AS09403992

SEC Registration Number

GLOBAL FERRONICKEL HOLDINGS INC

formerly:

SOUTHEAST ASIA CEMENT HOLDINGS INC

(Company's Full Name)

7F CORPORATE BUSINESS CENTER 151

PASEO DE ROXAS COR ARNAIZ ST

MAKATI

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

Atty. Noel Lazaro

(Contact Person)

(632) 5118229

(Company Telephone Number)

Month *Day*

(Fiscal Year)

17-Q

(Form Type)

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

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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 - **JUNE 30, 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 — Postal Code
   7th Floor Corporate Business Centre, 151 Paseo de Roxas corner Arnaiz Street, Makati City — 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 [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
JUNE 30, 2021

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PART I - FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

The Unaudited Interim Consolidated Financial Statements as at June 30, 2021 and for the six-month period ended June 30, 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 six-month period ended June 30, 2021 and 2020 and as at June 30, 2021 and December 31, 2020:

1.a. Summary Consolidated Statements of Financial Position

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)	Increase/ (Decrease)	Percent Inc. (Dec.)
	(In Thousand Pesos)			
ASSETS				
Current Assets	6,812,855	5,693,173	1,119,682	19.7%
Noncurrent Assets	6,409,329	5,881,363	527,966	9.0%
TOTAL ASSETS	13,222,184	11,574,536	1,647,648	14.2%
LIABILITIES AND EQUITY				
Current Liabilities	3,005,558	1,537,995	1,467,563	95.4%
Noncurrent Liabilities	1,342,252	923,579	418,673	45.3%
Total Liabilities	4,347,810	2,461,574	1,886,236	76.6%
Equity				
Attributable to Equity Holders of the Parent Company	8,843,847	9,081,373	(237,526)	-2.6%
Non-controlling Interest (NCI)	30,527	31,589	(1,062)	100.0%
Total Equity	8,874,374	9,112,962	(238,588)	-2.6%
TOTAL LIABILITIES AND EQUITY	13,222,184	11,574,536	1,647,648	14.2%

1.b. Summary Consolidated Statements of Comprehensive Income

	For the Three Months Ended June 30		For the Six Months Ended June 30		Increase (Decrease)	
	2021	2020	2021	2020	3 Months	6 Months
			(In Thousand Pesos)			
Revenues	2,476,712	1,506,472	2,609,981	1,545,469	970,240	1,064,512
Cost and Expenses	(1,420,044)	(1,036,417)	(1,657,977)	(1,258,473)	(383,627)	(399,504)
Finance Costs	(17,824)	(14,643)	(27,355)	(30,768)	(3,181)	3,413
Share in Net Income (Loss) of Investment in Associates	(18,054)	22,388	(24,313)	19,529	(40,442)	(43,842)
Other Charges - net	(79,020)	(1,973)	(72,872)	(5,295)	(77,047)	(67,577)
Income Before Income Tax	941,770	475,827	827,464	270,462	465,943	557,002
Provision for Income Tax - net	207,209	122,083	186,670	74,689	85,126	111,981
Net Income	**734,561**	**353,744**	**640,794**	**195,773**	380,817	445,021
Other Comprehensive Income (Loss)	1,919	(13,088)	9,552	(9,231)	15,007	18,783
Total Comprehensive Income	**736,480**	**340,656**	**650,346**	**186,542**	395,824	463,804
Basic and Diluted Income Per Share	0.1399	0.0648	0.1223	0.0360	0.0751	0.0863
Net Income (Loss) Attributable To:						
Equity Holders of the Parent	735,009	354,237	641,856	196,694	380,772	445,162
Non-controlling Interest (NCI)	(448)	(493)	(1,062)	(921)	45	(141)
	734,561	**353,744**	**640,794**	**195,773**	380,817	445,021

1.c. Summary Consolidated Statements of Changes in Equity

	For the Period Ended June 30		For the Year Ended December 31
	2021	2020	2020
	(In Thousand Pesos)		
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	(4,469)	(6,788)	(5,481)
Remeasurement Gain on Retirement Obligation	8,607	19,729	8,607
Cumulative Translation Adjustment	(36,429)	(11,270)	(44,969)
Retained Earnings	4,173,957	2,382,255	4,053,133
Treasury Shares - at cost	(1,912,806)	(1,206,704)	(1,544,904)
Non-controlling Interest (NCI)	30,527	33,054	31,589
Total Equity	**8,874,374**	**7,825,263**	**9,112,962**

