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

Atty. Noel Lazaro
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(Contact Person)

(632) 5118229
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(Company Telephone Number)

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Month Day  
(Fiscal Year)

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Amended Articles Number/Section

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Total No. of Stockholders

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Domestic

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Foreign

To be accomplished by SEC Personnel concerned

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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, 2022**
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) 8519-7888
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 [ X ] 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 [ X ]      No [ ]
13. Has been subject to such filing requirements for the past ninety (90) days.  
Yes [ X ]      No [ ]



**Global Ferronickel Holdings, Inc.**

**17-Q QUARTERLY REPORT  
MARCH 31, 2022**

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## PART I - FINANCIAL INFORMATION

### Item 1. Consolidated Financial Statements

The Unaudited Interim Consolidated Financial Statements as at March 31, 2022 and for the three-month period ended March 31, 2022 and 2021 (with Comparative Audited Consolidated Statement of Financial Position as at December 31, 2021) are hereto attached.

The following tables set forth the summary financial information for the three-month period ended March 31, 2022 and 2021 and as at March 31, 2022 and December 31, 2021:

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

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)	Increase/ (Decrease)	Percent Inc. (Dec.)
	<i>(In Thousand Pesos)</i>			
<b>ASSETS</b>				
Current Assets	6,685,617	6,964,970	(279,353)	-4.0%
Noncurrent Assets	6,999,391	6,932,471	66,920	1.0%
<b>TOTAL ASSETS</b>	<b>13,685,008</b>	<b>13,897,441</b>	<b>(212,433)</b>	<b>-1.5%</b>
<b>LIABILITIES AND EQUITY</b>				
Current Liabilities	1,349,226	1,358,583	(9,357)	-0.7%
Noncurrent Liabilities	1,934,038	1,921,772	12,266	0.6%
<b>Total Liabilities</b>	<b>3,283,264</b>	<b>3,280,355</b>	<b>2,909</b>	<b>0.1%</b>
<b>Equity</b>				
Attributable to Equity Holders				
of the Parent Company	10,047,681	10,259,790	(212,109)	-2.1%
Non-controlling Interest (NCI)	354,063	357,296	(3,233)	100.0%
<b>Total Equity</b>	<b>10,401,744</b>	<b>10,617,086</b>	<b>(215,342)</b>	<b>-2.0%</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>13,685,008</b>	<b>13,897,441</b>	<b>(212,433)</b>	<b>-1.5%</b>

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

	For the Quarter Ended		Increase (Decrease)	Percent Inc. (Dec.)
	2022	2021		
	<i>(In Thousand Pesos)</i>			
Revenues	39,904	133,269	(93,365)	-70.1%
Cost and Expenses	(230,449)	(237,933)	(7,484)	-3.1%
Finance Costs	(25,780)	(9,531)	16,249	170.5%
Share in Net Loss of Investment in Associates	(10,992)	(6,259)	4,733	75.6%
Other Income (Charges) - net	(10,568)	6,148	(16,716)	-271.9%
Loss Before Income Tax	(237,885)	(114,306)	123,579	108.1%
Provision for Income Tax - net	(39,726)	(20,539)	19,187	93.4%
<b>Net Loss</b>	<b>(198,159)</b>	<b>(93,767)</b>	104,392	111.3%
Other Comprehensive Income	16,044	7,633	8,411	110.2%
<b>Total Comprehensive Loss</b>	<b>(182,115)</b>	<b>(86,134)</b>	95,981	111.4%
Basic and Diluted Loss Per Share	(0.0375)	(0.0176)	0.0199	112.8%
Net Loss Attributable To:				
Equity Holders of the Parent	(194,926)	(93,153)	101,773	109.3%
Non-controlling Interest (NCI)	(3,233)	(614)	2,619	426.5%
	<b>(198,159)</b>	<b>(93,767)</b>	104,392	111.3%

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

	For the Quarter Ended		For the Year Ended
	2022	2021	2021
	<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	(4,680)	(5,270)	(5,565)
Remeasurement Gain on Retirement Obligation	43,703	8,607	43,703
Cumulative Translation Adjustment	34,270	(37,547)	19,111
Retained Earnings	5,305,434	3,959,980	5,500,360
Treasury Shares - at cost	(1,946,033)	(1,912,806)	(1,912,806)
Non-controlling Interest (NCI)	354,063	30,975	357,296
<b>Total Equity</b>	<b>10,401,744</b>	<b>8,658,926</b>	<b>10,617,086</b>

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

	<b>For the Quarter Ended</b>	
	<b>March 31</b>	
	<b>2022</b>	<b>2021</b>
	<i>(In Thousand Pesos)</i>	
<b>NET CASH FLOWS FROM (USED IN):</b>		
Operating Activities	(301,961)	(264,049)
Investing Activities	(393,388)	(183,462)
Financing Activities	(62,383)	(373,789)
<b>NET DECREASE IN CASH</b>	<b>(757,732)</b>	<b>(821,300)</b>
Effect of Exchange Rate Changes on Cash	47,443	19,653
<b>CASH AT BEGINNING OF PERIOD</b>	<b>3,821,177</b>	<b>2,451,566</b>
<b>CASH AT END OF PERIOD</b>	<b>3,110,888</b>	<b>1,649,919</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, 2022 and December 31, 2021, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the periods ended March 31, 2022 and 2021 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, 2022, total assets of the Group stood at ₱13,685.0 million, lower by ₱212.4 million or 1.5%, from ₱13,897.4 million as at December 31, 2021. The decrease was due to the decline in current assets by ₱279.3 million or 4.0% and increase in noncurrent assets by ₱66.9 million or 1.0%.

The net decrease in current assets was mainly attributable to the decrease in cash and cash equivalents by ₱710.3 million. The net increase in noncurrent assets was mainly due to the following: (a) increase in deferred tax assets by ₱35.0 million mainly attributable to the net loss carryover (NOLCO) for the first quarter; and (b) increase in other noncurrent assets by ₱49.5 million attributable mainly to the increase in advances to suppliers in relation to the Group's preparation for the 2022 mining season.

Total liabilities of the Group stood at ₱3,283.3 million as at March 31, 2022, up by ₱2.9 million or 0.1%, from ₱3,280.4 million as at December 31, 2021. This was mainly attributable to the increase in trade and other payables by ₱28.5 million and payments of lease liabilities and income taxes made during the 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 ₱198.2 million for the quarter ended March 31, 2022 mainly represents the recurring general and administrative expenses of the Group.

### Revenues

The revenues earned during the first quarter of 2022 amounting to ₱39.9 million pertains to revenue from contracts by the Group's port operation services. There was no reported sale of ore during the first quarter of this year because there was no shipment compared to one (1) shipment of low-grade nickel ore in the first quarter of 2021 that generated export revenue of ₱133.3 million.

### Cost and Expenses

Cost and expenses include cost of sales, excise taxes and royalties, general and administrative expenses, and shipping and distribution. The cost and expenses amounted to ₱230.4 million for the three months ended March 31, 2022 compared to ₱237.9 million for the three months ended March 31, 2021, a decrease of ₱7.5 million or 3.1%.

