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(Business Address: No. Street City/Town/Province)

<b>Atty. Noel Lazaro</b>																													
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(Contact Person)

<b>(632) 5118229</b>																													
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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended - **MARCH 31, 2021**
2. Commission Identification Number - **ASO94-003992**
3. BIR Tax Identification Number - **003-871-592**
4. Exact name of issuer as specified in its charter  
**GLOBAL FERRONICKEL HOLDINGS, INC.**
5. Province, country or other jurisdiction of incorporation or organization  
**Metro Manila, Philippines**
6. Industry Classification Code:  (SEC Use Only)
7. Address of issuer's principal office  
7th Floor Corporate Business Centre, 151 Paseo de Roxas corner Arnaiz Street, Makati City  
Postal Code  
1228
8. Issuer's telephone number, including area code  
(632)-519 7888
9. Former name, former address and former fiscal year, if changed since last report  
Not applicable
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Common Shares	6,072,357,151
Amount of Debt Outstanding	Not applicable
11. Are any or all of the securities listed on a Philippine Stock Exchange?  
Yes ☒ 6,072,357,151 Common Shares      No ☐
12. Has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)  
Yes ☒      No ☐
13. Has been subject to such filing requirements for the past ninety (90) days.  
Yes ☒      No ☐



**Global Ferronickel Holdings, Inc.**

**17-Q QUARTERLY REPORT  
MARCH 31, 2021**

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1.b. Summary Consolidated Statements of Comprehensive Income for the Quarter Ended March 31, 2021 and 2020	
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## PART I - FINANCIAL INFORMATION

### Item 1. Consolidated Financial Statements

The Unaudited Interim Consolidated Financial Statements as at March 31, 2021 and for the three-month period ended March 31, 2021 and 2020 (with Comparative Audited Consolidated Statement of Financial Position as at December 31, 2020) are hereto attached.

The following tables set forth the summary financial information for the three-month period ended March 31, 2021 and 2020 and as at March 31, 2021 and December 31, 2020:

#### 1.a. Summary Consolidated Statements of Financial Position

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)	Increase/ (Decrease)	Percent Inc. (Dec.)
	<i>(In Thousand Pesos)</i>			
<b>ASSETS</b>				
Current Assets	5,125,105	5,693,173	(568,068)	-10.0%
Noncurrent Assets	5,912,017	5,881,363	30,654	0.5%
<b>TOTAL ASSETS</b>	<b>11,037,122</b>	<b>11,574,536</b>	<b>(537,414)</b>	<b>-4.6%</b>
<b>LIABILITIES AND EQUITY</b>				
Current Liabilities	1,460,168	1,537,995	(77,827)	-5.1%
Noncurrent Liabilities	918,028	923,579	(5,551)	-0.6%
<b>Total Liabilities</b>	<b>2,378,196</b>	<b>2,461,574</b>	<b>(83,378)</b>	<b>-3.4%</b>
<b>Equity</b>				
Attributable to Equity Holders				
of the Parent Company	8,627,951	9,081,373	(453,422)	-5.0%
Non-controlling Interest (NCI)	30,975	31,589	(614)	100.0%
<b>Total Equity</b>	<b>8,658,926</b>	<b>9,112,962</b>	<b>(454,036)</b>	<b>-5.0%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>11,037,122</b>	<b>11,574,536</b>	<b>(537,414)</b>	<b>-4.6%</b>

**1.b. Summary Consolidated Statements of Comprehensive Income**

	For the Quarter Ended March 31		Increase	Percent
	2021	2020	(Decrease)	Inc. (Dec.)
	(In Thousand Pesos)			
Revenues	133,269	38,997	94,272	241.7%
Cost and Expenses	(237,933)	(222,056)	(15,877)	7.1%
Finance Costs	(9,531)	(16,125)	6,594	-40.9%
Share in Net Loss of Investment in Associates	(6,259)	(2,859)	(3,400)	118.9%
Other Income (Charges) - net	6,148	(3,322)	9,470	-285.1%
Loss Before Income Tax	(114,306)	(205,365)	91,059	-44.3%
Benefit from Income Tax - net	(20,539)	(47,394)	26,855	-56.7%
<b>Net Loss</b>	<b>(93,767)</b>	<b>(157,971)</b>	64,204	-40.6%
Other Comprehensive Income	7,633	3,857	3,776	97.9%
<b>Total Comprehensive Loss</b>	<b>(86,134)</b>	<b>(154,114)</b>	67,980	-44.1%
Basic and Diluted Loss Per Share	(0.0176)	(0.0288)	0.0112	-38.8%
Net Loss Attributable To:				
Equity Holders of the Parent	(93,153)	(157,543)	64,390	-40.9%
Non-controlling Interest (NCI)	(614)	(428)	(186)	43.5%
	<b>(93,767)</b>	<b>(157,971)</b>	64,204	-40.6%

**1.c. Summary Consolidated Statements of Changes in Equity**

	For the Quarter Ended March 31		For the Year Ended December 31
	2021	2020	2020
<i>(In Thousand Pesos)</i>			
Capital Stock	6,375,975	6,375,975	6,375,975
Additional Paid-in Capital	239,012	239,012	239,012
Fair Value Reserve of Financial Asset at Fair Value through Other Comprehensive Loss	(5,270)	(6,893)	(5,481)
Remeasurement Gain on Retirement Obligation	8,607	19,729	8,607
Cumulative Translation Adjustment	(37,547)	1,923	(44,969)
Retained Earnings	3,959,980	2,028,015	4,053,133
Treasury Shares - at cost	(1,912,806)	(1,206,238)	(1,544,904)
Non-controlling Interest (NCI)	30,975	33,546	31,589
<b>Total Equity</b>	<b>8,658,926</b>	<b>7,485,069</b>	<b>9,112,962</b>

**1.d. Summary Consolidated Statements of Cash Flows**

	<b>For the Quarter Ended</b>	
	<b>March 31</b>	
	<b>2021</b>	<b>2020</b>
	<i>(In Thousand Pesos)</i>	
<b>NET CASH FLOWS USED IN:</b>		
Operating Activities	(264,049)	(343,488)
Investing Activities	(183,462)	(741,730)
Financing Activities	(373,789)	(16,137)
<b>NET DECREASE IN CASH</b>	<b>(821,300)</b>	<b>(1,101,355)</b>
Effect of Exchange Rate Changes on Cash	19,653	(3,460)
<b>CASH AT BEGINNING OF PERIOD</b>	<b>2,451,566</b>	<b>1,761,244</b>
<b>CASH AT END OF PERIOD</b>	<b>1,649,919</b>	<b>656,429</b>

**Basis of Preparation of Interim Consolidated Financial Statements**

The interim consolidated statements of financial position of Global Ferronickel Holdings, Inc. and Subsidiaries (the Group) as at March 31, 2021 and December 31, 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the periods ended March 31, 2021 and 2020 were prepared in accordance with generally accepted accounting principles in the Philippines. All significant inter-company balances and transactions have been eliminated in the consolidated financial statements.

The accounting principles followed in the preparation of the Group's most recent annual consolidated financial statements were similarly applied in the preparation of the interim consolidated financial statements. There were no significant changes in the Group's accounting policies, practices and methods of estimates from the Group's last annual consolidated financial statements.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

**Statement of Financial Condition**

As at March 31, 2021, total assets of the Group stood at ₱11,037.1 million, a decrease of ₱537.4 million or 4.6%, from ₱11,574.5 million as at December 31, 2020. The decrease was due to the net effect of the decrease in current assets by ₱568.1 million or 10.0% and increase in noncurrent assets by ₱30.7 million or 0.5%.

The net decrease in current assets was mainly attributable to the decrease in cash by ₱801.6 million for the working and operating capital of the Group. The trade and other receivables account increased by ₱46.7 million or 36.8% as the payment for the first shipment during the period is yet to be fully collected as of the reporting period.

The net increase in noncurrent assets was mainly due to the following: (a) increase in net deferred tax assets by ₱22.2 million mainly attributable to the net loss carryover (NOLCO) for the first quarter; (b) net decrease in property and equipment by ₱52.1 million due to depreciation and depletion during the period amounted to ₱59.9 million, net of ₱7.5 million acquisitions; and (c) increase in other noncurrent assets by ₱61.2 or 8.6%, mainly attributable to increase in advances to suppliers.