1.d. Summary Consolidated Statements of Cash Flows

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2021	2020	2021	2020
	(In Thousand Pesos)			
NET CASH FLOWS FROM (USED IN):				
Operating Activities	1,148,997	118,072	884,948	(225,416)
Investing Activities	(208,104)	(128,987)	(391,566)	(870,717)
Financing Activities	(38,144)	(38,903)	(411,933)	(55,040)
NET INCREASE (DECREASE) IN CASH	902,749	(49,818)	81,449	(1,151,173)
Effect of Exchange Rate Changes on Cash	11,787	(22,135)	31,440	(25,595)
CASH AT BEGINNING OF PERIOD	1,649,919	656,429	2,451,566	1,761,244
CASH AT END OF PERIOD	**2,564,455**	**584,476**	**2,564,455**	**584,476**

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 June 30, 2021 and December 31, 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the periods ended June 30, 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 June 30, 2021, total assets of the Group stood at ₱13,222.2 million, an increase of ₱1,647.7 million or 14.2%, from ₱11,574.5 million as at December 31, 2020. The increase was due to the net increase in current assets by ₱1,119.7 million or 19.7% and increase in noncurrent assets by ₱528.0 million or 9.0%.

The increase in current assets was mainly attributable to the increase in trade and other receivables, advances to related parties, cash, and prepayments and other current assets by ₱805.3 million, ₱193.2 million, ₱112.9 million, and ₱23.9 million, respectively. The increase in trade and other receivables is attributable mainly to the volume shipped during the current period that is expected to be collected within 90 days. The increase in prepayments and other current assets mainly pertains to the increase in prepaid taxes and licenses representing advance payments made to the Mines and Geosciences Bureau (MGB) and the Bureau of Internal Revenue (BIR) for the processing of shipments' permits, and are expected to be realized within the 2021 mining season.

The net increase in noncurrent assets was mainly due to the following: (a) net increase in property and equipment by ₱574.7 million or 29.1% was mainly due to the addition of right-of-use asset amounted to ₱513.5 million attributable to the Group's lease agreement with JSY6677 Landholdings, Inc. for its new office space for a lease period of ten (10) years effective April 1, 2021, acquisitions during the period amounted to ₱97.2 million, increase in mining properties "under property and equipment" by ₱115.8 million (reclassification from mine exploration costs), and reduced by ₱152.3 million representing depreciation and depletion during the period; (b) decrease in mine exploration costs amounted to ₱105.5 million was a result of the reclassification to property and equipment amounted to ₱115.8 million attributable to the development of CAGA 1, net of exploration expenditures incurred amounted to ₱10.3 million; and (c) increase in other noncurrent assets by ₱89.7 or 12.6%, mainly attributable to increase in advances to suppliers.

Total liabilities of the Group stood at ₱4,347.8 million as at June 30, 2021, an increase of ₱1,886.2 million or 76.6%, from ₱2,461.6 million as at December 31, 2020. The net increase was mainly due to the following: (a) increase in trade and other payables by ₱1,391.8 million from ₱449.9 million to ₱1,841.7 million representing mainly increase in trade payables and dividends payable by ₱864.5 million and ₱477.6 million, respectively; (b) increase in lease liabilities by ₱473.7 million in relation to the increase in right-of-use asset (see noncurrent section above); and (c) increase in income tax payable amounted to ₱25.5 million due to higher taxable income during the period compared to the prior period.

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.

Export Revenues

The Group's first half 2021 mining operations generated total export revenues of ₱2,610.0 million compared to ₱1,545.5 million in the six months ended June 30, 2020, an increase of ₱1,064.5 million or 68.9% mainly due to higher prices of nickel ore compared to 2020 and increase in the volume shipped.

The sale of nickel ore for the six months ended June 30, 2021 was 1.740 million WMT, higher by 0.482 million WMT or 38.3%, compared to 1.258 million WMT of nickel ore in the six months ended June 30, 2020. The Group was able to ship 32 vessels of nickel ore during the six months period ended June 30, 2021 as against 23 vessels of nickel ore during the same period last year as there was a temporary suspension of operations in April of 2020 to combat the spread of the coronavirus. The resulting sales mix was 84% low-grade ore and 16% medium-grade ore in 2021 versus the previous period's mix of 52% low-grade ore and 48% medium-grade ore. These were exported 100% to China and consisted of 1.465 million WMT low-grade nickel ore and 0.275 million WMT medium-grade nickel ore compared to 0.656 million WMT low-grade nickel ore and 0.602 WMT medium-grade nickel ore of the same period in 2020.