#### Cost of Sales

The cost of sales amounting to ₱29.5 million represents the cost of services incurred for the Group's port operation during the first quarter of 2022, while cost of sales amounting to ₱47.5 million for the three months ended March 31, 2021 represents the contract hire and allocated cost for the Group's shipment in the prior period.

#### General and Administrative

General and administrative expenses were ₱198.6 million in the period ended March 31, 2022 compared to ₱166.7 million in the period ended March 31, 2021, an increase of ₱31.9 million, or 19.1%. The increase was mainly due to the increase in depreciation and amortization, repairs and maintenance, outside services, and personnel costs amounted to ₱17.1 million, ₱5.9 million, ₱4.2 million and ₱3.8 million, respectively.

#### Shipping and Distribution

Shipping and loading costs were ₱2.3 million for the three months ended March 31, 2022 compared to ₱10.5 million in the same period last year, lower by ₱8.2 million, or 78.2%.

### Finance Costs

Finance costs amounted to ₱25.8 million in the three months ended March 31, 2022 compared to ₱9.5 million of the same period last year, an increase of ₱16.3 million, or 170.5%. The increase was mainly due to the increase in the loan availment with Taiwan Cooperative Bank Manila Offshore Banking Branch (TCB) and lease liabilities during this year compared to the prior period.

### Share in Net Loss of Investment in Associates

In accordance with Philippine Accounting Standards (PAS) 28, *Investment in Associates and Joint Ventures*, the Group recognizes its share in the net earnings or losses of its associate using the equity method of accounting. The share in net loss of investment in associates amounted to ₱11.0 million and ₱6.3 million for the periods ended March 31, 2022 and 2021, respectively, an increase of ₱4.7 million, or 75.6%. For the period ended March 31, 2022, this represents net loss take-up in relation to the Group's investment in Southeast Palawan Nickel Ventures, Inc. (SPNVI). Seasia Nectar Port Services, Inc. (SNPSI) ceases to be an associate and became a subsidiary of the Group as at December 31, 2021 as a result of the Group's additional 40.05% investment interest in SNPSI in accordance with PFRS 3, *Business Combinations*. For the period ended March 31, 2021, the share in net loss represents the net loss take-up in relation to the Group's investments in SPNVI and SNPSI. The increase in the amount of the Group's share in the net loss was mainly due to the increased activities and corresponding expenditures of SPNVI's subsidiary, Ipilan Nickel Corporation (INC), as it transitioned to the development phase during the first quarter of 2022.

### Other Income (Charges) - net

Net other charges amounted to ₱12.7 million in the period ended March 31, 2022 compared to net other income of ₱4.7 million in the period ended March 31, 2021, a decrease of ₱17.4 million, or 367.2%. The difference pertains mainly to the net foreign exchange losses incurred this period amounted to ₱12.7 million compared to the net foreign exchange gains earned in the prior period amounted to ₱4.8 million attributable to the rebooking of United States Dollar (US\$) denominated loans and payables.

### Benefit from Income Tax - Net

The net benefit from income tax was ₱39.7 million for the three months ended March 31, 2022 compared to ₱20.5 million in the same period last year, an increase of ₱19.2 million or 93.4%. The increase was due to the recognized deferred tax asset on NOLCO during the period.



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

#### *Cumulative Translation Adjustment*

The Group had recognized cumulative translation adjustment, net of tax amounted to ₱15.2 million and ₱7.4 million for the periods ended March 31, 2022 and 2021, 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 ₱310.4 million and ₱264.0 million for the first quarter ended March 31, 2022 and 2021, respectively. The increase was mainly due to the cost incurred related to operations in preparation for the 2022 mining season. Net cash flows used in investing activities for the three months ended March 31, 2022 and 2021 amounted to ₱393.4 million and ₱183.5 million, respectively. For the three months ended March 31, 2022 and 2021, the net cash flows used in financing activities amounted to ₱53.9 million and ₱373.8 million, respectively.

### **Material Off-balance Sheet Transactions**

The Group is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships 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, 2022.

### **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, 2022 and 2021:

<b><u>Indicators</u></b>	<b><u>Formula</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>
Earnings (Loss) Per Share	Profit for the Period/Weighted Average Number of Shares Outstanding	(0.0375)	(0.0176)
Debt-to-Equity Ratio	Total Liabilities/Total Equity	0.32:1	0.27:1
Asset-to-Equity Ratio	Total Assets/Total Equity	1.32:1	1.27:1
Current Ratio	Current Assets/Current Liabilities	4.96:1	3.51:1

### PART III - OTHER INFORMATION

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

Date	Description
January 4, 2022	Attendance to Corporate Governance Seminars of the FNI Directors and Officers
January 4, 2022	Letter Advisement on the Attendance of the BOD for 2021 Meetings
January 4, 2022	Certificate of Compliance with the Revised Manual on Corporate Governance for the year 2021 as required by SEC Memorandum No. 36, Series of 2020
March 7, 2022	Share buy-back transaction
March 10, 2022	Share buy-back transaction
March 11, 2022	Share buy-back transaction
March 15, 2022	Share buy-back transaction
March 16, 2022	Share buy-back transaction
April 4, 2022	The Board set the Annual Stockholders' Meeting to June 29, 2022 and record date to May 30, 2022. 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. The Board also approved the declaration of cash dividend at P0.20 per share, subject to the Company's withholding of applicable taxes, for stockholders of record as of April 20, 2022.

**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 16, 2022

  
Signature and Title: **MARY BELLE D. BITUIN**  
SVP - Chief Finance Officer

Date: MAY 16, 2022

Annex A

**Aging of Trade and Other Receivables**

As at March 31, 2022

(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	44,388	-	-	-	186,001	230,389
Advances to Contractors	40,242	-	-	-	79,711	119,953
Advances to Officers, Employees and Others	11,407	-	-	-	-	11,407
Total	<b>96,037</b>	-	-	-	<b>265,712</b>	<b>361,749</b>
Less: Allowance for Doubtful Accounts						265,712
<b>NET RECEIVABLES</b>						<b>96,037</b>

**GLOBAL FERRONICKEL HOLDINGS, INC.**  
**SEC FORM 17-Q**  
**INDEX TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**MARCH 31, 2022**

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Interim Consolidated Statements of Financial Position as at March 31, 2022 and December 31, 2021

Interim Consolidated Statements of Comprehensive Income for the Three-Month Period Ended March 31, 2022 and 2021

Interim Consolidated Statements of Changes in Equity for the Three-Month Period Ended March 31, 2022 and 2021

Interim Consolidated Statements of Cash Flows for the Three-Month Period Ended March 31, 2022 and 2021