Total liabilities of the Group stood at ₱2,378.2 million as at March 31, 2021, a decrease of ₱83.4 million or 3.4%, from ₱2,461.6 million as at December 31, 2020. The decrease was mainly due to the decrease in trade and other payables by ₱69.3 million from ₱449.9 million to ₱380.6 million as a result of settlement of obligations with the suppliers/contractors during the first quarter.

## Results of Operations

The Group's operational Surigao mine performs nickel ore production and shipment during the dry months of each year between April to October, and hence the net loss of ₱93.8 million for the quarter ended March 31, 2021 mainly represents the recurring general and administrative expenses of the Group.

### Export Revenues

The Group's first quarter 2021 mining operations generated total export revenue of ₱133.3 million compared to ₱39.0 million in the three months ended March 31, 2020, an increase of ₱94.3 million or 241.7% due to higher nickel ore price. The Group was able to ship one vessel each for the first quarter of 2021 and 2020. This shipment sold solely to Chinese customers consisted of 0.055 million wet metric ton (WMT) low-grade nickel ore at an average realized price of United States Dollar (US\$)52.31/WMT in 2021 compared to 0.055 million wet metric ton (WMT) low-grade nickel ore at an average realized price of US\$14.00/WMT of the same period in 2020. In addition, the average realized Peso over US\$ exchange rate for the Group's export revenues was ₱46.24 compared to ₱50.71 of the same period in 2020, lower by ₱4.47 or 8.8%.

### Service Revenues

The service income earned for the LCT chartered by Platinum Group Metals Corporation (PGMC) from its subsidiary, PGMC-CNEP Shipping Services Corp. (PCSSC), amounted to ₱4.7 million for the period ended March 31, 2021 as compared to ₱0.9 million for the period ended March 31, 2020.

### Cost of Sales and Excise Taxes and Royalties

Cost of sales and excise taxes and royalties for the periods ended March 31, 2021 and 2020 amounted to ₱60.8 million and ₱38.2 million, respectively, representing the contract hire fee and allocated cost, and corresponding excise taxes and royalties for the Group's first shipment in March.

### General and Administrative

General and administrative expenses were ₱166.7 million in the first three months of 2021 compared to ₱175.6 million in the first quarter of 2020, a decrease of ₱8.9 million, or 5.1%. The decrease was mainly due to the decrease in consultancy fees and marketing and entertainment by ₱5.5 million or 34.1% and ₱3.4 million or 22.7%, respectively.

### Shipping and Distribution

Shipping and loading costs were ₱10.5 million in the first three months of 2021 compared to ₱8.3 million in the first quarter of 2020, an increase of ₱2.2 million, or 26.5%.

### Finance Costs

Finance costs amounted to ₱9.5 million in the period ended March 31, 2021 compared to ₱16.1 million in the period ended March 31, 2020, a decrease of ₱6.6 million, or 40.9%. The decrease was mainly due to the decrease in interest expense attributable to the principal payment of Taiwan Cooperative Bank Manila Offshore Banking Branch (TCB) loan.

### Other Income (Charges) - net

Net other income amounted to ₱4.7 million in the first three months of 2021 compared to net other charges of (₱5.2 million) in the first three months of 2020, an increase of ₱9.9 million, or 190.4%. The difference pertains mainly to unrealized foreign exchange gain during the period as a result of rebooking of US\$ denominated loan and payables.

## **Total Comprehensive Income - net of tax**

### Cumulative Translation Adjustment

The Group had recognized cumulative translation adjustment amounted to ₱7.4 million and ₱5.1 million for the periods ended March 31, 2021 and 2020, respectively, which pertained to the exchange differences arising on the translation of a subsidiary's functional currency to the presentation currency of the Parent Company.

## Statement of Cash Flows

The net cash flows used in operating activities resulted in ₱264.0 million for the first quarter ended March 31, 2021 compared to cash flows from operating activities of ₱343.5 million of the same period last year. Inventories increased as at March 31, 2021 was due to the cost incurred related to operations in preparation for the 2021 mining season. In addition, prepayments and other current assets increased due to advanced payments of taxes and licenses related to the April 2021 shipments that will be realized within the second quarter. In addition, trade and other receivables increased attributable to trade receivable from the first shipment completed in March this year. On the other hand, trade and other payables decreased due to settlement of obligations during the first quarter. Net cash flows used in investing activities for the three months ended March 31, 2021 and 2020 amounted to ₱183.5 million and ₱741.7 million, respectively. For the three months ended March 31, 2021 and 2020, the net cash flows used in financing activities amounted to ₱373.8 million and ₱16.1 million, respectively.

## Material Off-balance Sheet Transactions

The Group is not aware of any material off-balance sheet transaction, arrangement, obligation (including contingent obligation), and other relationship of the Group with unconsolidated entities or other persons created during the reported period other than those discussed in this report and in disclosures under Form 17-C.

## Material Commitments for Capital Expenditures

The Group does not have any outstanding commitment for capital expenditures as at March 31, 2021.

## Known Trends, Events and Uncertainties

There are no known significant trends, demands, commitments, or uncertainties that will result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in a material way. There were no other significant elements of income or loss that did not arise from the Group's continuing operations.

## PART II - FINANCIAL SOUNDNESS INDICATORS

The Group considers the following as the significant Key Performance Indicators as at March 31, 2021 and 2020:

<u>Indicators</u>	<u>Formula</u>	<u>2019</u>	<u>2018</u>
Earnings (Loss) Per Share	Profit for the Period/Weighted Average Number of Shares Outstanding	(0.0176)	(0.0288)
Debt-to-Equity Ratio	Total Liabilities/Total Equity	0.27:1	0.37:1
Asset-to-Equity Ratio	Total Assets/Total Equity	1.27:1	1.37:1
Current Ratio	Current Assets/Current Liabilities	3.51:1	3.53:1

### PART III - OTHER INFORMATION

The disclosures made under Form 17-C are as follows:

Date	Description
January 4, 2021	SEC Form 17-C report on FNI Share buy-back as of December 29, 2020.
January 4, 2021	SEC Form 17-C Directors and Key Officer's Corporate Governance Seminar Attendance
January 5, 2021	SEC Form 17-C Letter Advisement on the Attendance of the BOD for 2020 Meetings
February 1, 2021	SEC Form 17-C on Certificate of Compliance with the Revised Manual on Corporate Governance for the year 2020 as required by SEC Memorandum No. 36, Series of 2020.
February 10, 2021	SEC Form 17-C on annual stockholders' meeting results: approval of AFS, election of directors, reappointment of external auditor and stock and transfer agent
February 11, 2021	SEC Form 17-C Certificate of Independent Director for Mr. Edgardo G. Lacson.
February 11, 2021	SEC Form 17-C Certificate of Independent Director for Mr. Sergio R. Ortiz-Luis, Jr.
March 1, 2021	SEC Form 17-C report on FNI Share buy-back as of February 26, 2021.
March 11, 2021	Annual Verification of MGB
March 29, 2021	SEC Form 17-C report on Establishment of a Branch or Subsidiary in the ASEAN Region by Platinum Group Metals Corporation (PGMC)
April 7, 2021	Press Release: PGMC clarifies inaccurate article and adheres to responsible mining
April 7, 2021	Press Release: Global Ferronickel Holdings, Inc. sets target of 6 million WMT for 2021
April 16, 2021	Press Release: Global Ferronickel Holdings, Inc. net income up 43% to P1.86B in 2020
May 18, 2021	<p>At its regular meeting on May 17, 2021, the Board set the Annual Stockholders' Meeting to June 30, 2021 and record date to June 2, 2021. The Board authorized the ASM Committee to finalize the meeting's agenda and time, and charged the Corporate Secretary to issue appropriate notices and information statement to the stockholders of record through any means allowed by the SEC. The Company shall disclose the details in due course.</p> <p>The Board also approved the declaration of cash dividend at P0.10 per share, subject to the Company's withholding of applicable taxes, for stockholders of record as of June 15, 2021.</p>

## SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Registrant: **GLOBAL FERRONICKEL HOLDINGS, INC.**

Signature and Title:   
**ATTY. DANTE R. BRAVO**  
President

Date: **MAY 20 2021**

Signature and Title:   
**MARY BELLE D. BITUIN**  
Chief Financial Officer

Date: **MAY 20 2021**

Annex A

**Aging of Trade and Other Receivables**

As at March 31, 2021

(In Thousand Pesos)

