084	-	0.42
Shirley Solis-Sin	1	-	0.00
Yuqiang Xie	1	-	0.00

Roberto Amores	1		0.00
Miguel B. Varela	1		0.00
TOTAL			32.77%

*as of October 31, 2014

2) Chairman and CEO

- (a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes

No

Identify the Chair and CEO:

Chairman of the Board	Joseph C. Sy
CEO/President	Dante R. Bravo

- (b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role	Under the By-Laws, to preside at shareholders and board meetings and perform duties as may be assigned by the board	Under the By-laws, the President has general supervision and management of the Corporation's business affairs and property
Accountabilities	Ensure that Board meetings are hold properly, effectively and in accordance with the By Laws and communication is maintained between Board and Management	Ensure that administrative and operational policies of the Corporation are carried out under his supervision and control

- 3) Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

The Governance Manual requires that the Board ensure the implementation of a process of selection of a mix of competent directors and officers, appoint competent, professional, honest and highly-motivated management officers, as necessary, and adopt an effective succession planning program for Management.

- 4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

The Governance Manual requires that the Board ensure the implementation of a process of selection of a mix of competent directors and officers. Directors have varied experience and background, and confirmed for nomination by the Nomination Committee.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

The Governance Manual provides that the non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board. The Corporation has at least one non executive director with relevant experience in the Corporation's industry.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent

Directors:

All directors take responsibility to foster the long term success of the Corporation and are expected to exercise their fiduciary duty in the best interest of the Corporation and its shareholders and other stakeholders. Executive Directors have closer oversight of the operations of the Corporation, non Executive Directors are required to possess sufficient qualifications, stature and experience that enable their effective participation in the Board, and Independent Directors play a significant role including on keeping checks and balances within the Board and in the Audit Committee.

Provide the company's definition of "independence" and describe the company's compliance to the definition.

The Corporation adopts implements and the requirements for "independent directors" under section 38 of the Securities Regulation Code.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

The Corporation will comply with the new SEC rule providing limits on the term of independent directors, as the rule may be amended from time to time.

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

2015

During the Annual Stockholders' Meeting held on July 29, 2015, Joseph C. Sy, Dante R. Bravo, Gu Zhi Fang, Shirley Solis-Sin, Carlo Matilac, Francis C. Chua, Yuqiang Xie, Raul M. Ang, Miguel B. Varela and Roberto Cl Amores were elected as directors. On August 6, 2015, Raul M. Ang resigned and was replaced by Dennis Allan T. Ang. On November 2, 2015, Carlo Matilac tendered his resignation and was replaced by Mary Belle D. Bituin.

2014

On July 9, 2014, then CMT Principal shareholders IHoldings, Inc., Kwantlen Development Corporation and Januarius Resources Realty Corporation entered into a Sale and Purchase agreement with Huatai Investment Holding Pty. Ltd., Regulus Best Nickel Holdings, Inc., Bellatrix Star, Inc., Alpha Centauri Fortune Group, Inc., Antares Nickel Capital, Inc., Blue Eagle Elite Ventures, Inc., Ultimate Horizon Capital, Inc., Sohoton Energy, Inc., Great South Group Ventures, Inc., Red Lion Fortune Group, Inc., Mr. Dante R. Bravo, Mr. Seng Gay Chan and Mr. Hui Lin sell to the Buyers 6,291,132,047 common shares of Southeast Asia Cement Holdings, Inc. ("CMT"), comprising the entirety of their respective shareholdings and representing 89.82% of the total issued and outstanding capital stock of CMT. By virtue of this, Directors Januario Jesus Gregorio Atencio, Anthony Vincent Sotto, Mariano D. Martinez, Arlene Keh, Klarence Dy, Carla Lipardo, and Luis Yu resigned and were replaced by Joseph C. Sy, Dante R. Bravo, Mary Belle D. Bituin, Miguel B. Varela, Raul M. Ang, Noel B. Lazaro and Mr. Francis C. Chua as directors. On Annual Stockholders Meeting held on October 22, 2014, the same set of directors was elected by the stockholders.

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Before each Annual Stockholders Meeting, stockholders may nominate directors (new or for re election) through the Corporate Secretary who then requests information about the background and qualification/disqualification of the nominees for endorsement to the Nomination Committee. The Nomination Committee reviews the nominations in accordance with the required qualification for election in

the Annual Stockholders Meeting. In case of change in his status affecting his qualification, a director is required to inform the Corporation.