Notes to Consolidated Financial Statements

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

	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	₱3,110,888	₱3,821,177
Trade and other receivables (Note 5)	96,037	63,348
Advances to related parties (Note 29)	3,032,094	2,764,514
Inventories (Note 6)	360,165	269,470
Prepayments and other current assets (Note 7)	86,433	46,461
<b>Total Current Assets</b>	<b>6,685,617</b>	<b>6,964,970</b>
<b>Noncurrent Assets</b>		
Property and equipment (Note 8)	3,737,212	3,746,417
Deposits for future acquisition (Note 26)	2,160,011	2,171,003
Mining rights (Note 10)	125,579	125,579
Mine exploration costs (Note 11)	147,299	147,299
Deferred tax assets - net (Note 27)	131,288	96,253
Retirement plan asset - net (Note 16)	31,008	28,410
Other noncurrent assets (Note 12)	666,994	617,510
Investment in an associate (Note 9)	—	—
<b>Total Noncurrent Assets</b>	<b>6,999,391</b>	<b>6,932,471</b>
<b>TOTAL ASSETS</b>	<b>₱13,685,008</b>	<b>₱13,897,441</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Note 13)	₱735,837	₱707,381
Current portion of loans payable (Note 14)	222,424	247,109
Advances from related parties (Note 26)	236,870	235,861
Current portion of lease liabilities (Note 18)	73,708	64,725
Income tax payable	80,387	103,507
<b>Total Current Liabilities</b>	<b>1,349,226</b>	<b>1,358,583</b>
<b>Noncurrent Liabilities</b>		
Loans payable - net of current portion (Note 14)	681,975	652,147
Provision for mine rehabilitation and decommissioning (Note 15)	308,223	305,414
Lease liabilities - net of current portion (Note 18)	421,872	442,243
Other noncurrent liabilities (Note 17)	521,968	521,968
<b>Total Noncurrent Liabilities</b>	<b>1,934,038</b>	<b>1,921,772</b>
<b>Total Liabilities</b>	<b>3,283,264</b>	<b>3,280,355</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	43,703	43,703
Cumulative translation adjustment	34,270	19,111
Fair value reserve of financial asset at fair value through other comprehensive income (Note 12)	(4,680)	(5,565)
Retained earnings	5,305,434	5,500,360
Treasury shares (Note 19)	(1,946,033)	(1,912,806)
Equity attributable to the Parent Company	10,047,681	10,259,790
Non-controlling interest (Note 19)	354,063	357,296
<b>Total Equity</b>	<b>10,401,744</b>	<b>10,617,086</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱13,685,008</b>	<b>₱13,897,441</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, 2022 AND 2021**  
**(Amounts in Thousands, Except Earnings per Share)**

	2022	2021
<b>REVENUE FROM CONTRACTS WITH CUSTOMERS</b>	<b>P39,904</b>	<b>P133,269</b>
<b>COST OF SALES</b> (Note 21)	<b>29,519</b>	<b>47,470</b>
<b>GROSS PROFIT</b>	<b>10,385</b>	<b>85,799</b>
<b>OPERATING EXPENSES</b>		
Excise taxes and royalties	–	13,316
General and administrative (Note 22)	198,645	166,686
Shipping and distribution (Note 23)	2,285	10,461
	<b>200,930</b>	<b>190,463</b>
<b>FINANCE COSTS</b> (Note 25)	<b>(25,780)</b>	<b>(9,531)</b>
<b>FINANCE INCOME</b>	<b>2,101</b>	<b>1,407</b>
<b>SHARE IN NET LOSS OF INVESTMENT IN ASSOCIATES</b> (Note 9)	<b>(10,992)</b>	<b>(6,259)</b>
<b>OTHER INCOME (CHARGES) - net</b>	<b>(12,669)</b>	<b>4,741</b>
<b>LOSS BEFORE INCOME TAX</b>	<b>(237,885)</b>	<b>(114,306)</b>
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b> (Note 27)		
Current	520	4,814
Deferred	(40,246)	(25,353)
	<b>(39,726)</b>	<b>(20,539)</b>
<b>NET LOSS</b>	<b>(198,259)</b>	<b>(93,767)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>		
Currency translation adjustment	20,212	10,603
Income tax effect	(5,053)	(3,181)
	<b>15,159</b>	<b>7,422</b>
<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)	885	211
<b>TOTAL COMPREHENSIVE LOSS</b>	<b>(P182,115)</b>	<b>(P86,134)</b>
<b>Net Loss Attributable To:</b>		
Equity holders of the Parent Company	(P194,926)	(P93,153)
Non-controlling interest in consolidated subsidiaries	(3,233)	(614)
	<b>(P198,159)</b>	<b>(P93,767)</b>
<b>Total Comprehensive Loss Attributable To:</b>		
Equity holders of the Parent Company	(P178,882)	(P85,520)
Non-controlling interest in consolidated subsidiaries	(3,233)	(614)
	<b>(P182,115)</b>	<b>(P86,134)</b>
<b>Basic/Diluted Earnings (Loss) Per Share on Net Loss Attributable to Equity Holders of the Parent Company</b> (Note 20)	<b>(P0.0375)</b>	<b>(P0.0176)</b>

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, 2022 AND 2021**  
**(Amounts in Thousands)**

	Capital Stock (Note 19)	Additional Paid-in Capital	Treasury Shares (Note 19)	Fair Value Reserve of Financial Asset at Fair Value through Other Comprehensive Income (Note 12)	Remeasurement Gain on Retirement Obligation	Cumulative Translation Adjustment	Retained Earnings	Total	NCI	Total Equity
Balances at December 31, 2021 (Audited)	P 6,375,975	P 239,012	P (1,912,806)	P (5,565)	P 43,703	P 19,111	P 5,500,360	P 10,259,790	P 357,296	P 10,617,086
Net loss for the period	-	-	-	-	-	-	(194,926)	(194,926)	(3,233)	(198,159)
Other comprehensive income - net of tax	-	-	-	885	-	15,159	-	16,044	-	16,044
Total comprehensive income (loss) - net of tax	-	-	-	885	-	15,159	(194,926)	(178,882)	(3,233)	(182,115)
Purchase of treasury shares	-	-	(33,227)	-	-	-	-	(33,227)	-	(33,227)
Balances at March 31, 2022 (Unaudited)	P 6,375,975	P 239,012	P (1,946,033)	P (4,680)	P 43,703	P 34,270	P 5,305,434	P 10,047,681	P 354,063	P 10,401,744
Balances at December 31, 2020 (Audited)	P 6,375,975	P 239,012	P (1,544,904)	P (5,481)	P 8,607	P (44,969)	P 4,053,133	P 9,081,373	P 31,589	P 9,112,962
Net loss for the period	-	-	-	-	-	-	(93,153)	(93,153)	(614)	(93,767)
Other comprehensive income - 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)	P 6,375,975	P 239,012	P (1,912,806)	P (5,270)	P 8,607	P (37,547)	P 3,959,980	P 8,627,951	P 30,975	P 8,658,926

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, 2022 AND 2021**  
**(Amounts in Thousands)**