	Neither Past Due Nor Impaired	Past Due But Not Impaired			Impaired	Total
		90 Days or Less	91-120 Days	More than 120 days		
Trade	128,893	-	-	-	186,001	314,894
Advances to Contractors	32,764	-	-	-	79,711	112,475
Advances to Officers, Employees and Others	11,754	-	-	-	-	11,754
Total	<b>173,411</b>	-	-	-	<b>265,712</b>	<b>439,123</b>
Less: Allowance for Doubtful Accounts						265,712
<b>NET RECEIVABLES</b>						<b>173,411</b>

**GLOBAL FERRONICKEL HOLDINGS, INC.**  
**SEC FORM 17-Q**  
**INDEX TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2021**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Interim Consolidated Statements of Financial Position as at March 31, 2021 and December 31, 2020

Interim Consolidated Statements of Comprehensive Income for the Three-Month Period Ended March 31, 2021 and 2020

Interim Consolidated Statements of Changes in Equity for the Three-Month Period Ended March 31, 2021 and 2020

Interim Consolidated Statements of Cash Flows for the Three-Month Period Ended March 31, 2021 and 2020

Notes to Consolidated Financial Statements

**GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Amounts in Thousands)

	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	P1,649,919	P2,451,566
Trade and other receivables (Note 5)	173,411	126,727
Advances to related parties (Note 26)	2,873,515	2,765,543
Inventories (Note 6)	335,321	286,598
Prepayments and other current assets (Note 7)	92,939	62,739
<b>Total Current Assets</b>	<b>5,125,105</b>	<b>5,693,173</b>
<b>Noncurrent Assets</b>		
Property and equipment (Note 8)	1,925,225	1,977,317
Deposits for future acquisition (Note 26)	2,170,210	2,173,978
Investment in associates (Note 9)	485,166	487,657
Mining rights (Note 10)	136,522	136,825
Mine exploration costs (Note 11)	247,244	241,361
Deferred tax assets - net (Note 27)	175,294	153,122
Other noncurrent assets (Note 12)	772,356	711,103
<b>Total Noncurrent Assets</b>	<b>5,912,017</b>	<b>5,881,363</b>
<b>TOTAL ASSETS</b>	<b>P11,037,122</b>	<b>P11,574,536</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Note 13)	P380,619	P449,896
Current portion of loans payable (Note 14)	464,519	460,487
Advances from related parties (Note 26)	394,608	394,536
Current portion of lease liabilities (Note 18)	56,278	56,213
Income tax payable	164,144	176,863
<b>Total Current Liabilities</b>	<b>1,460,168</b>	<b>1,537,995</b>
<b>Noncurrent Liabilities</b>		
Loans payable - net of current portion (Note 14)	—	—
Provision for mine rehabilitation and decommissioning (Note 15)	330,643	328,601
Retirement obligation (Note 16)	22,237	25,081
Lease liabilities - net of current portion (Note 18)	33,119	37,868
Other noncurrent liabilities (Note 17)	532,029	532,029
<b>Total Noncurrent Liabilities</b>	<b>918,028</b>	<b>923,579</b>
<b>Total Liabilities</b>	<b>2,378,196</b>	<b>2,461,574</b>
<b>Equity</b>		
Capital stock (Note 19)	6,375,975	6,375,975
Additional paid-in capital	239,012	239,012
Remeasurement gain on retirement obligation	8,607	8,607
Cumulative translation adjustment	(37,547)	(44,969)
Fair value reserve of financial asset at fair value through other comprehensive income (Note 12)	(5,270)	(5,481)
Retained earnings	3,959,980	4,053,133
Treasury shares (Note 19)	(1,912,806)	(1,544,904)
Equity attributable to the Parent Company	8,627,951	9,081,373
Non-controlling interests (NCI) (Note 19)	30,975	31,589
<b>Total Equity</b>	<b>8,658,926</b>	<b>9,112,962</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P11,037,122</b>	<b>P11,574,536</b>

See accompanying Notes to Unaudited Consolidated Financial Statements.

**GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021 AND 2020**  
**(Amounts in Thousands, Except Earnings per Share)**

	2021	2020
	(Unaudited)	
<b>SALE OF ORE</b>	₱133,269	₱38,997
<b>COST OF SALES</b> (Note 21)	47,470	33,868
<b>GROSS PROFIT</b>	85,799	5,129
<b>OPERATING EXPENSES</b>		
Excise taxes and royalties	13,316	4,338
General and administrative (Note 22)	166,686	175,591
Shipping and distribution (Note 23)	10,461	8,259
	190,463	188,188
<b>FINANCE COSTS</b> (Note 25)	(9,531)	(16,125)
<b>FINANCE INCOME</b>	1,407	1,878
<b>SHARE IN NET LOSS OF INVESTMENT IN ASSOCIATES</b>	(6,259)	(2,859)
<b>OTHER INCOME (CHARGES) - net</b>	4,741	(5,200)
<b>LOSS BEFORE INCOME TAX</b>	(114,306)	(205,365)
<b>BENEFIT FROM INCOME TAX</b> (Note 27)		
Current	4,814	—
Deferred	(25,353)	(47,394)
	(20,539)	(47,394)
<b>NET LOSS</b>	(93,767)	(157,971)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>		
Currency translation adjustment	10,603	7,226
Income tax effect	(3,181)	(2,168)
	7,422	5,058
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>		
Fair value reserve of financial asset at fair value through other comprehensive income (Note 12)	211	(1,201)
<b>TOTAL COMPREHENSIVE LOSS</b>	(₱86,134)	(₱154,114)
<b>Basic/Diluted Earnings (Loss) per Share</b> (Note 20)	(₱0.0176)	(₱0.0288)

See accompanying Notes to Unaudited Consolidated Financial Statements.

**GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021 AND 2020**  
**(Amounts in Thousands)**

				Fair Value Reserve of Financial Asset at Fair Value through Other Comprehensive (Note 12)	Remeasurement Gain on Retirement Obligation	Cumulative Translation Adjustment	Retained Earnings	Total	NCI	Total Equity
	Capital Stock (Note 19)	Additional Paid-in Capital (Note 19)	Treasury Shares (Note 19)							
Balances at December 31, 2020 (Audited)	₱ 6,375,975	₱ 239,012	₱ (1,544,904)	₱ (5,481)	₱ 8,607	₱ (44,969)	₱ 4,053,133	₱ 9,081,373	₱ 31,589	₱ 9,112,962
Net income (loss) for the period	-	-	-	-	-	-	₱ (93,153)	₱ (93,153)	₱ (614)	₱ (93,767)
Other comprehensive loss - net of tax	-	-	-	211	-	7,422	-	7,633	-	7,633
Total comprehensive income (loss) - net of tax	-	-	-	211	-	7,422	₱ (93,153)	₱ (85,520)	₱ (614)	₱ (86,134)
Purchase of treasury shares	-	-	₱ (367,902)	-	-	-	-	₱ (367,902)	-	₱ (367,902)
Balances at March 31, 2021 (Unaudited)	₱ 6,375,975	₱ 239,012	₱ (1,912,806)	₱ (5,270)	₱ 8,607	₱ (37,547)	₱ 3,959,980	₱ 8,627,951	₱ 30,975	₱ 8,658,926
Balances at December 31, 2019 (Audited)	₱ 6,375,975	₱ 239,012	₱ (1,198,909)	₱ (5,692)	₱ 19,729	₱ (3,135)	₱ 2,185,558	₱ 7,612,538	₱ 33,974	₱ 7,646,512
Net income (loss) for the period	-	-	-	-	-	-	₱ (157,543)	₱ (157,543)	₱ (428)	₱ (157,971)
Other comprehensive loss - net of tax	-	-	-	₱ (1,201)	-	5,058	-	3,857	-	3,857
Total comprehensive income (loss) - net of tax	-	-	-	₱ (1,201)	-	5,058	₱ (157,543)	₱ (153,686)	₱ (428)	₱ (154,114)
Issuance of common stock - NCI	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	₱ (7,329)	-	-	-	-	₱ (7,329)	-	₱ (7,329)
Balances at March 31, 2020 (Unaudited)	₱ 6,375,975	₱ 239,012	₱ (1,206,238)	₱ (6,893)	₱ 19,729	₱ 1,923	₱ 2,028,015	₱ 7,451,523	₱ 33,546	₱ 7,485,069

See accompanying Notes to Unaudited Consolidated Financial Statements.

**GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2021 AND 2020**  
**(Amounts in Thousands)**

	2021	2020
	(Unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	(P114,306)	(P205,365)
Adjustments for:		
Depreciation, depletion and amortization	34,858	37,135
Interest expense (Note 25)	7,045	12,452
Unrealized foreign exchange losses (gains) - net	(5,076)	5,539
Accretion interest on provision for mine rehabilitation and decommissioning (Note 25)	2,042	3,208
Share in net loss of investment in associates (Note 9)	6,259	2,859
Interest income	(1,407)	(1,878)
Retirement benefits costs (Note 16)	1,369	829
Operating loss before changes in working capital	(69,216)	(145,221)
Decrease (increase) in:		
Trade and other receivables	(46,684)	138,631
Inventories	(22,314)	(22,976)
Prepayments and other current assets	(29,986)	(18,130)
Decrease in trade and other payables	(66,727)	(280,150)
Net cash used in operations	(234,927)	(327,846)
Income taxes paid	(17,996)	-
Interest paid	(6,027)	(11,020)
Contributions (Note 16)	(5,727)	(5,727)
Interest received	628	1,105
Net cash flows used in operating activities	(264,049)	(343,488)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to:		
Property and equipment	(7,476)	(17,701)
Mine exploration costs	(5,883)	(4,351)
Increase in:		
Advances to related parties	(107,972)	(701,592)
Other noncurrent assets	(62,131)	(18,086)
Cash flows used in investing activities	(183,462)	(741,730)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Purchase of treasury shares (Note 19)	(367,902)	(7,329)
Payments of bank loans	-	-
Increase (decrease) in:		
Lease liabilities	(5,959)	(9,033)
Advances from related parties	72	225
Net cash flows used in financing activities	(373,789)	(16,137)
NET DECREASE IN CASH	(821,300)	(1,101,355)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	19,653	(3,460)
<b>CASH AT BEGINNING OF PERIOD</b>	<b>2,451,566</b>	<b>1,761,244</b>
<b>CASH AT END OF PERIOD</b>	<b>P1,649,919</b>	<b>P656,429</b>

See accompanying Notes to Unaudited Consolidated Financial Statements.

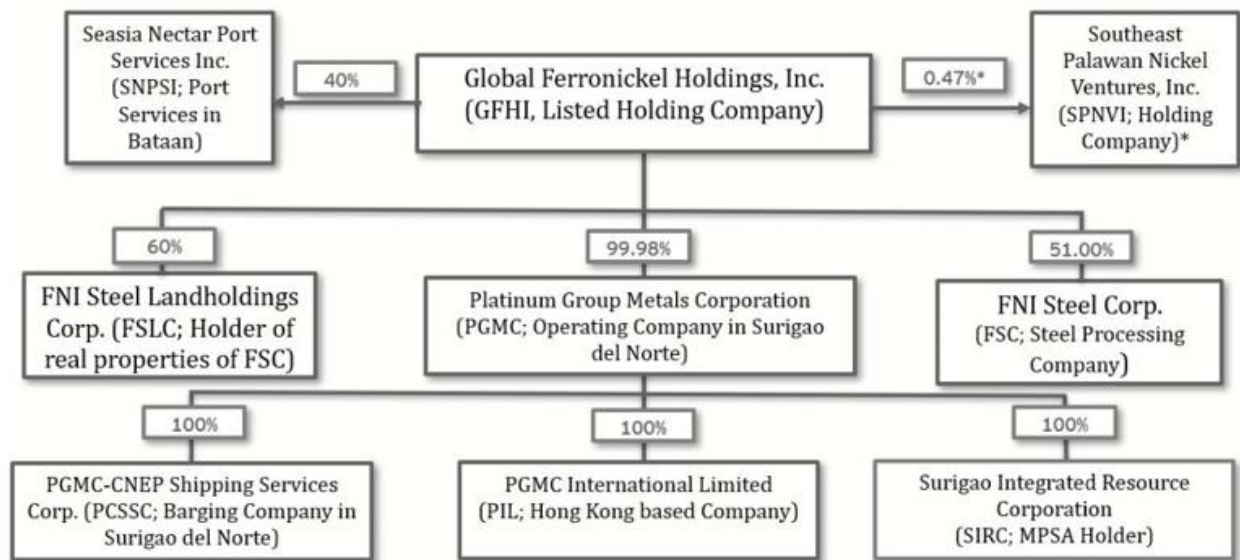
## GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 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 office address of the Parent Company is 7th Floor Corporate Business Centre, 151 Paseo De Roxas, corner Arnaiz Street, Makati City.

The following is the map of relationships of the Companies within the Group:



\*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.

The Parent Company's principal stockholders as at March 31, 2021 are as follows:

List of Top 20 Stockholders

Name	Citizenship	Holdings	Percentage
PCD NOMINEE CORP. - FILIPINO	Filipino	3,099,721,553	59.49%
PCD NOMINEE CORP. - NON-FILIPINO	Foreign	1,727,840,129	33.16%
REGULUS BEST NICKEL HOLDINGS INC.	Filipino	523,154,668	10.04%
BLUE EAGLE ELITE VENTURE INC.	Filipino	348,769,779	06.29%
SOHOTON SYNERGY, INC.	Filipino	233,156,767	04.47%
RED LION FORTUNE GROUP INC.	Filipino	57,588,866	01.11%
JOSEPH C. SY	Filipino	5,000,000	00.10%
DANTE R BRAVO	Filipino	3,261,053	00.06%
ORION-SQUIRE CAPITAL, INC. A/C-0459	Filipino	2,283,106	00.04%
CARLO A. MATILAC	Filipino	1,733,226	00.03%
MARY BELLE D. BITUIN	Filipino	1,630,523	00.03%
SQUIRE SECURITIES, INC	Filipino	867,338	00.02%
CORSINO L. ODOJAN	Filipino	785,860	00.01%
GEARY L. BARIAS	Filipino	785,860	00.01%
MARILOU C. CELZO	Filipino	678,479	00.01%
EMMANUEL FELIPE E. FANG	Filipino	575,779	00.01%
HILARIO A. SALE JR.	Filipino	575,779	00.01%
GO GEORGE L.	Filipino	539,153	00.01%
KUOK PHILIPPINES PROPERTIES INC.	Filipino	463,953	00.01%
RICHARD C. GIMENEZ	Filipino	430,738	00.01%
TONG GABRIEL	Filipino	417,805	00.01%

### The Subsidiaries

#### PGMC

PGMC was registered with the Philippine SEC on February 10, 1983. PGMC is 99.98% owned by the Parent Company and is primarily engaged in the exploration, mining and exporting of nickel ore located in the municipality of Claver, Surigao del Norte.

PGMC has an Operating Agreement with SIRC for the exclusive right and privilege to undertake mining activities within the area covered by the Mineral Production Sharing Agreement (MPSA) No. 007-92-X.

#### Seasonality

The Cagdianao Mine produces and exports nickel ores from April to October of each year, typically the dry and minimal sea swell season at the mine site. During the rainy season, mining operations in the mine site are suspended and there is no loading of ore onto ships. This seasonality results in quarter-to-quarter volatility in the operating results with more revenue being earned and more expenses being incurred during the second and third quarters compared to the first and fourth quarters.

#### Certification for Value-added tax (VAT) Zero-Rated Status

PGMC has been certified by the 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 February 19, 2021, the BOI issued to PGMC the certification granting the renewal of PGMC's VAT zero-rated status. The certification is valid from January 1, 2021 up to December 31, 2021 unless sooner revoked by the BOI Governing Board.

#### SIRC

SIRC is a wholly-owned subsidiary of the Parent Company through PGMC and was registered with the Philippine 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. The said MPSA was last renewed on June 21, 2016 for another 25 years from its initial term ending in 2017, or until February 14, 2042.

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. As such, on June 28, 2016, the contract area covered by the MPSA was amended from 4,376 hectares to 5,219.5612 hectares by annexing the portion of the area covered by the application for EP. On March 2, 2020, MGB approved the area expansion and the MPSA No. 007-92-X-SMR was redenominated as MPSA No. 007-92-X-SMR (Amended 1).

#### *PCSSC*

PCSSC is a wholly-owned subsidiary of the Parent Company through PGMCO and was registered with the Philippine 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 tank (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.

#### *PIL*

PIL is a wholly-owned subsidiary of the Parent Company through PGMCO and was incorporated on July 22, 2015 as a limited company under the Companies Ordinance of Hong Kong. Its primary purpose is to trade mineral products. 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 PGMCO.