Voting Result of the last Annual Stockholders' Meeting

At the last annual stockholders meeting, by motion duly made and seconded, there being only 10 nominees and 10 seats in the board of directors, the stockholders present which constituted a quorum unanimously approved the election of the 10 nominees to the board of directors.

6) Orientation and Education Program

- (a) Disclose details of the company's orientation program for new directors, if any.
- (b) State any in-house training and external courses attended by Directors and Senior Management³ for the past three (3) years:
- (c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director	Date of Training	Program	Name of Training Institution
Joseph C. Sy	October 23, 2015	Corporate Governance Seminar	SGV & Co.
Dante R. Bravo	October 23, 2015	Corporate Governance Seminar	SGV & Co.
Gu Zhi Fang	October 23, 2015	Corporate Governance Seminar	SGV & Co.
Mary Belle D. Bituin	October 23, 2015	Corporate Governance Seminar	SGV & Co.
Yuqiang Xie	October 23, 2015	Corporate Governance Seminar	SGV & Co.
Shirley Solis-Sin	October 23, 2015	Corporate Governance Seminar	SGV & Co.
Dennis Allan T. Ang	October 23, 2015	Corporate Governance Seminar	SGV & Co.
Francis Chua	October 23, 2015	Corporate Governance Seminar	SGV & Co.

Name of Officer	Date of Training	Program	Name of Training Institution
Noel B. Lazaro	October 23, 2015	Corporate Governance Seminar	SGV & Co.
Eveart Grace P. Claro	October 23, 2015	Corporate Governance Seminar	SGV & Co.
Carlo A. Matilac	October 23, 2015	Corporate Governance Seminar	SGV & Co.
Ramon Peter E. Adviento	October 23, 2015	Corporate Governance Seminar	SGV & Co.
Seng Gay Chan	October 23, 2015	Corporate Governance Seminar	SGV & Co.

B. CODE OF BUSINESS CONDUCT & ETHICS

Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior

³ Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

management and employees:

The Corporation commits to the principles of good corporate governance including the conduct of its business with integrity, in compliance with law and with respect for safety and the environment. The Governance Manual requires the Board to conduct fair business transactions with the Corporation and to ensure that personal interest does not affect his decisions in the Board. A director is directed not to use his position to profit or gain some benefit or advantage for himself and/or his related interests. If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision making process.

- 1) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

Yes

- 2) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

The control environment of the Corporation consists of (a) the Board which ensures that the Corporation is properly and effectively managed and supervised; (b) Management that actively manages and operates the Corporation in a sound and prudent manner; (c) the organizational and procedural controls supported by effective management information and risk management reporting systems; and (d) an independent audit mechanism to monitor the adequacy and effectiveness of the Corporation's governance, operations, and information systems. The scope of internal audit includes compliance with law and code of conduct.

- 3) Related Party Transactions

- (a) Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Under the Governance Manual, the Board is required to formulate and implement policies and procedures to ensure the integrity and transparency of related party transactions between and among the Corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships by members of the Board. The Corporation shall also, as may be required under the law and regulations, publicly and timely disclose material information about the Corporation such as related party transactions which could adversely affect its viability or the interests of the stockholders. The Corporation requires as a policy that related party transactions be on an arms length basis.

On April 29, 2015, the Board of Directors adopted and approved the Policy on Related Party Transactions.

- (b) Conflict of Interest

- (i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

Since Directors Joseph C. Sy and Dante R. Bravo have ownership interest in PGMC which will be sold and transferred to the Company, the approval of the stockholders representing at least 2/3 of the outstanding capital stock of the Company was secured during the Annual Stockholders Meeting held on October 22, 2014.

- (ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

Disclosure is required for any potential conflict of interest and a policy of arms length transaction for any related party transaction is adopted. An internal audit program is adopted and implemented each year, under oversight of the Audit Committee including an independent director.

On April 29, 2015, the Board of Directors adopted and approved the Conflict of Interest Policy.