	2022	2021
	(Unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before income tax	(P237,885)	(P114,306)
Adjustments for:		
Depreciation, depletion and amortization	50,225	34,858
Interest expense (Note 25)	22,785	7,045
Unrealized foreign exchange losses (gains) - net	13,163	(5,076)
Share in net loss of investment in associates (Note 9)	10,992	6,259
Retirement benefits costs (Note 16)	1,041	1,369
Accretion interest on provision for mine rehabilitation and decommissioning (Note 25)	2,809	2,042
Interest income	(2,101)	(1,407)
Accretion interest on security deposit under "Other noncurrent assets" (Note 25)	(237)	—
Operating loss before changes in working capital	(139,208)	(69,216)
Decrease (increase) in:		
Trade and other receivables	(32,689)	(46,684)
Inventories	(51,445)	(22,314)
Prepayments and other current assets	(39,727)	(29,986)
Increase (decrease) in trade and other payables	21,983	(66,727)
Net cash used in operations	(241,086)	(234,927)
Income taxes paid	(22,832)	(17,996)
Interest paid	(33,104)	(6,027)
Contributions (Note 16)	(5,727)	(5,727)
Interest received	788	628
Net cash flows used in operating activities	(301,961)	(264,049)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to:		
Property and equipment	(76,068)	(7,476)
Mine exploration costs	—	(5,883)
Increase in:		
Advances to related parties	(267,580)	(107,972)
Other noncurrent assets	(49,740)	(62,131)
Net cash flows used in investing activities	(393,388)	(183,462)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of bank loans	(12,647)	—
Purchase of treasury shares (Note 19)	(33,227)	(367,902)
Increase (decrease) in:		
Lease liabilities	(17,518)	(5,959)
Advances from related parties	1,009	72
Net cash flows used in financing activities	(62,383)	(373,789)
NET DECREASE IN CASH	(757,732)	(821,300)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	47,443	19,653
<b>CASH AT BEGINNING OF PERIOD</b>	<b>3,821,177</b>	<b>2,451,566</b>
<b>CASH AT END OF PERIOD</b>	<b>P3,110,888</b>	<b>P1,649,919</b>

See accompanying Notes to Unaudited Consolidated Financial Statements.

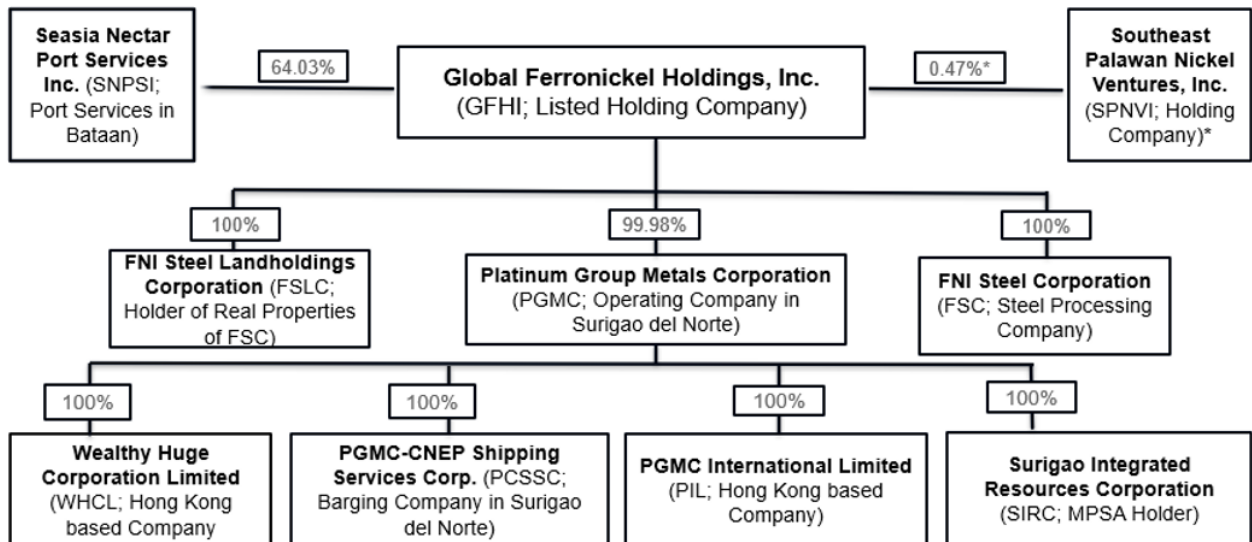
## GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Corporate Information

Global Ferronickel Holdings, Inc. (formerly Southeast Asia Cement Holdings, Inc.; GFNI; 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 GFNI on SPNVI's all classes of outstanding shares, preferred and common. GFNI owns 37.5% of the outstanding common shares of SPNVI with voting power.

The Parent Company's principal stockholders as at March 31, 2022 are as follows:

List of Top 20 Stockholders

Name	Citizenship	Holdings	Percentage
PCD NOMINEE CORP. - FILIPINO	Filipino	2,159,388,375	41.53%
PCD NOMINEE CORP. - NON-FILIPINO	Foreign	1,846,346,779	35.51%
REGULUS BEST NICKEL HOLDINGS INC.	Filipino	523,154,668	10.06%
BLUE EAGLE ELITE VENTURE INC.	Filipino	348,769,779	06.71%
SOHOTON SYNERGY, INC.	Filipino	233,156,767	04.48%
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%
OCA GREGORIO S.	Filipino	415,193	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. The registered office address of PGMC is at Penthouse, Platinum Tower, Aseana Avenue corner Fuentes St., Aseana, Parañaque City.

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.

#### *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. The registered office address of SIRC is at Penthouse, Platinum Tower, Aseana Avenue corner Fuentes St., Aseana, Parañaque City.

SIRC is the holder of MPSA No. 007-92-X, redenominated as MPSA No. 007-92-X-SMR (Amended 1), 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.

#### *PCSSC*

PCSSC is a wholly-owned subsidiary of the Parent Company through PGMC 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. The registered office address of PCSSC is at Penthouse, Platinum Tower, Aseana Avenue corner Fuentes St., Aseana, Parañaque City.

#### *PIL*

PIL is a wholly-owned subsidiary of the Parent Company through PGMC 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 PGMC. The registered office address of PIL is at Unit 4101-02, 41/F, Office Tower, Convention Plaza, 1 Harbour Road Wanchai, Hong Kong.

#### *WHCL*

WHCL is a wholly-owned subsidiary of the Parent Company through PGMC and was incorporated on March 1, 2021 as a limited company under the Companies Ordinance of Hong Kong. Its primary purpose is to facilitate relations with offshore customers, collection of accounts, availment of offshore banking services, and such other services as will aid PGMC's strategic growth in the ASEAN region. The registered office address of WHCL is at Room 804, 8/F, LAP FAI Building, 6-8 Pottinger Street, Central Hong Kong.

#### *FSC*

FSC is a wholly-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. The registered office address of FSC is at Lot 9 3rd Floor AFAB Administration Building, Freeport Area of Bataan Alas-asin Mariveles, Bataan, Region III, Philippines.

#### *FSLC*

FSLC is a wholly-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. The registered office address of FSLC is at Penthouse, Platinum Tower, Aseana Avenue corner Fuentes St., Aseana, Parañaque City.

#### *SNPSI*

SNPSI is a 64.03%-owned subsidiary of the Parent Company and was registered with the Philippine 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 SNPSI 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.

#### The Associate

##### *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 Penthouse, Platinum Tower, Aseana Avenue corner Fuentes St., Aseana, Parañaque City.

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, Mambalat, 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).

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

### Basis of Preparation

The accompanying unaudited interim consolidated financial statements of the Group as at March 31, 2022 and for the three months period ended March 31, 2022 and 2021 have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*, and 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 unaudited interim 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 and WHCL whose functional currency is Hong Kong Dollar (HK\$). 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, 2021.