The average realized nickel ore prices for the period ended June 30, 2021 were higher than 2020, specifically: (1) Low-grade ore was US$31.01/WMT in 2021, 61.7% higher than 2020 price of US$19.18/WMT; and (2) Medium-grade ore was US$31.58/WMT, 5.2% higher than 2020 price of US$30.03/WMT. The overall average realized nickel ore price for the period ended June 30, 2021 was US$31.10/WMT compared to US$24.38/WMT for the period ended June 30, 2020, higher by US$6.72/WMT or 27.6%.

The average realized Peso over US$ exchange rate for the Group's export revenues was ₱48.24 compared to ₱50.40 of the same period last year, lower by ₱2.16 or 4.3%.

Service Revenues
The service income earned for the landing craft tanks (LCT) chartered by Platinum Group Metals Corporation (PGMC) from its subsidiary, PGMC-CNEP Shipping Services Corp. (PCSSC), amounted to ₱32.1 million for the six months period ended June 30, 2021 as compared to ₱22.2 million for the same period last year.

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 ₱1,658.0 million for the six months ended June 30, 2021 compared to ₱1,258.5 million for the six months ended June 30, 2020, an increase of ₱399.5 million or 31.7%. The average cash operating cost per volume sold decreased to ₱861.85 per WMT in the first half of 2021 from ₱888.66 per WMT, lower by ₱26.81 per WMT or 3.0%. For the six months period ended June 30, 2021, the total aggregate cash costs and total sales volume were ₱1,499.6 million and 1.740 million WMT, respectively. For the six months period ended June 30, 2020, the total aggregate cash costs and total sales volume were ₱1,117.9 million and 1.258 WMT, respectively.

Cost of Sales
The cost of sales went up from ₱680.8 million for the six months ended June 30, 2020 to ₱837.8 million for the same period this year, an increase by ₱157.0 million, or 23.1%, mainly attributed to the following: (a) increase in contract hire by ₱97.2 million (from ₱417.2 million in 2020 to ₱514.4 million in 2021), or 23.3%; (b) increase in personnel costs by ₱26.0 million (from ₱55.6 million) or 46.8%; (c) increase in fuel, oil and lubricants by ₱10.2 million (from ₱10.0 million) or 102.0%; and (d) increase in other charges by ₱11.7 million (from ₱18.1 million) or 64.6%. The increase was primarily due to higher tonnage produced and volume shipped compared to the same period of last year, and there was no shipment in the month of April 2020 due to the temporary suspension of operations.

Excise Taxes and Royalties
Excise taxes and royalties were ₱320.4 million and ₱201.9 million during the first half of 2021 and 2020, respectively. Since these expenses were computed and paid based on the percentage of revenues, the increase in revenues consequently increased the excise taxes and royalties taken up.

General and Administrative
General and administrative expenses were ₱325.8 million in the first six months of 2021 compared to ₱274.3 million in the first half of 2020, an increase of ₱51.5 million, or 18.8%. The increase was mainly due to increase in depreciation and amortization, taxes and licenses, personnel costs, marketing and entertainment, and outside services by ₱10.4 million, ₱9.3 million, ₱8.8 million, ₱5.5 million, and ₱5.3 million, respectively. The increase in depreciation and amortization expense was attributable to the amortization of the increase in right-of-use asset as explained in the statement of the financial condition section.

Shipping and Distribution
Shipping and loading costs were ₱173.9 million for the six months ended June 30, 2021 compared to ₱101.4 million in the same period last year, up by ₱72.5 million, or 71.5% mainly attributable higher volume shipped in 2021 versus 2020 and no loading operations in April of the prior period as stated earlier.

Finance Costs
Finance costs amounted to ₱27.4 million in the first six months of 2021 compared to ₱30.8 million in the first six months of 2020, a decrease of ₱3.4 million, or 11.0%.

Share in Net Income (Loss) of Investment in Associates
The share in net income (loss) of investment in associates amounted to (₱24.3 million) for the period ended June 30, 2021 compared to ₱19.5 million in 2020. This represents: (a) net loss take-up for deposits for future acquisition amounted to (₱8.4 million) and (₱6.5 million) for the periods ended June 30, 2021 and 2020, respectively, in accordance with Philippine Accounting Standards (PAS) 28; and (b) share in net income (loss) on the investment in Seasia Nectar Port Services Inc. (SNPSI), an associate, amounted to (₱15.9 million) and ₱26.0 million for the periods ended June 30, 2021 and 2020, respectively.