4) Family, Commercial and Contractual Relations

- (a) Indicate, if applicable, any relation of a family,⁴ commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
There is nothing to report		

- (b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

There is nothing to report		
----------------------------	--	--

- (c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
The Corporation is not aware of any person holding more than 5% of the shares of the Corporation under a voting trust or similar agreement which may result in a change in control of the Corporation.		

5) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

The Corporation's alternative dispute resolution system for the settlement of conflicts or differences between the Corporation and its stockholders and third parties, including regulatory agencies, provides that in the event of such conflict or differences, the Corporation shall exert best efforts to find an amicable settlement, and aim to minimize interruption or disturbance of the orderly and efficient operation of the business. For this purpose, representative(s) of the Corporation shall, to the extent possible, endeavor to meet with other party(ies) and resolve the conflict or differences through friendly discussions. If the Corporation and other party(ies)'s respective representatives fail to resolve their conflict or differences, the matter shall be brought to the President of the Corporation who shall undertake to resolve the dispute with the other party(ies), meeting with the other party(ies) as he may deem necessary. If the conflict or difference is not amicably resolved within a reasonable period, the Corporation may initiate legal action through court proceedings, arbitration and/or other legal remedies available under the law or regulation.

C. BOARD MEETINGS & ATTENDANCE

- 1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

During the annual organizational meeting held right after the annual stockholders' meeting, schedule of board meetings are set.

- 2) Attendance of Directors (or the year 2014):

⁴ Family relationship up to the fourth civil degree either by consanguinity or affinity.

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Joseph C. Sy	July 29, 2015	9	9	100
Member	Dante R. Bravo	July 29, 2015	9	9	100
Member	Gu Zhi Fang	July 29, 2015	9	8	88
Member	Mary Belle D. Bituin	November 2, 2015	4	3	45
Member	Francis C. Chua	July 29, 2015	9	4	44
Member	Dennis Allan T. Ang	August 6, 2015	2	2	100
Member	Shirley Solis-Sin	July 29, 2015	9	8	88
Member	Yuqiang Xie	July 29, 2015	8	2	25
Independent	Roberto Amores	July 29, 2015	6	6	100
Independent	Miguel B. Varela	July 29, 2015	9	9	100

- 3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

No.

- 4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

Under the By-Laws, a majority of the members of the Board of Directors shall constitute a quorum for the transaction of business.

- 5) Access to Information

- (a) How many days in advance are board papers for board of directors meetings provided to the board?

Board papers including minutes of previous meeting, management and other reports, and memoranda on matter to be taken up at the meeting are normally sent 1 to 2 days in advance of the meeting.

- (b) Do board members have independent access to Management and the Corporate Secretary?

Yes.

- (c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

Yes. The Governance Manual requires the Corporate Secretary to, among others, maintain custody of all documents, records and other information essential to the conduct of his duties and responsibilities to the Corporation, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities, have working knowledge of the operations of the Corporation, inform the members of the Board, in accordance with the By-Laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval, and ensure that all Board procedures, rules and regulations are strictly followed by the members.

- (d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes

- (e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes

No

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Under the Governance Manual, the members of the Board shall be given independent access to Management and the Corporate Secretary to enable them to properly perform their duties and responsibilities. The members, either individually or as a Board, and in furtherance of their duties and responsibilities, shall also have access to independent professional advice, at the Corporation's expense.

7) Change/s in existing policies

Indicate, if applicable, any change/s introduced by the Board of Directors (during its most recent term) on existing policies that may have an effect on the business of the company and the reason/s for the change:

No recent significant policy change

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

Not Applicable

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Not Applicable

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year: *See Item D1 above*

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	-	-	-
(b) Variable Remuneration	-	-	-
(c) Per diem Allowance			
(d) Bonuses	-	-	-
(e) Stock Options and/or other financial instruments	-	-	-

(f) Others (Specify)			
Total			

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	-	-	-
2) Credit granted	-	-	-
3) Pension Plan/s Contributions	-	-	-
(d) Pension Plans, Obligations incurred	-	-	-
(e) Life Insurance Premium	-	-	-
(f) Hospitalization Plan	-	-	-
(g) Car Plan	-	-	-
(h) Others (Specify)			
Total			

4) Stock Rights, Options and Warrants

(a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares: *Not applicable*

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock

(b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting: *Not applicable*

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year: *Not applicable*

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

Under the Governance Manual, the Audit Committee shall be composed of at least 3 members of the Board, one of whom shall be an independent director who shall act as the Chairman and preferably one with audit experience. Each member shall have at least an adequate understanding or competence on most of the Corporation's financial management systems and environment. Among the Audit Committee's responsibilities is to perform oversight over Management's activities and for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations. The Audit Committee should also ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions. The Audit Committee also reviews the annual internal audit plan monitors and evaluates the adequacy and effectiveness of the Corporation's internal control system including financial reporting control and information technology security, reviews reports of internal and external auditors, reviews the quarterly and annual financial statements, and evaluates and determines the non-audit work, if any, of the external auditor.