### Statement of Compliance

The accompanying unaudited interim consolidated financial statements of the Group have been prepared in compliance with PFRS. PFRS includes statements named PFRS, 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 unaudited interim consolidated financial statements include the balances of the Parent Company and its subsidiaries and equity share in net income or losses of associates, after eliminating significant intercompany balances and transactions.

<i>Subsidiaries</i>	Principal Place of Business	Principal Activities	Effective Ownership	
			March 31, 2022	March, 31 2021
PGMC	Philippines	Mining	99.98%	99.98%
SIRC <sup>(1)</sup>	Philippines	Mining	99.98%	99.98%
PCSSC <sup>(1)</sup>	Philippines	Services	99.98%	99.98%
PIL <sup>(1)</sup>	Hong Kong	Marketing, Trading and Services	99.98%	99.98%
WHCL <sup>(1)</sup>	Hong Kong	Marketing, Trading and Services	99.98%	99.98%
FSLC <sup>(2)</sup>	Philippines	Landholdings	100.00%	60.00%
FSC <sup>(2)</sup>	Philippines	Manufacturing	100.00%	51.00%
SNPSI <sup>(3)</sup>	Philippines	Port Operations	64.03%	—
<i>Associates</i>				
SPNVI <sup>(4)</sup>	Philippines	Holding/Mining	0.47%	0.47%
SNPSI <sup>(3)</sup>	Philippines	Port Operations	—	40.05%

(1) Indirect ownership through PGMC.

(2) On November 9, 2021, FSC and FSLC became wholly-owned subsidiaries of the Parent Company when Huarong Asia Limited relinquished its interest in FSC and FSLC in favor of the Parent Company.

(3) On December 29, 2021, the Parent Company's equity interest in SNPSI increased from 40.05% to 64.03% as a result of the purchase of additional interest from Nectar Group Limited, an existing stockholder.

(4) This represents the ownership of the Company on SPNVI's all classes of outstanding shares, preferred and common. The Parent Company owns 37.5% of the outstanding shares of SPNVI with voting power.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using uniform and consistent accounting policies. When necessary, adjustments are made to the stand-alone financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective starting January 1, 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

- *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 applied prospectively. The amendments did not 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 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 amendments did not have any impact on the consolidated financial statements of the Group.

- *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 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. The amendments did not have any impact on the consolidated financial statements of the Group.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

- *Amendments to PFRS 1, First-time Adoption of PFRS, 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 did not have any impact on the consolidated financial statements of 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 did not have any impact on the consolidated financial statements of 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. The Group 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 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. The Group intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements [unless otherwise indicated].

#### *Effective beginning on or after January 1, 2023*

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

#### *Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent*

#### *Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

#### *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*

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### **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 changes in estimates are reflected in the unaudited interim 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 judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the unaudited interim consolidated financial statements.

#### Estimates and Assumptions

The Group based its assumptions and estimates on parameters available when the unaudited interim 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 and Cash Equivalents**

Amount in thousands	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Cash on hand	₱1,227	₱1,011
Cash with banks	3,037,532	3,748,037
Short-term cash investments	72,129	72,129
	<b>₱3,110,888</b>	<b>₱3,821,177</b>

#### **5. Trade and Other Receivables**

Amount in thousands	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Trade	₱230,389	₱209,260
Advances to:		
Contractors	119,953	92,588
Officers, employees and others	11,407	27,212
	361,749	329,060
Less allowance for expected credit losses (ECL)	265,712	265,712
	<b>₱96,037</b>	<b>₱63,348</b>

There was no provision for ECL on trade and other receivables for the periods ended March 31, 2022 and 2021.

#### **6. Inventories**

Amount in thousands	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Beneficiated nickel ore	₱281,425	₱186,372
Materials and supplies	78,740	83,098
	<b>₱360,165</b>	<b>₱269,470</b>

Beneficiated nickel ore was valued at cost while materials and supplies which consist of tires, spare parts, and fuel and lubricants were valued at net realizable value.

No provision for inventory losses was recognized for the periods ended March 31, 2022 and 2021. The balance of the allowance for inventory losses on materials and supplies amounted to ₱7.5 million as at March 31, 2022 and December 31, 2021.



## 7. Prepayments and Other Current Assets

Amount in thousands	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Prepaid taxes and licenses	₱45,526	₱5,803
Prepaid insurance	21,949	18,610
Prepaid rent	12,638	13,131
Creditable withholding taxes (CWT)	3,684	3,684
Advances to suppliers	1,511	5,261
Others	4,809	3,656
	90,117	50,145
Less allowance for impairment losses	3,684	3,684
	₱86,433	₱46,461

No provision for impairment losses on other current assets was recognized in 2022 and 2021.

## 8. Property and Equipment

As at March 31, 2022 and December 31, 2021, property and equipment amounted to ₱3,737.2 million and ₱3,746.4 million, respectively. During the three-month period ended March 31, 2022 and 2021, the Group acquired assets with a cost of ₱79.4 million and ₱7.5 million, respectively, including construction in-progress.

Depreciation and depletion expenses for the three-month period ended March 31, 2022 and 2021 amounted to ₱85.7 million and ₱59.9 million, respectively. As at March 31, 2022 and December 31, 2021, total accumulated depreciation and depletion amounted to ₱3,007.2 million and ₱2,920.3 million, respectively. Depreciation and depletion expenses directly attributable to production amounting to ₱36.8 million and ₱26.4 million for the three months ended March 31, 2022 and 2021, respectively, were charged to beneficiated nickel ore inventory.

The property and equipment includes right-of-use assets amounted to ₱548.1 million and ₱567.9 million as at March 31, 2022 and December 31, 2021, respectively. As at March 31, 2022 and December 31, 2021, accumulated depreciation of the right-of-use assets amounted to ₱136.0 million and ₱115.3 million, respectively. Depreciation expense of right-of-use assets for the three-month period ended March 31, 2022 and 2021 amounted to ₱19.8 million and ₱7.3 million, respectively.

No property and equipment were pledged as at March 31, 2022 and December 31, 2020 except machineries and other equipment subject to chattel mortgage.

## 9. Investment in an Associate

As at March 31, 2022 and December 31, 2021, investment in an associate amounted to nil.

Details of investment in SPNVI are as follows:

Amount in thousands	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Cost	₱300,000	₱300,000
Accumulated equity in net loss:		
Beginning balance	(300,000)	(300,000)
Share in loss	—	—
Ending balance	(300,000)	(300,000)
	₱—	₱—

SPNVI and subsidiaries incurred a net loss of ₱29.3 million and ₱10.0 million for the periods ended March 31, 2022 and 2021, respectively. The Group's share in the net loss of SPNVI from its deposits for future acquisition amounted to ₱11.0 million and ₱3.8 million for the periods ended March 31, 2022 and 2021, respectively. As at March 31, 2022 and December 31, 2021, 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, 2022 (Unaudited)	December 31, 2021 (Audited)
Share in net loss charged to:		
Investment in an associate	₱300	₱300
Deposits for future acquisition	57,044	46,050
	<u>₱57,344</u>	<u>₱46,350</u>

#### SNPSI

On December 19, 2019, the Group acquired 40.05% interest in SNPSI and accounted for the investment using the equity method. On December 29, 2021, the Group increased to 64.03% its ownership interest in SNPSI and SNPSI became a subsidiary as at December 31, 2021.