#### *FSC*

FSC is a 51%-owned subsidiary of the Parent Company and was registered with the Philippine SEC on August 5, 2019. Its primary purpose is to engage in the business of buying, selling, dealing, at wholesale and retail, importing and manufacturing iron, steel and other ferrous or non-ferrous metal products, to be processed either by melting, rolling, casting, or forging to produce it in the form of ingots, billets, sections, bars, plates, strips, rods, tubes, pipes and other such form in demand in the market or industry; to import materials, machinery and equipment needed to manufacture such finished products; and to lease real properties such as land and buildings as needed.

#### *FSLC*

FSLC is a 60%-owned subsidiary of the Parent Company and was registered with the Philippine SEC on May 31, 2019. Its primary purpose is to engage in the business of managing real estate or interest therein, alone or in joint ventures with others and for this purpose acquire land by purchase, lease, donation, or otherwise, and to own, use, improve, subdivide, hold, administer, sell, convey, exchange, lease, mortgage, dispose of, work, develop, or otherwise deal in real property of any kind and interest or right therein and to construct, improve, manage, or otherwise dispose of buildings and other structures of whatever kind, together with their appurtenances whether for dwelling, commercial or industrial purposes. FSLC was incorporated to hold real properties of FSC.

PGMCO, SIRC, PCSSC and PIL are hereinafter collectively referred to as PGMCO Group. PGMCO Group and FSLC'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. FSC's registered address is at Lot 9 3rd Floor AFAB Administration Building, Freeport Area of Bataan Alas-asin Mariveles, Bataan, Region III, Philippines.

#### The Associates

##### *SPNVI*

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 Center, 151 Paseo de Roxas cor. Arnaiz St., 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 37.50% of the common shares with voting rights and 0.47% of the 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 March 31, 2021, SPNVI directly owns 99.76% of Ipilan Nickel Corporation (INC), a company registered with the Philippine 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).

#### SNPSI

SNPSI is an associate of the Parent Company and was registered with SEC on July 11, 2014 primarily to engage to carry on the business of providing and rendering general services incidental to and necessarily connected with the operation and management of port terminals in the Philippines, which will involve the handling of containers, bulk liquid and dry cargoes, bagging of fertilizers, refrigerated warehousing facilities, warehousing and stevedoring, lightering, towing, and/or storing of cargo handled by the Company to and from port terminals in the delivery from abroad and/or for shipment abroad as may be necessary or incidental thereto. The registered office address of SNPSI is at Mariveles Multi-Purpose Terminal, Mariveles Diversion Road Freeport Area of Bataan, Brgy. Sisiman, Mariveles, Bataan.

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## **2. Basis of Preparation, Statement of Compliance and Basis of Consolidation**

### Basis of Preparation

The accompanying interim consolidated financial statements have been prepared on a historical cost basis, except for the financial asset at fair value through other comprehensive income (FVOCI), 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 subsidiaries is Philippine peso, except for PIL whose functional currency is Hong Kong Dollar (HKD). All values are rounded to the nearest thousand (000), except number of shares, per share data and as indicated. Further, the unaudited interim consolidated financial statements do not include all the information and disclosure required in the annual consolidated financial statements, and should be read in conjunction with the audited Group's annual consolidated financial statements as at December 31, 2020.

### 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/Philippine Interpretation based on International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC, including SEC pronouncements.

### 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, except PIL, are all based in the Philippines and are duly registered with the Philippine SEC. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using uniform and consistent accounting policies.

#### 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 pronouncement starting January 1, 2021. Adoption of this pronouncement did not have any significant impact on the Group's financial position or performance.

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*  
The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

- The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks, and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition.

The amendments apply retrospectively, however, the Group is not required to restate prior periods. The amendments did not have any impact on the consolidated financial statements of the Group.

#### 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, 2022*

- Amendments to PFRS 3, *Reference to the Conceptual Framework*  
The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets or Philippine-IFRIC 21, Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

The amendments are not expected to have any impact on the consolidated financial statements of the Group.

- Amendments to PAS 16, *Plant and Equipment Proceeds before Intended Use*  
The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The Group is currently assessing the impact of adopting the amendments of this standard on the consolidated financial statements.

- *Amendments to PAS 37, Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

- *Amendments to PFRS 1, First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- *Amendments to PFRS 9, Financial Instruments, Fees in the “10 percent” test for derecognition of financial liabilities*  
The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

- *Amendments to PAS 41, Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

*Effective beginning on or after January 1, 2023*

- *Amendments to PAS 1, Classification of Liabilities as Current or Non-current*  
The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- *PFRS 17, Insurance Contracts*  
PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

The new accounting standard is not expected to have a significant impact on the consolidated financial statements of the Group.

*Deferred effectivity*

- *Amendments to PFRS 10, Consolidated Financial Statements, 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. 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 deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) 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.

The amendments are not expected to have any impact on the consolidated financial statements of the Group.

### 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.

Accounting 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 outcomes 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:

#### *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*

As at March 31, 2021 and December 31, 2020, the Group assessed that it has significant influence over SPNVI and SNPSI and has accounted for the investment as an investment in associates.

#### Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

### 4. Cash

Amount in thousands	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash on hand	P975	P909
Cash with banks	1,003,213	2,378,678
Short-term cash investments	645,731	71,979
	<u>P1,649,919</u>	<u>P2,451,566</u>

## 5. Trade and Other Receivables

Amount in thousands	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade	P314,894	P275,853
Advances to:		
Contractors	112,475	106,502
Officers, employees and others	11,754	10,084
	439,123	392,439
Less allowance for impairment losses	265,712	265,712
	P173,411	P126,727

There was no provision for impairment losses for the periods ended March 31, 2021 and 2020.

## 6. Inventories

Amount in thousands	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Beneficiated nickel ore	P259,650	P204,776
Materials and supplies	75,671	81,822
	P335,321	P286,598

## 7. Prepayments and Other Current Assets

Amount in thousands	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Prepaid taxes and licenses	P63,987	P38,387
Prepaid rent	11,181	15,031
Prepaid insurance	14,218	8,922
Others	7,237	4,083
	96,623	66,423
Less allowance for impairment losses	3,684	3,684
	P92,939	P62,739

No provision for impairment losses on other current assets was recognized in 2021 and 2020.

## 8. Property and Equipment

As at March 31, 2021 and December 31, 2020, property and equipment amounted to P1,925.2 million and P1,977.3 million, respectively. During the three-month periods ended March 31, 2021 and 2020, the Group acquired assets with a cost of P7.5 million and P17.7 million, respectively, including construction in-progress.

Depreciation and depletion expenses for the three-month period March 31, 2021 and 2020 amounted to P59.9 million and P57.8 million, respectively. As of March 31, 2021 and December 31, 2020, total accumulated depreciation and depletion amounted to P2,638.3 million and P2,577.9 million, respectively. Depreciation and depletion expenses directly attributable to production amounting to P26.4 million and P23.4 million for the three months ended March 31, 2021 and 2020, respectively, were charged to beneficial nickel ore inventory.

The property and equipment includes the right-of-use assets amounted to P108.2 million and P115.3 million as at March 31, 2021 and December 31, 2020. As of March 31, 2020 and December 31, 2019, accumulated depreciation of the right-of-use assets amounted to P53.3 million and P45.7 million, respectively. Depreciation expense of right-of-use assets for the three-month period March 31, 2021 and 2020 amounted to P7.3 million and P1.9 million, respectively.

No property and equipment were pledged as at March 31, 2021 and December 31, 2020 except machineries and other equipment subject to chattel mortgage.

## 9. Investment in Associates

Amount in thousands	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
SPNVI	P—	P—
SNPSI	485,166	487,657
	P485,166	P487,657

### SPNVI

SPNVI, a private entity, 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.

Details of investment in SPNVI are as follows:

Amount in thousands	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Cost	P300,000	P300,000
Accumulated equity in net loss:		
Beginning balance	(300,000)	(300,000)
Share in loss	—	—
Ending balance	(300,000)	(300,000)
	P—	P—

Also, the Group recognized share in net loss of SPNVI from its deposits for future acquisition amounted to P3.8 million and P2.4 million for the periods ended March 31, 2021 and 2020. As at March 31, 2021 and December 31, 2020, the Group's accumulated share in net loss of SPNVI charged to its net investment in SPNVI are as follows:

Amount in thousands	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Investment in associates	P300	P300
Deposits for future acquisition	46,844	43,076
	P47,144	P43,376

SPNVI and subsidiaries incurred a net loss of P10.0 million and P6.5 million for the periods ended March 31, 2021 and 2020, respectively. The Group's share in the net loss amounted to P3.8 million and P2.4 million for the periods ended March 31, 2021 and 2020, respectively.