Under the Governance Manual, the Nomination Committee shall be composed of at least 3 members, one of whom should be an independent director, to review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval, and to assess the effectiveness of the Board's processes and procedure in the election or replacement of directors.

On January 9, 2015 and February 26, 2015, the Board and the Stockholders of FNI, respectively, approved the creation of an Executive Committee.

On April 29, 2015, the Board of Directors adopted and approved the respective Charters for the Compensation, Nomination and Audit Committees.

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Joseph C. Sy	August 6, 2015				5 mos
Member (ED)	Dante R. Bravo	August 6, 2015				5 mos
Member (ID)	Roberto C. Amores	August 6, 2015				5 mos
Member (ID)	Miguel B. Varela	August 6, 2015				5 mos
Member €	Mary Belle D. Bituin	August 6, 2015				5 mos

(b) Audit Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Roberto C. Amores	August 6, 2015				5 mos
Member (ED)	Dante R. Bravo	October 22, 2014				1 yr & 2 mos
Member (ED)						
Member (ID)	Miguel B. Varela	August 6,				5 mos

		2015				
Member						

Disclose the profile or qualifications of the Audit Committee members.

The Chair of the Audit Committee is an independent director and all its members have extensive business experience and adequate understanding of financial management systems and regulatory requirements.

Describe the Audit Committee's responsibility relative to the external auditor.

Under the Governance Manual, the Audit Committee shall perform oversight functions over the Corporation's internal and external auditors. It should ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions. The Audit Committee meets with the external auditors including dialogue with them without management present. All non audit work to be performed by external auditors require prior approval of the Audit Committee.

Pursuant to the Audit Committee Charter adopted and approved by the Board of Directors on April 29, 2015, with respect to the oversight role of Independent external auditors, the Committee shall

- *Appoint, pre-approve compensation and renewal/retention/removal before approval of the Board of Directors, and oversee the work of the independent external auditors for the issuance of an audit report or performing other audit, review, or other services. For this reason, the independent external auditors must report directly to the Committee.*
- *At least annually, the Committee shall Obtain and review a report by the independent external auditors describing:*
 - (i) *the firm's internal quality control procedures*
 - (ii) *all relationships between the independent external auditors and the Company*
- *Evaluate the auditors' qualifications, performance and independence. Such evaluation should include the report of the independent external auditor stating its independence as required by applicable standards and review and evaluation of the lead audit partner and take into account the opinions of management and the Company's internal audit function.*
- *Maintain open communication and regularly review any audit problems or difficulties encountered during the course of the audit work with the independent external auditors. This includes any restrictions on the scope of activities or access to requested information, and management's response. The Committee should review differences or improvement suggestions that were noted by the auditors and any management letter issued by the same in addition to their audit report on the effectiveness of internal control over financial reporting.*
- *Review fees for audit and non-services provided by the independent external auditors.*
- *Ensure that the independent external auditor, or its lead audit partner is rotated at least once every five years or as provided under applicable laws and regulations.*
- *Establish regular meetings with the external auditors to discuss matters that the Audit Committee believe should be discussed privately*
- *Ensure that the external auditors have direct and unrestricted access to the Chairman of the Audit Committee and the Chairman of the Board*

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Miguel B. Varela	Oct 22, 2014				1 yr & 3 mos
Member (ED)	Joseph C. Sy	Oct 22, 2014				1 yr & 3 mos
Member (ED)	Dante R. Bravo	Aug 6, 2015				5 mos
Member (ID)						
Member						

(d) Compensation and Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Roberto C. Amores	Aug 6, 2015				5 mos
Member (ED)	Dante R. Bravo	Oct 22, 2014				1 yr & 2 mos
Member (ED)	Joseph C. Sy	Aug 6, 2015				5 mos
Member (ID)						
Member						