SNPSI incurred a net loss of ₱6.2 million for the period ended March 31, 2021. The Group's share in the net loss amounted to ₱2.5 million for the period ended March 31, 2021.

The Group recognized total share in net loss of investment in associates amounting to ₱11.0 million and ₱6.3 million for the periods ended March 31, 2022 and 2021, respectively.

### **10. Mining Rights**

Amount in thousands	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Cost	₱396,500	₱396,500
Accumulated amortization:		
Beginning balance	270,921	259,675
Amortization	–	11,246
Ending balance	270,921	270,921
Net book value	<u>₱125,579</u>	<u>₱125,579</u>

No provision for impairment losses on mining rights was recognized for the periods ended March 31, 2022 and 2021.

### **11. Mine Exploration Costs**

Amount in thousands	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Beginning balance	₱147,299	₱241,361
Exploration expenditures incurred	–	21,735
Reclassification	–	(115,797)
Ending balance	<u>₱</u>	<u>₱147,299</u>

The Group operates CAGA 1, 2, 3 and 4 areas. CAGA 5, 6, 7 and limestone areas are still under exploration and evaluation phase.

## 12. Other Noncurrent Assets

Amount in thousands	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Mine rehabilitation fund (MRF)	₱318,116	₱317,765
Advances to suppliers	166,806	123,638
Input VAT	220,112	213,894
Restricted cash	78,286	77,176
Intangible asset	32,033	32,838
Security deposits	19,711	19,474
Computer software	4,231	4,454
Financial asset at FVOCI	4,175	3,290
Others	29,595	31,052
	873,065	823,581
Less allowance for impairment losses	206,071	206,071
	₱666,994	₱617,510

### Financial Asset at FVOCI

There was no disposal of shares for the periods ended March 31, 2022 and 2021 and the shares are valued based on the exit market price amounting to ₱0.99 and ₱0.78 per share as at March 31, 2022 and December 31, 2021, respectively.

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

Amount in thousands	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Beginning balance	₱5,565	₱5,481
Fair value reserve	(885)	84
Ending balance	₱4,680	₱5,565

No dividend income was earned by the Group for the periods ended March 31, 2022 and 2021 from the financial asset at FVOCI.

Movements in the allowance for impairment losses on other noncurrent assets are as follows:

Amount in thousands	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Beginning balance	₱206,071	₱202,180
Provision for impairment losses	–	3,891
Ending balance	₱206,071	₱206,071

## 13. Trade and Other Payables

Amount in thousands	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Trade	₱111,321	₱151,379
Contract liabilities	552,189	414,824
Dividends payable	20,238	21,562
Accrued expenses and taxes	21,944	83,528
Nontrade	29,635	30,426
Interest payables	510	5,662
	₱735,837	₱707,381

#### 14. Loans Payable

Amount in thousands	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Long term and short term loans:		
Taiwan Cooperative Bank Manila Offshore Banking Branch (TCB)	₱779,400	₱761,610
Bank of Commerce (BOC)	35,119	47,766
UnionBank of the Philippines (UBP)	89,880	89,880
Total	904,399	899,256
Less current portion:		
TCB	97,425	95,201
BOC	35,119	47,766
UBP	89,880	89,880
Loans payable - current portion	222,424	247,109
Noncurrent portion	₱681,975	₱652,147

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

Amount in thousands	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Beginning balance	₱899,256	₱460,487
Availments	–	892,776
Payments	(12,647)	(460,487)
Effect of changes in foreign currency exchange rates	17,790	6,480
Ending balance	₱904,399	₱899,256

##### Long term loans

Taiwan Cooperative Bank Manila Offshore Banking Branch (TCB)

On July 29, 2021, the Group was granted by TCB through PGMC an Omnibus Line for Loan Facility in the aggregate principal amount not exceeding US\$15.0 million for general corporate purposes. The Omnibus Line is comprised of Revolving loan amounting to US\$5.0 million and Term loan amounting to US\$15.0 million with the following terms:

- Revolving loan shall be repaid at the maturity date of each loan but the tenor shall not exceed 180 days
- Term loan shall be repaid in four semi-annual installment repayments. First installment commences on the date falling 18 months from the first drawdown date 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 3.25% per annum. The reference rate is the applicable London Interbank Offered Rates (LIBOR) displayed on the Bloomberg and Reuters' page for three (3) month yield as of approximately 11:15 am on the interest rate setting date as stated in the loan agreement.

The other conditions of the agreement are as follows:

- a. The Group shall maintain a waterfall account with TCB wherein all amounts collected from the buyers of nickel ore shall be deposited.
- b. The security required by TCB shall consist of only three (3) kinds, as follows:
  - i. Accounts receivables from PGMC's customers or clients or Import letters of credit (LC) issued in favor of PGMC by its customers and clients. Provided, that the aggregate value, in combination, shall at least twice (2x) the amount of the actual drawdown
  - ii. Demand Deposit Account which shall be opened and set-up by the collateral provider acceptable to TCB (in this case PGMC International Limited) amounting to at least 10% of the drawdown. The amount in said account may be reduced proportionately as PGMC pays the principal and its interest by express agreement of TCB and PGMC.
  - iv. Guarantee issued by any individual, juridical person such as corporations or any combination thereof that is acceptable to TCB.
- c. TCB is irrevocably appointed as the collecting agent for the account receivables from PGMC'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 PGMC. All the amount collected by TCB shall be deposited in the Waterfall Account of PGMC.
- d. The Group may, at its option, prepay the loan in part or in full, together with accrued interest thereon.
- e. 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 the bank.

On July 30, 2021, the Group made a drawdown amounting to US\$15.0 million of the loan.

Interest expense related to the TCB loan amounted to ₱7.6 million and ₱4.7 million for the periods ended March 31, 2022 and 2021, respectively.

#### Bank of Commerce (BOC)

On May 10, 2017, the Group through SNPSI entered into a loan agreement with BOC to acquire additional financing to support the construction of Phase 1 of the dry bulk terminal facilities in Mariveles, Bataan. Repayments of the loan will be in equal semi-annual installments for five (5) years and bear an annual interest rate ranging from 7.12% to 7.21% per annum.

The loan is secured by SNPSI's shares of stock as collateral and a continuing suretyship from Seasia Logistics Philippines, Inc. Part of the agreement states that SNPSI shall not participate in or enter into any merger or consolidation, sell, lease mortgage or otherwise dispose of all or substantially all of its assets and voluntarily suspend its business operations or dissolve its affairs, and declare or pay dividends to its shareholders (other than dividends payable solely in shares of capital stock) if payment of any sum due to BOC is in arrears.

Interest expense related to the BOC loan amounted to ₱0.6 million for the period ended March 31, 2022.

#### SBM Leasing

On July 5, 2019, the Group through PGMC availed long-term loan from SBM Leasing for the acquisition of transportation equipment. The loans are payable within two (2) years and bear an annual interest rate of 9.50% per annum. On July 15, 2021, the SBM Leasing term loan was fully paid.

#### Short term loans

##### BDO

The Group is granted annually by BDO a revolving US\$20.0 million Export Packing Credit Line for working capital purposes. No drawdowns were made for the periods ended March 31, 2022 and 2021.

