



Global Ferronickel Holdings, Inc.

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Statement by Dante R. Bravo
President of Global Ferronickel Holdings, Inc.
Annual Stockholders' Meeting
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Good afternoon everyone. Thank you all for the opportunity to speak with you today.

Transformation

As you and I know, the road to the future is long and uncertain with perhaps more twists, turns, and bumps than we expected. But if there is one important piece of every journey, it is the ability to adapt to changing times—to transform.

Speaking of transformation, I believe our industry is now in an entirely different place than it was 3-4 years ago. And we have a few things in our favor. With technological breakthroughs such as electric vehicles, opportunities abound in the world of sustainable mobility. This new transport paradigm will revolutionize the need for nickel, and, today, I'd like to share with you how we can move forward together more quickly in this emerging market.

Getting back to balanced growth

Several months ago, major policy shifts here and abroad shook the nickel industry. At the beginning of 2017, Indonesia announced that it would relax restrictions on the export of unprocessed ore subject to certain conditions – a move that created uncertainties around supply and temporary weakness in nickel prices. Shortly afterwards, former Secretary Gina Lopez of the DENR made pronouncements on mine closures and suspended half of the country's nickel ore producers, which sent prices higher on speculation. However, Ms. Lopez's eventual dismissal in June dragged down nickel prices to the US\$8,000-level at the London Metal Exchange (LME). By the third quarter of 2017, China had implemented regulatory measures for environmental management and financial markets that led to spikes in global nickel prices to as high as US\$12,250 per tonne.



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For us at FNI, the past year marked the beginning of a more unified approach to managing our overall operations. For example, we improved our organizational structure and processes within our teams, and increased our connectivity and efficiency, which enabled us to swiftly act on day-to-day weather conditions.

As a result, our nickel ore production significantly increased by +36% year-on-year to 6.154 million WMT in 2017. This growth can be attributed to several factors, including increases in operating days (182 operating days, as compared to 158 operating days in 2016) and the number of contractors (12 vs. 10 in 2016). The implementation of road developments and stripping activities in the previous year have also prepared the ore deposit for extraction in 2017 and exposed the ore body suitable for two-year mine production.

By the end of the year, we had shipped a total of 5.971 million WMT, or +39% more than in 2016. We are very pleased that our average daily load rate increased by +32% to 27,388 WMT in 2017, and we also reached a record high of 58,768 WMT ore loaded in one day.

All of these improvements translated into year-end achievements.

Revenues totaled P5.8 billion, up by +54% from the previous year on higher volumes shipped, better selling prices, and favorable exchange rates. Our operating cash cost per unit declined by as much as -10% to P554.83 per WMT despite increases in volume and inflationary pressures. Ultimately, net income reached P780 million from just over P37 million in 2016 and margins improved across the board – EBITDA to 31%, net profit margin to 13% and ROE to 12%.

Building a pathway to the future

We were also busy with our ongoing survey and exploration at Cagdianao areas 1 to 5 which have confirmed our historical findings and allowed us to successfully increase our resource inventory. Our resource estimates have evolved quite markedly since we began our exploration program in 2014, despite our continuous ore extraction in two of the mine areas.



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As of 23 June 2017, our combined measured and indicated mineral resources at Cagdianao areas 1 to 5 increased by 3.846 million dry metric tons (DMT) from last year to 54.160 million DMT. Average grade stood at 1.1% nickel and 31.4% iron. We also expanded our reserves despite having shipped over 5 million WMT since June 2016. Our combined proven and probable ore reserves stood at 36.3 million WMT with an average grade of 1.22% nickel and 31.7% iron.

These estimates are very encouraging as there are still four deposit areas where we need to advance our exploration campaign, namely Cagdianao areas 1 and 5 in which we have yet to restart drilling activities, and Cagdianao areas 6 and 7, which we have not surveyed yet. In view of this, we are carrying out our 2018 exploration program in order to raise our existing resource base and keep us firmly in a position of growth and strength.

Upholding global environmental standards

At FNI, our mission is to carry out our activities in an environmentally, socially, and financially responsible manner for the benefit of the nation, the communities where we operate, our employees, our customers, and other stakeholders. Essentially, we are pursuing opportunities that tie business success to the prosperity of host communities and the country.