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	Joseph C. Sy	Appointed Chairman per Organizational Meeting held on August 6, 2015
	Dante R. Bravo	Appointed as member per Organizational Meeting held on August 6, 2015
	Roberto C. Amores	Appointed as member per Organizational Meeting held on August 6, 2015
	Miguel B. Varela	Appointed as member per Organizational Meeting held on August 6, 2015
	Mary Belle D. Bituin	Appointed as member per Organizational Meeting held on August 6, 2015
Audit	Roberto C. Amores	Appointed Chairman per Organizational Meeting held on August 6, 2015
	Miguel B. Varela	Appointed as member per Organizational Meeting held on August 6, 2015
	Raul M. Ang	Removed as member after tender of resignation as director on August 6, 2015
	Mary Belle D. Bituin	Removed as member after tender of resignation as director on March 17, 2015
Nomination	Dante R. Bravo	Appointed as member per Organizational Meeting held on August 6, 2015
	Raul M. Ang	Removed as member after tender of resignation as director on August 6, 2015
Remuneration	Roberto C. Amores	Appointed Chairman per Organizational Meeting held on August 6, 2015
	Joseph C. Sy	Appointed as member per Organizational Meeting held on August 6, 2015
	Raul M. Ang	Removed as member after tender of resignation as director on August 6, 2015
	Mary Belle D. Bituin	Removed as member after tender of resignation as director on March 17, 2015
Others (specify)		

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

The Nomination Committee reviewed the backgrounds and confirmed the qualification/disqualification of the nominees to the board of directors.

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year. *Not applicable*

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

- (a) Overall risk management philosophy of the company;
- (b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;
- (c) Period covered by the review;
- (d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and
- (e) Where no review was conducted during the year, an explanation why not.

The Corporation's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Corporation. The Governance Manual requires the Board to identify key risk areas and key performance indicators and monitor these factors with due diligence to anticipate and prepare for possible threats to its operational and financial viability. The directors review the effectiveness of the system in connection with its review of the performance of the Corporation particularly its review and approval of the annual audited financial statements of the Corporation.

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

A holding company, the risks that the Corporation is exposed to consists of a variety of financial risks primarily interest rate risk on its cash and cash equivalent (it has no loans), as well as operational risk arising from a wide variety of causes associated with its processes, technology and infrastructure, and from external factors such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. The primary responsibility for the development of controls to address operational risk is assigned to Management, supported by overall standards and periodic reviews undertaken by Internal Audit.

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:
Not applicable

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk of controlling shareholders potentially entering into abusive related party transactions, which is addressed by the policy of transparency, disclosure, requirement for arms length transaction and recognition of minority's voting rights.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

The Board is mandated to identify key risk areas and key performance indicators and monitor these factors with due diligence to anticipate and prepare for possible threats to its operational and financial viability, and to perform oversight over Management's activities specifically in the areas of managing credit, market, liquidity, operational, legal and other risks of the Corporation, and crisis management.

(b) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

Board assisted by Audit Committee and supported by Internal Audit, as described above.

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

- (a) Explain how the internal control system is defined for the company;
- (b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;
- (c) Period covered by the review;
- (d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and
- (e) Where no review was conducted during the year, an explanation why not.

The Corporation adopts a system of internal controls, which requires the performance of a formal assessment to test and confirm the design and operating effectiveness of the controls. Following a risk-based approach, specific attention is typically put on control activities related to major processes of the Corporation as a holding company such as expenditures, revenue, finance, Information Security, Treasury and Financing. Main goal is to maintain high standards of internal control and provide key stakeholders with reasonable assurance that key procedural controls are effective, appropriate and complied with.

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Every year, Internal Audit, from external provider of the Corporation, prepares and implements a plan to evaluate the effectiveness of controls within the processes and to assess compliance with policies, procedures and guidelines. Audit procedure includes testing of selected transactions for the period covered following test procedures under Internal Control Standards. Internal Audit regularly reports and meets with the Audit Committee. Report includes any significant risk exposures and control issues.

- (b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee? Yes
- (c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel? Yes
- (d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

To the best of our knowledge, there were no resignations or reassignments due to any disagreement with policies or procedures of the Corporation.