##### UnionBank of the Philippines (UBP)

On May 20, 2021 and June 10, 2021, the Group through SNPSI entered into short-term loans for ₱50.0 million and ₱40.0 million, respectively. These are payable in one (1) year, bear an annual interest rate of 6.50% per annum and are intended for working capital purposes. Interest expense related to the UBP loan amounted to ₱1.5 million for the period ended March 31, 2022.

#### Chattel mortgage loans

In 2019, the Group availed two (2) chattel mortgage loans from Caterpillar Financial Services Philippines Inc. (CFSPI) for the acquisition of transportation equipment. The loans are payable within two (2) years at interest rates ranging from 5.97% to 6.31% per annum and payable in monthly installments. On July 20, 2021, the CFSPI chattel mortgage loan was fully paid.

The Group has complied with the terms of the loans as at March 31, 2022 and December 31, 2021.

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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, 2022 (Unaudited)	December 31, 2021 (Audited)
Beginning balance	₱305,414	₱328,601
Accretion interest	2,809	8,170
Effect of change in estimate	–	(31,357)
Ending balance	₱308,223	₱305,414

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#### 16. Retirement Obligation

The GFNI Group of Companies Multiemployer Retirement Plan (the Retirement Plan) is jointly established by PGMC, 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, 2022 and December 31, 2021.

The latest actuarial valuation report of the retirement plan is as at December 31, 2021.

As at March 31, 2022, 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, 2022 and December 31, 2021, the retirement plan asset, net of retirement obligation, amounted to ₱31.0 million and ₱28.4 million, respectively. The retirement benefits costs amounted to ₱3.5 million and ₱2.6 million for the three months period ended March 31, 2022 and 2021, respectively. The interest cost on retirement obligation amounted to ₱1.0 million for the three months period ended March 31, 2022 and 2021. The interest income on plan assets amounted to ₱1.3 million and ₱0.8 million for the three months period ended March 31, 2022 and 2021, respectively.

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#### 17. Other Noncurrent Liabilities

Amount in thousands	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Previous stockholders of Celestial Nickel Mining Exploration Corporation (CNMEC)	₱356,402	₱356,402
Brookes Nickel Ventures, Inc. (BNVI)	165,566	165,566
	₱521,968	₱521,968

## 18. Leases

The Group has lease contracts for various properties and equipment used in its operations and office spaces. Leases of office spaces generally have lease terms between three (3) and thirteen (13) years while the equipment has a lease term of two (2) years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets without approval of lessor.

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

The lease liabilities as at March 31, 2022 and December 31, 2021, discounted using incremental borrowing rate are as follows:

Amount in thousands	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Lease liabilities	₱495,580	₱506,968
Less current portion	73,708	64,725
Noncurrent portion	₱421,872	₱442,243

The rollforward analysis of lease liabilities follows:

Amount in thousands	March 31, 2022 (Unaudited)	December 31, 2021 (Audited)
Beginning balance	₱506,968	₱94,081
Interest expense	6,130	22,103
Payments	(17,518)	(101,551)
Additions	—	492,335
Ending balance	₱495,580	₱506,968

## 19. Equity

### Capital Stock

The Parent Company has 11,957,161,906 authorized shares at ₱1.05 par value as at March 31, 2022 and December 31, 2021. Out of the total authorized shares of the Parent Company, 6,072,357,151 shares are issued amounting to ₱6,375,975 as at March 31, 2022 and December 31, 2021.

The Parent Company has only one (1) class of common shares which do not carry any right to fixed income.

### NCI

#### **March 31, 2022**

	SNPSI	PGMC	Total
Percentage of ownership	35.97%	0.02%	
Issuance of capital stock and acquisition	356,639	446	357,085
Retained earnings, beginning	-	211	211
Total comprehensive income			
attributable to NCI	(3,198)	(35)	(3,233)
Cash dividend	-	-	-
Total	353,441	622	354,063

December 31, 2021

	SNPSI	PGMC	Total
Percentage of ownership	35.97%	0.02%	
Acquisition of SNPSI	356,639	-	356,639
Issuance of capital stock	-	446	446
Retained earnings, beginning	-	59	59
Total comprehensive income attributable to NCI	-	406	406
Cash dividend	-	(254)	(254)
Total	356,639	657	357,296

#### Treasury Stock

The Parent Company has 872,484,322 shares amounting to ₱1,946.0 million and 862,044,322 shares amounting to ₱1,912.8 million in treasury as at March 31, 2022 and December 31, 2021, respectively.

For the periods ended March 31, 2022 and 2021, the Parent Company purchased a total of 10,440,000 common shares and 126,862,000 common shares at an average price of ₱3.18 per share and ₱2.90 per share, respectively.

## 20. Earnings 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:

	2022	2021
	(Unaudited)	
Net loss attributable to equity holders of the Parent Company (amounts in thousands)	(₱194,926)	(₱93,153)
Number of shares:		
Common shares outstanding at beginning of the year	5,210,312,829	5,337,174,829
Effect of buyback during the period	(8,521,484)	(47,038,719)
Adjusted weighted average number of common shares outstanding	5,201,791,345	5,290,136,110
Basic/Diluted Earnings (Loss) per Share	(₱0.0375)	(₱0.0176)

As at March 31, 2022 and 2021, there are no potentially dilutive common shares.

## 21. Cost of Sales

	For the three months period ended March 31	
Amount in thousands	2022	2021
	(Unaudited)	
Contract hire and others	₱11,336	₱21,786
Depreciation and depletion	11,745	13,509
Fuel, oil and lubricants	1,952	1,574
Personnel costs (see Note 24)	1,643	5,418
Others	2,843	5,183
	₱29,519	₱47,470



## 22. General and Administrative

Amount in thousands	For the three months period ended March 31	
	2022	2021
	(Unaudited)	
Personnel costs (see Note 24)	₱56,154	₱52,355
Depreciation	38,480	21,349
Taxes and licenses	29,864	31,143
Outside services	20,192	15,992
Marketing and entertainment	12,435	11,677
Consultancy fees	10,918	10,595
Repairs and maintenance	9,093	3,208
Office supplies	4,003	3,832
Fuel, oil and lubricants	3,329	1,550
Travel and transportation	3,405	2,089
Membership and subscription	2,214	1,519
Communication	1,269	895
Rentals	342	421
Other charges	6,947	10,061
	₱198,645	₱166,686

## 23. Shipping and Distribution

Amount in thousands	For the three months period ended March 31	
	2022	2021
	(Unaudited)	
Fuel, oil and lubricants	₱1,776	₱404
Personnel costs (see Note 24)	340	729
Repairs and maintenance and others	87	29
Supplies	52	752
Government fees	30	434
Barging charges	–	7,319
Stevedoring charges and shipping expenses	–	794
	₱2,285	₱10,461

## 24. Personnel Costs

Amount in thousands	For the three months period ended March 31	
	2022	2021
	(Unaudited)	
Salaries and wages	₱51,090	₱53,170
Retirement benefits costs	1,041	1,369
Other employee benefits	6,006	3,963
	₱58,137	₱58,502