That is why we are particularly proud that our environmental and social development programs have become ever more inclusive. In 2017, we have surpassed 1 million seedlings planted since we started our tree planting program in 2007. We have also completed all committed environmental control measures and research initiatives, promoted a unified Information, Education and Communication (IEC) program, and pursued educational assistance for young people with disabilities.

Since 2015, we have defined six sustainability measures that demonstrate how we are structured to reduce the environmental impact of our operations and contribute to sustainable development. In 2017, our approach has been centered on bringing awareness to our stakeholders. Our conservation campaigns are well underway, and have already produced tangible results. More importantly, we are seeing improvements towards behavioral goal achievement among employees and contractors.



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Enhancing the community together

As a responsible mining company, we choose to ensure that we play our role in addressing societal issues. Our shared value approach towards long-term community engagement enables us to operate as a trusted partner to our host communities in Claver, Surigao del Norte—supporting them to reach their own development goals.

Some highlights.

Health. We believe that we can improve productivity in the community by looking after the health needs of its members. In 2017, we assisted a total of 190 families of our host and neighboring communities to gain access to PhilHealth insurance coverage, so that they can get the proper medical treatment they need when they need it. We also ensured that medicines and vitamins were provided to some 2,800 patients through our bi-weekly medical missions.

Education. We made great strides in supporting the educational aspirations of the youth, especially those who are left furthest behind. To date, I am aware of at least 89 college students with disabilities who we have prioritized for our scholarship program. And we look forward to seeing more.

Skills. Our partnership with Technical Education and Skills Development Authority (TESDA) remains active with a total of 114 students in 2017 receiving specialized training courses that would enable them to gain critical skills to secure jobs or advance their careers. These young individuals have been trained on automotive mechanics, shielded metals arc welding, agriculture and livestock management, food processing and catering services.

Safety. In addition to safeguarding our employees, we feel that it is equally important to extend our assistance to the communities we call home. As many of you know, earthquakes hit the provinces of Surigao and Ormoc last year. Our PGMC Mine Rescue Teams were deployed and coordinated with respective local governments to help assess damage in the affected areas, deliver and distribute relief goods to affected communities, and deliver water to residents. Their efforts are a great source of pride for the entire PGMC team.



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Forming engaged and values-driven teams

Since I joined this company around seven years ago, I am reminded every single day of what an enormous privilege it is for me to lead the FNI family. Now, while I believe that no two employees are the same, they are shaped by the values and culture that fuel an organization.

So in the middle of 2017, we formally launched our core values to ensure we create a workplace that ensures we all row in the same direction. Value workshops were held which provided useful context and insights on our conduct agenda. I am very pleased that we have also started conversations about taking these values as key factors in individual performance management and development programs. And I think we have so much to look forward to 2018 as we continue informal value formation activities.

Market outlook

I know that I have said this before, but I think it bears repeating that this is an exciting time for us as a company based on what we have seen so far.

First, the inventory of combined stocks at London and Shanghai markets have declined to about 340,000 tonnes in the second quarter of this year from a high of 500,000 tonnes in the first quarter of 2016. In particular, nickel stocks at the LME have dropped every month since August 2017 and are now at their lowest level since June 2014.

Second, there have been a lot of talks about U.S.-Russia trade sanctions. This recent trend could also dramatically disrupt supply. We believe that should U.S. sanctions extend to Russian metals producers which account for 9% of global nickel production, it could directly trigger supply tightness and sharp movement in prices.

Third, and related to the other factors I've mentioned earlier, forecasts have relatively been favorable. For example, World Bank estimates nickel prices to remain an uptrend, rising by another 30% from 2017 to US\$13,500. This higher expectation reflects the risk of Russian sanctions as well as growth in electric vehicle demand. We also welcomed the more optimistic forecast of the International Nickel



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Study Group (INSG) which revised its 2018 deficit forecast to 117,000 tonnes from its previous assessment of 53,000 tonnes in October 2017.

Last but not least—and something that we’re all excited about, laterite ores are expected to be the main source of pure nickel and new nickel units in the medium- to long-term. This is because discovery and development of sulphide ores remains underinvested. And because producers require higher nickel prices to incentivize expansion of existing facilities or exploration for new additional investments in nickel suitable for battery use.

So far, that seems a rather long list, but I am aware that there are still other things we need to work on together so we can transform more quickly. I hope you join me as we continuously capture opportunities, engage our communities, and supply the resources needed by our constantly changing world.

We now open the floor to questions or comments from shareholders.

Q&A