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit’s progress against plans, significant issues, significant findings and examination trends.

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- 1) Preparation of an audit plan inclusive of a timeline and milestones;
- 2) Conduct of examination based on the plan;
- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;
- 5) Determination of the pervasive issues and findings (“examination trends”) based on single year result and/or year-to-year results;
- 6) Conduct of the foregoing procedures on a regular basis.]

The internal audit plan for the year provides for the scope, procedure and timelines including milestones for control documentation and test planning, internal control assessment and process improvements, and documentation and reporting of final test results. Progress against these milestones is reported to the Audit Committee. The 2013 Internal Control objective remains, as in prior years, to maintain high standards of internal control and provide key stakeholders with reasonable assurance that its key procedural control are effective, appropriate and complied with by performing a formal assessment through test of controls. Scope of testing includes control activities related to the Corporation’s major processes such as Expenditures, Treasury and Financing, Finances, Legal Management and Information Security. Specifically, that in Expenditures, liabilities are properly valued and payments are issued with proper validation, in Treasury and Financing, that Bank accounts are well managed and bank reconciliation is regularly performed to mitigate risk of fraud or error in accounting, cash issuance and collection process is secured, cash flow forecasts are prepared, analyzed and reported to Treasury, that a formalized financial closing process is organized to meet requirement in terms of timing and quality, period-end accruals are properly accounted for, journal entries are supported by adequate documentation, reviewed and authorized, accounts are properly reviewed to ensure accuracy of financial statements, inter-company transactions are properly handled and recorded, tax liabilities/ receivables are properly calculated and recorded, filing of tax return and payment of taxes are timely, in Legal that all legal liabilities are properly identified and approved, provision for litigation are booked and adequate disclosure is reported, a procedure is in place to ensure that commitments, legal risks, contracts and legal information related to investments are centralized, in Information Security, that access to applications, data and programs are properly controlled, changes to system/applications are well documented, approved and tested, production, development and testing environment are properly segregated, physical security over IT assets are adequate and a Disaster Recovery Plan (DRP) exists and tested each year to ensure its effectiveness.

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column “Implementation.” *See above*

Policies & Procedures	Implementation

(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company): *See above*

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies

(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare		
Supplier/contractor selection practice		
Environmentally friendly value-chain		
Community interaction		
Anti-corruption programmes and procedures?		
Safeguarding creditors' rights		

Under the Governance Manual, the Board shall identify the Corporation's major and other stakeholders, including the sectors in the community in which the Corporation operates or are directly affected by its operations and formulate a clear policy on communicating with them accurately, timely and effectively. As a holding company, it does not directly have "commercial operations" and thus have limited interaction with the community.

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?
No.

3) Performance-enhancing mechanisms for employee participation.

Not Applicable. The Corporation has no employees.

(a) What are the company's policy for its employees' safety, health, and welfare?

(b) Show data relating to health, safety and welfare of its employees.

(c) State the company's training and development programmes for its employees. Show the data.

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

Not Applicable.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(a) Holding 5% shareholding or more (as of December 31, 2015)

Shareholder	Number of Shares	Percent	Beneficial Owner
PCD Nominee Corp. (Filipino)	5,620,922,219	32.18	PDTC Participants
Huatai Investment Pty. Ltd	2,923,430,140	16.74	
Sohoton Synergy, Inc.	1,983,111,939	11.35	
Regulus Best Nickel Holdings, Inc.	1,569,464,006	08.99	
PCD Nominee Corp. (Non-Filipino)	1,342,128,662	07.68	
Blue Eagle Elite Ventures Inc.	1,046,309,337	05.99	
Ultimate Horizon Capital, Inc.	1,046,309,337	05.99	

2) Does the Annual Report disclose the following:

Key risks	√
Corporate objectives	√
Financial performance indicators	√
Non-financial performance indicators	√
Dividend policy	N/A
Details of whistle-blowing policy	N/A
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	√
Training and/or continuing education programme attended by each director/commissioner	No
Number of board of directors/commissioners meetings held during the year	No
Attendance details of each director/commissioner in respect of meetings held	
Details of remuneration of the CEO and each member of the board of directors/commissioners	√

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

Information on directors' attendance is submitted to the SEC separately.