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	
	2022	2021
	(Unaudited)	
Cost of sales (see Note 21)	₱1,643	₱5,418
General and administrative (see Note 22)	56,154	52,355
Shipping and distribution (see Note 23)	340	729
	₱58,137	₱58,502

## 25. Finance Costs

Amount in thousands	For the three months period ended March 31	
	2022	2021
	(Unaudited)	
Interest expense	₱22,785	₱7,045
Accretion interest on provision for mine rehabilitation and decommissioning	2,809	2,042
Bank charges	186	444
	₱25,780	₱9,531

## 26. Related Party Disclosures

Set out below are the Group's transactions with related parties for the three-month period ended March 31, 2022 and 2021, including the corresponding assets and liabilities arising from the said transactions as at March 31, 2022 (Unaudited) and December 31, 2021 (Audited):

Amount in thousands	Category	Amount/Volume	Advances to related parties	Advances from related parties	Terms	Conditions
	<i>Stockholders</i>					
	March 31, 2022	₱41	₱1,867,426	₱9,070	On demand; noninterest-bearing; collectible or payable in cash	Secured; with guarantee
	December 31, 2021	₱–	₱1,867,385	₱9,070		
	<i>Affiliates with common officers, directors and stockholders</i>					
	March 31, 2022	267,539	1,072,869	227,800	On demand; noninterest-bearing; collectible or payable in cash	Secured; with guarantee
	December 31, 2021	294,742	805,330	226,791		
	<i>Associate</i>					
	March 31, 2022	–	91,799	–	On demand; noninterest-bearing; collectible in cash	Secured; with guarantee
	December 31, 2021	–	91,799	–		
	<i>Total</i>					
	Total		₱3,032,094	₱236,870		
	Total		₱2,764,514	₱235,861		

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

- a. PIL entered into ore supply sales agreements with PGM for the purchase of nickel ore amounting to nil and ₱88.3 million for the periods ended March 31, 2022 and 2021, respectively.
- b. In the first quarter of 2022, PGM entered into a seven-month Time Charter Agreement with PCSSC wherein the latter will render barging services to the former for a monthly charter fee amounting to ₱2.6 million per LCT, subject to renewal upon mutual agreement of the parties. The charter fee incurred amounted to nil and ₱4.7 million for the periods ended March 31, 2022 and 2021, respectively.
- c. 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, 2022 and 2021 amounted to ₱16.1 million.

## 27. Income Taxes

The components of the Group's net deferred income tax assets as at March 31, 2022 and December 31, 2021 follow:

Amount in thousands	2022	2021
	(Unaudited)	Audited
Deferred tax assets:		
Provision for mine rehabilitation and decommissioning	₱77,056	₱76,354
Allowance for impairment losses on trade and other receivables	66,428	66,428
Depreciation of right-of-use asset	23,450	18,778
Retirement obligation recognized in profit or loss	6,351	6,920
Accrued taxes	2,620	2,620
Net operating loss carry-over	37,664	2,298
Allowance for impairment losses on inventories	1,883	1,883
	₱215,452	₱175,281
Deferred tax liabilities:		
Undepleted asset retirement obligation	(₱33,593)	(₱33,593)
Unrealized foreign exchange gains - net	(2,073)	(6,519)
Currency translation adjustment recognized directly in OCI	(11,423)	(6,370)
Lease payments	(19,572)	(15,364)
Retirement obligation recognized directly in OCI	(14,568)	(14,568)
Rental income	(2,935)	(2,614)
	(84,164)	(79,028)
Deferred tax assets - net	₱131,288	₱96,253

The current provision for income tax represents special corporate income tax (5% tax on gross income) and regular corporate income tax for the three months ended March 31, 2022 and 2021, respectively. The Group has availed of the itemized deductions method in claiming its deductions for the three months ended March 31, 2022 and 2021.

## 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 effective interest rate ranging from 2.5% to 7.3%. The computed fair value approximates its carrying amount.

Fair Value Hierarchy

As at March 31, 2022 and December 31, 2021, 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, 2022 and December 31, 2021.

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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 port services rendered by SNPSI to its customers; and
- The manufacturing segment includes 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 (2) geographical locations, Philippines and Hong Kong. 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 as follows:

Amount in thousands	For the three months period ended March 31	
	2022	2021
Country of Domicile	(Unaudited)	
China	P-	P133,269
Local	39,904	-
	P39,904	P133,269

The revenue information above is based on the location of the customers. The local customers include SNPSI's revenue from Philcement Corporation, which is an Authority of the Freeport Area of Bataan (AFAB)-registered entity.

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

Amount in thousands	March 31, 2022 (Unaudited)				
	Mining	Services	Manufacturing	Elimination	Total
External customers	P-	P39,904	P-	P-	P39,904
Intersegment revenues	-	-	-	-	-
Total revenues	-	39,904	-	-	39,904
Cost of sales	-	29,519	-	-	29,519
Excise taxes and royalties	-	-	-	-	-
Shipping and distribution	2,285	-	-	-	2,285
Segment operating earnings	(2,285)	10,385	-	-	8,100
General and administrative	160,148	35,991	2,506	-	198,645
Finance income	2,075	19	7	-	2,101
Finance costs	(17,790)	(7,990)	-	-	(25,780)
Share in net loss of investment in associates	(10,992)	-	-	-	(10,992)
Other charges - net	(12,669)	-	-	-	(12,669)
Provision for (benefit from) income tax	(40,282)	235	321	-	(39,726)
Net loss attributable to equity holders of GFNI	(P161,492)	(P30,614)	(P2,820)	P-	(P194,926)
Segment assets	P23,508,888	P1,766,729	P451,704	(P12,173,601)	P13,553,720
Deferred tax assets - net	143,984	5,019	(3,698)	(14,017)	131,288
Total assets	P23,652,872	P1,771,748	P448,006	(P12,187,618)	P13,685,008
Segment liabilities	P3,412,623	P559,457	P387,785	(P1,076,601)	P3,283,264
Capital expenditures	P60,980	P15,276	P4,274	(P1,102)	P79,428
Depreciation and depletion	P63,755	P23,147	P135	P-	P87,037

Amount in thousands	March 31, 2021 (Unaudited)				
	Mining	Services	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 loss of investment in associates	(6,259)	-	-	-	(6,259)
Other income - net	4,427	-	-	314	4,741
Provision for (benefit from) income tax	(20,912)	32	341	-	(20,539)
Segment net loss	(70,867)	(20,388)	(2,512)	-	(93,767)
Net loss attributable to NCI	(17)	-	(597)	-	(614)
Segment net loss attributable to equity holders of GFNI	(P70,850)	(P20,388)	(P1,915)	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 and depletion	P52,353	P8,787	P127	P-	P61,267

Amount in thousands	December 31, 2021 (Audited)				
	Mining	Services	Manufacturing	Elimination	Total
Segment assets	P23,762,903	P1,820,852	P451,290	(P12,233,779)	P13,801,266
Deferred tax assets - net	103,703	4,891	(3,377)	(8,964)	96,253
Total assets	P23,866,606	P1,825,743	P447,913	(P12,242,743)	P13,897,519
Segment liabilities	P3,452,420	P579,641	P386,155	(P1,137,861)	P3,280,355
Capital expenditures	P904,919	P1,125,028	P9,975	P-	P2,039,922