**SNPSI**

SNPSI, a private entity, was registered with SEC on July 11, 2014 and operates the first purpose-built Dry Bulk Terminal located within the Freeport Area of Bataan in Mariveles. The terminal handles shipments of coal, clinker, silica sand and cement raw materials, as well as steel, fertilizer and other dry bulk cargoes.

Details of investment in SPNVI are as follows:

Amount in thousands	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Cost	P450,000	P450,000
Accumulated equity in net loss:		
Beginning balance	37,657	1,429
Share in net income (loss)	(2,491)	36,228
Ending balance	35,166	37,657
	P485,166	P487,657

SNPSI incurred a net loss of P6.2 million and P1.0 million for the periods ended March 31, 2021 and 2020, respectively. The Group's share in the net loss amounted to P2.5 million and P0.4 million for the periods ended March 31, 2021 and 2020, respectively.

The Group recognized total share in net loss of investment in associates amounted to P6.3 million and P2.9 million for the periods ended March 31, 2021 and 2020, respectively.

## 10. Mining Rights

Amount in thousands	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Cost	P396,500	P396,500
Accumulated amortization:		
Beginning balance	259,675	240,191
Amortization	303	19,484
Ending balance	259,978	259,675
Net book value	P136,522	P136,825

There was no provision for impairment loss on mining rights recognized for the three months period ended March 31, 2021 and 2020.

## 11. Mine Exploration Costs

Amount in thousands	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Beginning balance	P241,361	P219,746
Exploration expenditures incurred	5,883	21,615
Ending balance	P247,244	P241,361

The Group operates CAGA 2, 3 and 4 areas. CAGAs 1, 5, 6, 7 and limestone areas are all under exploration activities.

## 12. Other Noncurrent Assets

Amount in thousands	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Mine rehabilitation fund (MRF)	P316,836	P316,501
Restricted cash	182,411	180,448
Input VAT	206,808	204,872
Advances to suppliers	203,185	145,707
Intangible asset	34,576	35,384
Financial asset at FVOCI	3,585	3,374
Others	27,135	26,997
	974,536	913,283
Less allowance for impairment losses	202,180	202,180
	P772,356	P711,103

Movements in fair value of the financial asset at FVOCI are as follows:

Amount in thousands	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Beginning balance	P3,374	P3,163
Fair value reserve	211	211
Ending balance	P3,585	P3,374

Movements in the "Fair value reserve of the financial asset at FVOCI" are as follows:

Amount in thousands	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Beginning balance	P5,481	P5,692
Fair value reserve	(211)	(211)
Ending balance	P5,270	P5,481

There was no dividend income earned from the quoted equity instrument for the periods ended March 31, 2021 and 2020.

## 13. Trade and Other Payables

Amount in thousands	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade	P141,262	P108,650
Advances from Huarong Asia Limited	168,596	168,596
Accrued expenses and taxes	34,874	139,121
Dividends payable	20,238	20,238
Nontrade	15,649	13,291
	P380,619	P449,896

Details of the accrued expenses and taxes are summarized below:

Amount in thousands	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Excise taxes and royalties payable	P4,345	P77,869
Business and other taxes	11,696	15,976
Provision for Social Development and Management Program (SDMP) and Indigenous Cultural Communities (ICC)	9,187	30,546
Others	9,646	14,730
	P34,874	P139,121

#### 14. Bank Loans

Amount in thousands	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Long term loans	P454,369	P450,337
Chattel mortgage loans	10,150	10,150
Total	464,519	460,487
Less current portion:		
Long term loans	454,369	450,337
Chattel mortgage loans	10,150	10,150
Loans payable - current portion	464,519	460,487
Loans payable - net of current portion	P—	P—

Movements in the carrying value of loans payable are as follows:

Amount in thousands	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Beginning balance	P460,487	P697,028
Availments	—	291,769
Payments	—	(499,367)
Effect of changes in foreign currency exchange rates and others	4,032	(28,943)
Ending balance	P464,519	P460,487

#### Long term loans

##### TCB

On June 28, 2018, the Group was granted by TCB a loan facility in the aggregate principal amount not exceeding US\$15.0 million for general corporate purposes.

Tranche B: loan facility of US\$15.0 million

- Available for drawing before May 25, 2019
- Maturity date on 36 months after the first drawdown date for payment as follows:

Months from the first drawdown date	Repayment installment from outstanding principal at the end of availability period (%)
18	12.50%
24	12.50%
30	12.50%
36	62.50%

The interest shall be payable quarterly in arrears. The interest rate for the loan is the aggregate of the reference rate plus spread of 3.50% per annum. The reference rate is the applicable London Interbank Offered Rate (LIBOR) displayed on the Bloomberg and Reuters' page for the three 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:

- The Group shall maintain a waterfall account with TCB wherein all amounts collected by TCB from the buyers of nickel ore shall be deposited.
- The security by TCB shall consist of only three kinds, as follows:
  - Accounts receivables from PGMC's customers or clients.
  - Import letters of credit (LC) issued in favor of PGMC by its customers and clients.
  - Demand Deposit Account which shall be opened and set-up by the collateral provider or pledger acceptable to TCB amounting to at least 25% of the drawdown.
  - Guarantee issued by any individual, juridical person or any combination thereof acceptable to TCB.
- 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.
- The Group may, at its option, prepay the loan in part or in full, together with accrued interest thereon.
- 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 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 TCB.
- 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 the TCB loan amounted to ₱4.7 million and ₱10.4 million for the periods ended March 31, 2021 and 2020, respectively.

The Group has complied with the terms of the loan as at March 31, 2021 and December 31, 2020.

#### SBM Leasing

On July 5, 2019, the Group availed long-term loan from SBM Leasing for the acquisition of transportation equipment. The loans are payable within two years and bear an annual interest rate of 9.50% per annum.

#### Short term loan

##### BDO

The Group is annually granted by BDO a revolving US\$20.0 million Export Packing Credit Line for working capital purposes. As at March 31, 2021 and December 31, 2020, the remaining balance is nil. Interest expense related to the BDO loan is nil for the periods ended March 31, 2021 and 2020.

#### Chattel mortgage loans

In 2019, the Group availed two chattel mortgage loans from Caterpillar Financial Services Philippines Inc. for the acquisition of transportation equipment. The loans are payable within two years at interest rates ranging from 5.97% to 6.31% per annum and payable in monthly installments.

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### **15. 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.

Amount in thousands	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Beginning balance	₱328,601	₱252,454
Accretion interest	2,042	8,171
Effect of change in estimate	–	67,976
Ending balance	₱330,643	₱328,601

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### **16. Retirement Obligation**

The GFHI Group of Companies Multiemployer Retirement Plan (the Retirement Plan) is jointly established by PGM, PCSSC, INC and the Parent Company, and other affiliate companies that may adopt the said plan. The Retirement Plan is a non-contributory defined benefit retirement plan covering all of the Group's regular employees effective January 1, 2018.

The funding of the Retirement Plan shall be determined by the actuarial advisor and payment of the benefits thereunder shall be provided through the medium of a fund held by the Trustee Bank under the Trust Agreement.

There was no plan termination, curtailment or settlement as at March 31, 2021 and December 31, 2020.

The latest actuarial valuation report of the retirement plan is as at December 31, 2020.

As at March 31, 2021, the Group's contribution to the pension fund amounted to ₱5.7 million. The Group does not currently employ any asset-liability matching.

As at March 31, 2021 and December 31, 2020, retirement obligation, net of fair value of plan assets, amounted to ₱22.2 million and ₱25.1 million, respectively. The retirement benefits costs amounted to ₱2.6 million and ₱3.5 million for the three months period ended March 31, 2021 and 2020, respectively. The interest cost on retirement obligation amounted to ₱1.0 million and ₱1.1 million for the three months period ended March 31, 2021 and 2020, respectively.

## 17. Other Noncurrent Liabilities

Amount in thousands	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Previous stockholders of Celestial Nickel Mining Exploration Corporation (CNMEC)	P366,463	P366,463
Brookes Nickel Ventures, Inc. (BNVI)	165,566	165,566
	P532,029	P532,029

## 18. Leases

The Group has lease contracts for various properties and equipment used in its operations. Leases of properties generally have lease terms between three and 13 years while the equipment has a lease term of one year. The Group's obligations under its leases are secured by the lessor's title to the leased assets. In some contracts, the Group is restricted from assigning and subleasing the leased assets.