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
SGV & Co.		

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

Regular and current reports to the PSE and SEC; stockholders meetings; direct communication with inquiring stockholders by telephone and/or written correspondence.

5) Date of release of audited financial report: AFS

6) Company Website

Does the company have a website disclosing up-to-date information about the following? Yes

Business operations	√
Financial statements/reports (current and prior years)	√
Materials provided in briefings to analysts and media	√
Shareholding structure	√
Group corporate structure	√
Downloadable annual report	√
Notice of AGM and/or EGM	√
Company's constitution (company's by-laws, memorandum and articles of association)	√

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

7) Disclosure of RPT

RPT	Relationship	Nature	Value

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

The Corporation requires as a policy that related party transactions be an arms length basis and disclosed properly.

Please refer to Note 30 of the audited financial statements as of December 31, 2015 of the Group.

J. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	Majority
------------------------	----------

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Normally, in practice, upon motion duly made and seconded, subject to
--------------------	---

	counting of votes if necessary
Description	

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code. *Not applicable*

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code

Dividends

Declaration Date	Record Date	Payment Date
December 20, 2012	January 9, 2013	January 23, 2013 or 5 days after Securities and Exchange Commission approval of the property dividend and any required Bureau of Internal Revenue clearance, whichever is later:
May 22, 2013	June 5, 2013	June 12, 2013

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

Measures Adopted	Communication Procedure
Notices of meeting including the agenda and relevant information relating to the agenda are circulated to all stockholders	Published online through the PSE and hard copies mailed or delivered to stockholders or record
At each stockholders meeting, time is allocated for questions from the stockholders and the Board or Management responds to questions or comments	

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
 - a. Amendments to the company's constitution
 - b. Authorization of additional shares
 - c. Transfer of all or substantially all assets, which in effect results in the sale of the company

Amendments to the company's constitution and the transfer of all or substantially all assets of the Corporation require prior stockholders approval in a stockholders meeting held upon due notice. Relevant information to allow the stockholders to make an informed decision is provided, and opportunity is given at the meeting for the stockholders to raise questions, comment and approve or disapprove the proposals. Authorization for issuance of additional shares from the previously authorized but unissued capital stock is obtained from the Board and is timely disclosed to the public.

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?
 - a. Date of sending out notices: July 7, 2015

b. Date of the Annual/Special Stockholders' Meeting: July 29, 2015

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

5. Result of Annual/Special Stockholders' Meeting's Resolutions

All matters submitted to the stockholders for approval at the 2014 annual meeting were unanimously approved by all those present in person or proxy.

6. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:

Since the meeting ended after the trading hours, disclosure timely submitted via PSE Edge Submission System on July 29, 2015 and was approved by PSE within the next trading day after the meeting- July 30, 2015.

(e) Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification: *Not applicable*

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	Directors: 1. Joseph C. Sy 2. Dante R. Bravo 3. Gu Zhi Fang 4. Carlo A. Matilac 5. Francis C. Chua 6. Yuqiang Xie 7. Shirley Solis 8. Raul M. Ang 9. Miguel B. Varela 10. Roberto C. Amores	July 29, 2015	Show of hands	9,046,638,601		51.79
Special						

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs?

The Corporate Secretary is responsible for counting the votes based on the number of shares entitled to vote owned by the stockholders who are present or presented by proxies at the stockholders meeting, in the presence of the Corporation's external auditors.

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.

Yes, one vote per common share. The Corporation only has one class of shares.

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

The Notice of Annual Stockholders Meeting that is sent to the stockholders provide that if the stockholder is unable to attend the meeting in person but would like to be represented at the meeting, the stockholder must complete the appropriate proxy form and for validation, send it to the Corporation Secretary by a certain date.

(h) Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

Policies	Procedure
Notices of meeting are disclosed to be PSE as soon as the Board has set the schedule and called for a stockholders meeting. Copies are then sent to all stockholders of record at least 15 business days prior to this meeting, through postage prepaid and/or by personal delivery in compliance with the By-Laws of the Corporation	

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	Approx 1,700
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	July 7, 2015
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	July 7, 2015
State whether CD format or hard copies were distributed	Yes, both CD format and hard copies
If yes, indicate whether requesting stockholders were provided hard copies	N/A

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	√
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	√
The auditors to be appointed or re-appointed.	√
An explanation of the dividend policy, if any dividend is to be declared.	No
The amount payable for final dividends.	√
Documents required for proxy vote.	√

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

The Corporation is committed to respect the rights of its stockholders and minority interests including their voting rights, power of inspection, rights to dividends and appraisal right. The Corporation adopts the principles of transparency and fairness to stockholders.

