



Global Ferronickel Holdings, Inc.

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Statement by Dante R. Bravo
President of Global Ferronickel Holdings, Inc.
Annual Stockholders' Meeting
28 June 2017

Good afternoon everyone. Thank you all for being here today.

Around this time every year, we meet to review our progress and the steps we've taken to position ourselves for long-term growth.

But before I talk about our performance, I'd like to share some thoughts about our annual report entitled "Progression." In 2016, we celebrated the 10th year anniversary of the Cagdianao nickel ore mining operations of our subsidiary, Platinum Group Metals Corporation (PGMC).

I think of anniversaries as historic moments for looking back and looking beyond. For celebrating accomplishments, and reaffirming commitment. It is also an opportunity to set goals for the coming year and pursue them.

It's in that spirit that I want to take a few minutes to show you a short video and give you a glimpse of how far we've come.

At a Glance

With that, let me briefly take you through where we are today and what you should expect from us in the next few years.

Let me begin with a mining terminology that many have talked about recently. It's about surface mining. What exactly is surface mining?

It is a mining method that is simple, involves efficient processes and posts low operational risk. Why do we say it's simple? Because we only use trucks and excavators. It does not require drilling, blasting, the use of chemicals, or complex waste handling. And because our mineral deposits are near-surface (max 20 meters deep), we are able to immediately implement progressive rehabilitation of the mined-out areas.

So that's our mining method since day 1.

And since then, we have delivered an aggregate of over 37 million wet metric tons (WMT) of nickel ore to our customers. We have become the second largest nickel ore exporter in the Philippines, accounting for 11% of the country's nickel ore production in 2015, according to Mines and Geosciences Bureau (MGB).



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Thriving Under Increased Pressures

But no year is without its challenges. Let me highlight the events of the past year that created a highly uncertain context for business.

In 2016, global economic growth remained modest due to slower activity in advanced economies. New shocks such as Brexit and geopolitical tensions in the Middle East along with speculations of a policy shift post-US election have weighed on expectations and global output growth.

This muted economic backdrop and heightened policy uncertainties had a major impact on nickel ore prices which remained sluggish during the year. Given this, we made a deliberate move to shift our sales mix towards low grade ores and delay shipment of medium and high grade until prices improve. Ultimately, our average realized price fell by one-third compared with the previous year, to US\$17.9 per WMT.

Despite these many external challenges and headwinds, it was a year of operational progress, and laying the groundwork for a stronger future.

1. We renewed our Mineral Production Sharing Agreement (MPSA) for our Cagdianao mine. It is now valid for another 25 years, giving us the exclusive right to conduct mining operations in the area until June 20, 2041.
2. We also acquired the right to explore an additional 843-hectare land that is adjacent to our existing mine. This acquisition presents an opportunity to enhance our nickel ore resources without requiring significant expenditures for mine infrastructure development.
3. More importantly, we revisited every single contract with our mining contractors and brought down our costs and expenses to a more realistic level.

Enhancing Oversight, Reducing Asset Intensity and Saving Money

Let's now talk about the details of our operational strategies that led to substantial reduction in our mining costs.

Over the past two years, we've implemented an integrated approach that enabled us to maintain our position as a leading low cost producer.

For example, we carefully reviewed and fine-tuned our engagement with our mining contractors and instituted measures for moisture management. We also optimized the analysis of mineral samples as well as mine planning and exploration. Moreover, we moved barging operations back in-house.

As a result of these initiatives, our main mining costs –which are contract hire and barging charges were down 30% and we remained profitable with net income of P37.5 million. It also contributed to the strength of our balance sheet and allowed us to minimize the amount of capital tied up in fixed assets. Furthermore, it provided us greater flexibility while reducing operational risks.



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Supporting Better Environmental Governance

2016 was also a year of solid accomplishment and execution in safety and environment.

On the regulatory front, we were among the first mining companies to receive the 2015 version of the ISO 14001 certification for Environmental Management System. We're very proud to be aligned with this latest standard because it means that the tools we use to manage our environmental responsibilities are up to date with modern needs and global practices.

On the operations front, our dedication to a safe workplace has not gone unnoticed. We were conferred with esteemed Presidential Mineral Industry Environmental Awards (PMIEA) in recognition of what is deemed exemplary achievements in environmental protection and rehabilitation; and community and social development and management.

- Titanium Achievement for Surface Mining Operation
- Most Improved Safety Performance
- Best Surface Mine Supervisor (Engr. Royvel Jumalo received the title for supervising over 10.5 million total man hours worked without lost time accident. This is the third year in a row that we achieved this major milestone of zero lost time related accidents.)

Making It Worthwhile for All

At FNI, we recognize that the value of the minerals below ground can only be realized if there is trust and goodwill above ground.

With this in mind, we have adopted a shared value perspective which reminds us that societal good can fuel business performance. We believe that improving the available skills, protecting the environment, keeping our operations safe and supporting the communities where we operate not only ensure the sustainability of our operations but also secure the future of our firm.

Reinvesting in the Business Through Focused Mineral Exploration

We understand that it is important to our shareholders that we invest for the future.