The Group also has certain lease of office spaces and machineries and equipment with lease terms of 12 months or less. The Group applies the "short-term lease" recognition exemptions for these leases.

The current and noncurrent portion of the lease liabilities as at March 31, 2021 and December 31, 2020, discounted using incremental borrowing rate are as follows:

Amount in thousands	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Current portion	P56,278	P56,213
Noncurrent portion	33,119	37,868
	P89,397	P94,081

The rollforward analysis of lease liabilities follows:

Amount in thousands	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Beginning balance	P94,801	P74,193
Interest expense	1,275	2,079
Payments	(5,959)	(26,542)
Addition		44,351
	P89,397	P94,801

## 19. Equity

### Capital Stock

The Parent Company has 11,957,161,906 authorized shares at P1.05 par value as at March 31, 2021 and December 31, 2020. Out of the total authorized shares of the Parent Company, 6,072,357,151 shares are issued amounting to P6,375,975 as at March 31, 2021 and December 31, 2020.

The Parent Company has only one class of common shares which do not carry any right to fixed income.

NCI

**March 31, 2021**

	<b>FSC</b>	<b>FSLC</b>	<b>PGMC</b>	<b>Total</b>
Percentage of ownership	<b>49.00%</b>	<b>40.00%</b>	<b>0.02%</b>	
Issuance of capital stock	<b>30,625</b>	<b>7,500</b>	<b>446</b>	<b>38,571</b>
Retained earnings, beginning	(6,344)	(697)	59	(6,982)
Total comprehensive income				
(loss) attributable to NCI	(749)	152	(17)	(614)
Cash dividend	-	-	-	-
<b>Total</b>	<b>23,532</b>	<b>6,955</b>	<b>488</b>	<b>30,975</b>

**December 31, 2020**

	<b>FSC</b>	<b>FSLC</b>	<b>PGMC</b>	<b>Total</b>
Percentage of ownership	<b>49.00%</b>	<b>40.00%</b>	<b>0.02%</b>	
Issuance of capital stock	<b>30,625</b>	<b>7,500</b>	<b>446</b>	<b>38,571</b>
Retained earnings, beginning	(3,032)	(1,462)	(102)	(4,596)
Total comprehensive income				
(loss) attributable to NCI	(3,312)	765	375	(2,172)
Cash dividend	-	-	(214)	(214)
<b>Total</b>	<b>24,281</b>	<b>6,803</b>	<b>505</b>	<b>31,589</b>

Treasury Stock

The Parent Company has 862,044,322 shares amounting to ₱1,912.8 million and 735,182,322 shares amounting to ₱1,544.9 million in treasury as at March 31, 2021 and December 31, 2020, respectively.

For the periods ended March 31, 2021 and 2020, the Parent Company purchased a total of 126,862,000 common shares and 9,035,000 common shares at an average price of ₱2.90 per share and ₱0.86 per share, respectively.

**20. Earnings (Loss) Per Share**

The following reflects the income and share data used in the earnings (loss) per share computation for the three months period ended March 31:

	2020	2019
	(Unaudited)	
Net loss attributable to equity holders of the Parent Company (amounts in thousands)	(₱93,153)	(₱157,543)
Number of shares:		
Common shares outstanding at beginning of the year	5,337,174,829	5,474,209,829
Effect of buyback during the period	(47,038,719)	(2,565,778)
Adjusted weighted average number of common shares outstanding	5,290,136,110	5,471,644,051
Basic/Diluted Earnings (Loss) per Share	(₱0.0176)	(₱0.0288)

As at March 31, 2021 and 2020, there are no potentially dilutive common shares.

## 21. Cost of Sales

Amount in thousands	For the three months period ended March 31	
	2021	2020
	(Unaudited)	
Contract hire and others	P21,786	P7,227
Depreciation and depletion	13,509	14,444
Personnel costs (see Note 24)	5,418	6,449
Repairs and maintenance	1,572	1,577
Fuel, oil and lubricants	1,574	1,167
Assaying and laboratory	484	135
Others	3,127	2,869
	P47,470	P33,868

## 22. General and Administrative

Amount in thousands	For the three months period ended March 31	
	2021	2020
	(Unaudited)	
Personnel costs (see Note 24)	P52,355	P55,303
Taxes and licenses	31,143	34,032
Depreciation	21,349	22,691
Outside services	15,992	12,913
Marketing and entertainment	11,677	15,112
Consultancy fees	10,595	16,076
Office supplies	3,832	3,491
Repairs and maintenance	3,208	2,320
Travel and transportation	2,089	2,807
Fuel, oil and lubricants	1,550	1,046
Membership and subscription	1,519	1,166
Communication	895	1,129
Rentals	421	384
Other charges	10,061	7,121
	P166,686	P175,591

## 23. Shipping and Distribution

Amount in thousands	For the three months period ended March 31	
	2021	2020
	(Unaudited)	
Barging charges	P7,319	P5,741
Stevedoring and shipping expenses	794	604
Personnel costs (see Note 24)	729	853
Supplies	752	66
Government fees	434	437
Fuel, oil and lubricants	404	491
Repairs and maintenance and others	29	67
	P10,461	P8,259

## 24. Personnel Costs

Amount in thousands	For the three months period ended March 31	
	2021	2020
	(Unaudited)	
Salaries and wages	P53,170	P55,293
Retirement benefits costs (see Note 16)	1,369	829
Other employee benefits	3,963	6,483
	P58,502	P62,605

Other employee benefits are composed of various benefits given to employees that are individually immaterial.

The personnel costs were distributed as follows:

Amount in thousands	For the three months period ended March 31	
	2021	2020
	(Unaudited)	
Cost of sales (see Note 21)	P5,418	P6,449
General and administrative (see Note 22)	52,355	55,303
Shipping and distribution (see Note 23)	729	853
	P58,502	P62,605

## 25. Finance Costs

Amount in thousands	For the three months period ended March 31	
	2021	2020
	(Unaudited)	
Interest expense	P7,045	P12,452
Accretion interest on provision for mine rehabilitation and decommissioning	2,042	3,208
Bank charges	444	465
	P9,531	P16,125

## 26. 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.

Intercompany transactions are eliminated in the consolidated financial statements.

Amount in thousands Category	Amount/Volume	Advances to related parties	Advances from related parties	Terms	Conditions
<i>Stockholders</i>					
March 31, 2021	P1,483	P2,163,639	P9,070	On demand;	
December 31, 2020	P402,434	P2,162,156	P9,070	noninterest- bearing; collectible or payable in cash	Unsecured; with guarantee
<i>Affiliates with common officers, directors and stockholders</i>					
March 31, 2021	106,489	618,077	385,538	On demand;	
December 31, 2020	433,389	511,588	385,466	noninterest- bearing; collectible or payable in cash	Unsecured; with guarantee
<i>Associate</i>					
March 31, 2021	–	91,799	–	On demand;	
December 31, 2020	–	91,799	–	noninterest- bearing; collectible in cash	Unsecured; with guarantee
<b>Total</b>		<b>P2,873,515</b>	<b>P394,608</b>		
<b>Total</b>		<b>P2,765,543</b>	<b>P394,536</b>		

The summary of significant transactions and account balances with related parties are as follows:

- a. 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 P1,628.1 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 P589.3 million.

As at March 31, 2021 and December 31, 2020, these advances amounted to P2,170.2 million and P2,174.0 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 and are recorded under "Deposits for future acquisition".

- b. In the first quarter of 2021, PGMC entered into a Time Charter Agreement (TCA) with PCSSC for the use of five (5) LCTs at P2.6 million each per month. This Agreement covers a period of seven months on/about April 1, 2021 to October 31, 2021, subject to renewal upon mutual agreement of the parties. The charter fee incurred amounted to P4.7 million and P0.9 million for the three months ended March 31, 2021 and 2020, respectively.
- c. 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 Ipilan 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 the 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.
- d. On December 18, 2019, the Parent Company executed various Deed of Assignments of intercompany balances as follows:
  - Deed of assignment executed with INC wherein INC assigned all its rights, titles, and interests on its advances to Sohoton Synergy, Inc. (SSI) in favor of the Parent Company amounting to P158.7 million.
  - Deed of assignment executed with PGMC wherein PGMC assigned all its rights, titles, and interests on its advances in favor of the Parent Company amounting to P934.2 million.