(b) Do minority stockholders have a right to nominate candidates for board of directors? Yes.

K. INVESTORS RELATIONS PROGRAM

1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

Under the Governance Manual, the Corporation shall, as may be required under the law and regulations, publicly and timely disclose material information about the Corporation which could adversely affect its viability or the interests of the stockholders, through the appropriate stock exchange mechanisms and submissions to the Commission. Such information shall include, among others, earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, and direct and indirect remuneration of members of the Board and Management. All disclosed information shall be released via the approved stock exchange procedure for company announcements as well as through the annual or other applicable reports.

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

Mr. Ramon Peter E. Adviento is the Senior Vice President for Investor Relations. He may be reached through telephone no. 519-7888 local 706 or through email at readviento@gfni.com.ph

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

In recent sale by the Corporation of a substantial amount of its assets (consisting of shares of stock) to related parties, the Board approved the sale requiring, among others, arms length price and terms and conditions and timely disclosed the board approval and proposed sale. The Board also called for a special stockholders meeting and obtained shareholders approval before conducted the sale. The Corporation engaged independent third party appraiser Punongbayan & Araullo to prepare a valuation report on the assets/shares of stock to be sold.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company. *Not applicable*

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

Under the Governance Manual, each Committee shall report regularly to the Board of Directors. To monitor the directors' compliance with the attendance requirements, the Corporation shall submit a sworn certification about the directors' record of attendance in Board meetings, in accordance with the regulations. The Compliance Officer is also required to certify each year on the compliance with the Governance Manual and on any deviations from the Manual.

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

The Compliance Officer is tasked to monitor compliance with the provisions of the Governance Manual, determine violations and recommend corresponding penalties for further review and approval of the Board.

SECRETARY'S CERTIFICATE

I, NOEL B. LAZARO, of legal age, with office address at 7th Floor, 151 Paseo de Roxas corner Arnaiz St., Makati City, after having been duly sworn in accordance with law, certify:

1. I am the Corporate Secretary of Global Ferronickel Holdings, Inc. (the "Corporation"), a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office at 7th Floor, 151 Paseo de Roxas corner Arnaiz St., Makati City.

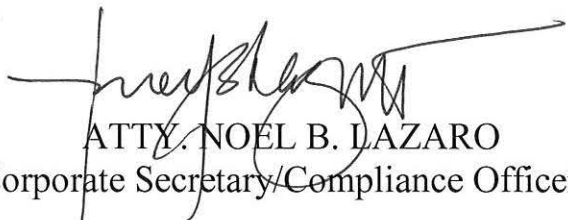
2. As such Corporate Secretary, I am the custodian of the Minutes Book of the Corporation.

3. On January 11, 2016, the Corporation submitted to the Securities and Exchange Commission its Consolidated Updates on the Company's Annual Corporate Governance Report ("Updated ACGR") for 2015.

4. The Corporation attaches this Certificate to the Updated ACGR for inclusion to the Corporation's Annual Report for the year 2015.

5. This Secretary's Certificate is issued in lieu of the signatures required in the Updated ACGR.

Makati City, April 11, 2016.


ATTY. NOEL B. LAZARO
Corporate Secretary/Compliance Officer

SUBSCRIBED AND SWORN to before me this APR 14 2016, affiant exhibiting to me his competent evidence of identity in the form of SSS ID with No. 03-0388400-4.

Doc. No. 443 ;
Page No. 89 ;
Book No. 17 ;
Series of 2016.


ATTY. JOHN DOMINGO A. PONCE, JR.
SOLICITOR PUBLIC
APPOINTMENT No. M-637 / MAKATI CITY
UNTIL DECEMBER 31, 2016
PTR No. 532962 / 01-04-2016 / MAKATI CITY
IBF No. 609712 / 01-04-2016 / REAL
MCLE COMPLIANCE No. IV-00-23626 / 05-29-2014
RCLL NO. 36452