And we are doing that as we upgrade our previously defined resources at Cagdianao Sites 2 and 4. At the same time, we are commencing our exploration in our expansion areas and unexplored deposit sites at Cagdianao 6 and 7.

Our method follows a "Stage Approach-Strategy" where the results of the precedent activity will determine whether to proceed to the next activity. Through geological mapping, we can already verify the occurrence and thickness of the laterite profile. This ensures that no drill hole is wasted and budget is kept at the effective minimum.

You can find detailed information about the mineral resources in our various sites in our 2016 annual report. Overall, we believe our mineral resource and ore reserve inventory will increase over time in line with our continuous exploration program.



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...And Steadily Returning Cash to Our Shareholders

Just as we have reinvested in the business through our exploration, we have also enhanced value for our shareholders through share buyback program which covers up to 10% of our outstanding shares or 567 million shares for a period of three years.

Since commencing the share repurchase program, we have steadily bought back over 6.3 million shares as at end-2016; and 27.1 million more shares from January this year until yesterday which brings to a total of 33.4 million shares.

Market Review and Outlook

Now let's look into the future.

Large Addressable Markets Create Long-term Demand

As you know so well, nickel has been the backbone of stainless steel infrastructure that makes world-class economies. That's the traditional side of nickel demand.

Remember that two-thirds of global primary nickel go into stainless steel, which can be used in a wide range of infrastructure applications such as energy supply, bridges, harbors, airports, and water and sewage.

Looking into the medium-term, the consensus view is that nickel demand will increase by 3% annually from 2017-2020 on the back of stainless steel. There are at least two reasons that form the foundation of this expected growth.

1. According to United Nations, about two-thirds of Asia's population will be in urban areas by 2050. This is significant because it will boost demand growth for industrial-focused commodities such as nickel.
2. According to Asian Development Bank (ADB), 45 countries in the Asia and the Pacific led by China will need to invest a total of US\$26 trillion or US\$1.7 trillion annually from 2016 to 2030 for infrastructure particularly power and transportation.

Now, there's still one other item on this slide that is worth discussing—the non-traditional use of nickel.

There has never been a more exciting time to be involved in automotive.

In 2016, global sales of electric vehicles (EV) was over 750,000 units, bringing the current population of EV at around 2 million. This number is still very small compared to the global vehicle population of 1.4 billion units. But, in three years' time, International Energy Agency estimates that up to 20 million electric cars will be on the road. That translates to a Compound Annual Growth Rate (CAGR) of 80% a year.

But how does EV benefit us? And how do we see that playing out?



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Increasingly, nickel is being sought for development of key parts of battery systems that power electric vehicles. The current leading technology for EV battery is NCA chemistry (nickel-cobalt-aluminum) which uses a cathode that is 80% nickel.

In the words of Elon Musk, the CEO of Tesla, “Our lithium ion batteries should be called nickel-graphite because primarily the cathode is nickel and the anode side is graphite with silicon oxide, there’s a little bit of lithium in there, but it’s like the salt on the salad.”

Other emerging uses of nickel which we continue to look at are cooling systems in nuclear power plants, electronics, as well as transport and emergency power supply.

Although the development and eventual adoption of these technology are at different speeds, we believe that we are poised to benefit from the potential we see for 2017 and beyond.

Depressed Prices Build Solid Foundation for Take-off

With the bright prospects for infrastructure and automotive, you must surely wonder if we expect a rapid recovery in nickel prices.

In 2016, we saw significantly volatile prices. On the London Metal Exchange (LME), both cash and 3-month contracts for nickel plunged to a 13-year low in February before rebounding 32% by year-end.

Since 3Q2016, nickel prices at the LME futures market have traded sideways while prices at the Shanghai Metals Market (SMM) have decisively trended upwards. This suggests that nickel market in China has been more resilient to the decline in LME due to a shortage of ore supply in the physical market.

Turning to 2017, we had a great start –in fact, just two days ago we reached a record high of 48,068 WMT production loaded in one day.

Year to date, we have shipped 32 vessels or 1.7 million WMT vs. 19 vessels in 2016.

Price-wise, our average realized price increased by 32% to US\$18.4 year-on-year.

So while the road to recovery could be a little bumpy, we are confident that we are well placed to deliver value to you, our shareholders.



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Strategies

In sum, we are confident that we will still be here many years from now making the bonds among our stakeholders stronger and better than they are today.

To this end, we would like to outline our four strategies that will help realize one big goal: a bigger, dynamic and high social impact enterprise. These are:

1. Commence production of our Palawan mine;
2. Develop and upgrade existing resources and reserves within Cagdianao deposit areas;
3. Evaluate and selectively pursue value-added opportunities such as acquiring or entering into mining agreements or joint ventures, as well as downstream processing / vertical integration; and
4. Diversify into other minerals and other metals.

I began this presentation sharing with you our commitment to responsible mining and it is where I would like to close.

I would like to thank you our shareholders, our employees, and the guidance of our fellow directors. Thank you for your commitment and trust in us.

We are working hard to create a more valuable company for you and we truly believe that the best years are ahead of us.

Take a look.

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

Q&A