- e. On January 21, 2020, FSLC and FSC entered into a lease agreement which allows the FSC to occupy FSLC's parcel of land located in Mariveles, Bataan for a period of 25 years, renewable upon mutual agreement of both parties, and for a monthly consideration amounting to ₱5.0 per square meter. The lease period will commence upon the start of commercial operations of FSC. Rental revenue eliminated amounted to ₱1.4 million and nil for the periods ended March 31, 2021 and 2020, respectively.
- f. On December 31, 2020, the Parent Company executed a Deed of Assignment with PGMC wherein PGMC assigned all its rights, titles, and interests on its advances in favor of the Parent Company amounting to ₱785.7 million.
- g. 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 key management personnel of the Group for the three months period ended March 31, 2021 and 2020 amounted to ₱16.1 million and ₱17.9 million, respectively.

## 27. Income Taxes

The Group is in a net taxable loss position for the three months ended March 31, 2021 and 2020.

The components of the Group's net deferred income tax assets as at March 31, 2021 and December 31, 2020 follow:

Amount in thousands	2021	2020
	(Unaudited)	Audited
Deferred tax assets:		
Provision for mine rehabilitation and decommissioning	₱99,091	₱98,580
Allowance for impairment losses on trade and other receivables	79,713	79,713
NOLCO	27,128	2,757
Currency translation adjustment recognized directly in OCI	16,091	19,272
Retirement obligation recognized in profit or loss	10,502	11,213
Depreciation of right-of-use asset	5,157	4,319
Accrued taxes	3,380	3,380
Allowance for impairment losses on inventories	1,786	1,786
Minimum corporate income tax	466	52
	<u>243,314</u>	<u>221,072</u>
Deferred tax liabilities:		
Undepleted asset retirement obligation	55,003	55,125
Lease payments	4,135	3,746
Retirement obligation recognized directly in OCI	3,689	3,689
Unrealized foreign exchange gains - net	3,352	3,890
Rental income	1,841	1,500
	<u>68,020</u>	<u>67,950</u>
Deferred tax assets - net	<u>₱175,294</u>	<u>₱153,122</u>

The Group has availed of the itemized deductions method in claiming its deductions for the three months ended March 31, 2021 and 2020.

## 28. Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such values:

*Cash and cash equivalents, Trade receivables, and Advances to contractors under "Trade and other receivables" and Trade and other payables*

The carrying amounts of cash and cash equivalents, trade receivables, and advances to contractors under "Trade and other receivables" and trade and other payables approximate their fair values due to the short-term nature of these accounts.

*Restricted cash under "Other noncurrent assets"*

The carrying amounts approximate their fair values since these are restricted cash in banks which earn interest based on prevailing market rates repriced monthly.

*Financial asset at FVOCI under "Other noncurrent assets"*

The fair value of quoted equity instrument is determined by reference to the market closing quotes at the end of the reporting period.

*Advances to and from related parties and Payable to previous stockholders of CNMEC and BNVI under "Other noncurrent liabilities"*

Advances to and from related parties and payable to previous stockholders of CNMEC and BNVI do not have fixed repayment terms. As such, their carrying amounts approximate their fair values.

*Loans Payable*

The fair value of loans payable 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.

*Lease Liabilities*

The carrying amount of lease liabilities are carried at present value due to the long-term nature of the account. The fair value of lease liabilities was computed by discounting the expected cash flows within EIR ranging from 2.5% to 7.3%. The computed fair value approximates its carrying amount.

Fair Value Hierarchy

As at March 31, 2021 and December 31, 2020, the Group's financial asset at FVOCI is classified under Level 1 and its loans payable and lease liabilities are classified under Level 3.

There were no transfers between levels of fair value measurement as at March 31, 2021 and December 31, 2020.

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## 29. 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 the 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; and
- The manufacturing segment pertains to the incorporated entities of the Group, FSC which is engaged in the manufacturing of iron steel bars and FSLC which is engaged in holding the real properties of FSC.

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's mining segment operates in two geographical locations, Philippines and Hong Kong. The Group's manufacturing segment is incorporated to build a rebar steel rolling plant in Bataan, Philippines. Noncurrent assets of the Group comprising property and equipment, deposits for future acquisition, mine exploration costs, mining rights, and other noncurrent assets are located in the Philippines and Hong Kong.

The Group has revenues from external customers in China amounting to P133.3 million and P39.0 million for the quarters ended March 31, 2021 and 2020, respectively.

Financial information on the operation of the various business segments are as follows:

	March 31, 2021 (Unaudited)				
Amount in thousands	Mining	Service	Manufacturing	Elimination	Total
External customers	P133,269	P-	P-	P-	P133,269
Intersegment revenues	88,271	4,734	-	(93,005)	-
Total revenues	221,540	4,734	-	(93,005)	133,269
Cost of sales	133,923	1,504	-	(87,957)	47,470
Excise taxes and royalties	13,316	-	-	-	13,316
Shipping and distribution	15,195	-	-	(4,734)	10,461
Segment operating earnings (loss)	59,106	3,230	-	(314)	62,022
General and administrative	(140,884)	(23,623)	(2,179)	-	(166,686)
Finance costs	(9,531)	-	-	-	(9,531)
Finance income	1,362	37	8	-	1,407
Share in net income (loss) of investment in associates	(6,259)	-	-	-	(6,259)
Other income (charges) - net	4,427	-	-	314	4,741
Provision for (benefit from) income tax	(20,912)	32	341	-	(20,539)
Segment net income (loss)	(70,867)	(20,388)	(2,512)	-	(93,767)
Net income (loss) attributable to NCI	(17)	-	(597)	-	(614)
Segment net income (loss) attributable to equity holders of GFHI	(P70,850)	(P20,388)	(1,915)	P-	(P93,153)
Segment assets	P21,202,194	P330,357	P527,841	(P11,198,564)	P10,861,828
Deferred tax assets - net	149,541	27,594	(1,841)	-	175,294
Total assets	P21,351,735	P357,951	P526,000	(P11,198,564)	P11,037,122
Segment liabilities	P2,587,375	P2,111	P462,429	(P673,719)	P2,378,196
Capital expenditures	P6,896	P65	P515	P-	P7,476
Depreciation, depletion and amortization	P52,353	P8,787	P127	P-	P61,267

	March 31, 2020 (Unaudited)				
Amount in thousands	Mining	Service	Manufacturing	Elimination	Total
External customers	P38,997	P-	P-	P-	P38,997
Intersegment revenues	34,980	924	-	(35,904)	-
Total revenues	73,977	924	-	(35,904)	38,997
Cost of sales	67,170	1,517	-	(34,819)	33,868
Excise taxes and royalties	4,338	-	-	-	4,338
Shipping and distribution	9,183	-	-	(924)	8,259
Segment operating earnings (loss)	(6,714)	(593)	-	(161)	(7,468)
General and administrative	(147,283)	(27,488)	(820)	-	(175,591)
Finance income	1,654	215	9	-	1,878
Finance costs	(16,124)	-	(1)	-	(16,125)
Share in net loss of investment in associates	(2,859)	-	-	-	(2,859)
Other income (charges) - net	(5,361)	-	-	161	(5,200)
Benefit from income tax - net	(38,970)	(8,424)	-	-	(47,394)
Net loss attributable to equity holders of GFHI	(P137,687)	(P19,422)	(414)	P-	(P157,543)
Segment assets	P20,475,202	P353,671	P402,512	(P11,174,949)	P10,056,436
Deferred tax assets - net	191,536	-	-	-	191,536
Total assets	P20,666,738	P353,671	P402,512	(P11,174,949)	P10,247,972
Segment liabilities	P3,068,529	P1,425	P331,917	(P638,968)	P2,762,903
Capital expenditures	P15,452	P1,349	P900	P-	P17,701
Depreciation and depletion	P51,685	P8,757	P122	P-	P60,564

	December 31, 2021 (Audited)				
Amount in thousands	Mining	Service	Manufacturing	Elimination	Total
Segment assets	P21,607,913	P350,821	P522,420	(P11,059,740)	P11,421,414
Deferred tax assets - net	151,813	2,809	(1,500)	-	153,122
Total assets	P21,759,726	P353,630	P520,920	(P11,059,740)	P11,574,536
Segment liabilities	P2,542,762	P2,188	P455,859	(P539,235)	P2,461,574
Capital expenditures	P170,524	P1,393	P72,739	P-	P244,656