Other Charges - net
Net other charges amounted to ₱75.6 million in the first six months of 2021 compared to ₱8.7 million in the first six months of 2020, an increase of ₱66.9 million, or 769.0%. The increase in other charges was mainly due to the increase in net demurrage amounted to ₱141.6 million (from ₱5.6 million) due to bad weather conditions in the first half of this year compared to the same period last year. Also, average demurrage rate increased to US$29,000 per day (from US$8,000 per day) or an increase of 262% in relation to increase in nickel ore prices. This was offset by other income amounted to ₱57.0 million recognized during the year in relation to the change in income tax rate applicable for the taxable year 2020 as a result of the CREATE (30% income tax rate was used for financial reporting purposes versus 25% income tax rate effective July 1, 2020 was used for final tax calculation and payment). This other income was treated as a nontaxable item for tax purposes.

Provision for Income Tax - net
The net provision for income tax was ₱186.7 million for the six months ended June 30, 2021 compared to ₱74.7 million in the same period last year, an increase of ₱112.0 million or 149.9%. The Group's current provision for income tax pertains to regular corporate income tax for the six months period ended June 30, 2021 and 2020. The increase was due to higher taxable income earned during the period compared to the prior period.

Total Comprehensive Income - net of tax

Net Income
As a result of the foregoing, the consolidated net income was ₱640.8 million for the six months ended June 30, 2021 compared to ₱195.8 million in the same period last year. Net of non-controlling interests, the net income attributable to equity holders of the parent for the first half of the current year amounted to ₱641.9 million compared to ₱196.7 million during the same period of last year.

Cumulative Translation Adjustment
The Group had recognized cumulative translation adjustment amounted to ₱8.5 million and (₱8.1 million) for the periods ended June 30, 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

Cash Flows from Operating Activities
The net cash flows from (used in) operating activities resulted in ₱884.9 million for the six months ended June 30, 2021 compared to (₱225.4 million) of the same period last year. The increase in the cash generated from operations was mainly due to higher sale of ore during the period compared to the prior period as a result of the increase in average realized nickel ore price and volume shipped.

Cash Flows from Investing Activities
The net cash flows used in investing activities for the six months ended June 30, 2021 and 2020 amounted to ₱391.6 million and ₱870.7 million, respectively. The net cash outflows in 2021 arose mainly from the acquisition of property and equipment amounted to ₱97.2 million, additional advances to related parties amounted to ₱193.2 million, and increase in other noncurrent assets by ₱90.9 million. The net cash outflows in 2020 arose mainly from the acquisition of property and equipment amounted to ₱50.4 million, additional advances to related parties amounted to ₱787.6 million and increase in other noncurrent assets by ₱28.3 million.

Cash Flows from Financing Activities
For the six months ended June 30, 2021 and 2020, the net cash flows used in financing activities amounted to ₱411.9 million and ₱55.0 million, respectively. The net cash outflows in 2021 arose mainly from the buyback of GFNI shares amounted to ₱367.9 million, payments of lease liabilities amounted to ₱36.1 million, and payments of loans payable amounted to ₱8.2 million. The net cash outflows in 2020 arose mainly from proceeds from availment of bank loans amounted to ₱291.8 million, net of payments of bank loans amounted to ₱103.3 million; payments of subscription payable and lease liabilities amounted to ₱225.0 million and ₱11.1 million, respectively; and the buyback of GFNI shares amounted to ₱7.8 million.

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 June 30, 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 June 30, 2021 and 2020:

Indicators	Formula	2021	2020
Earnings (Loss) Per Share	Profit for the Period/Weighted Average Number of Shares Outstanding	0.1223	0.0360
Debt-to-Equity Ratio	Total Liabilities/Total Equity	0.49:1	0.40:1
Asset-to-Equity Ratio	Total Assets/Total Equity	1.49:1	1.40:1
Current Ratio	Current Assets/Current Liabilities	2.27:1	2.20:1

PART III - OTHER INFORMATION

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

Date	Description
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	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 statements 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 P0.10 per share, subject to the Company's withholding of applicable taxes, for stockholders of record as of June 15, 2021.
May 24, 2021	At its regular meeting on May 24, 2021, the Board considered the proposal of the management to acquire interest in GCTN to enhance synergy between the Company as ore supplier and GCTN as value-added processor, provide consistent and reliable trade transactions between the parties, and support the diversification projects of the Company. After discussions, the Board adopted and approved the following: (1) the appointment of Punongbayan & Araullo Grant Thornton, an external independent party accredited by the Philippine Stock Exchange and Securities and Exchange Commission of the Philippines, to issue fairness and valuation reports for the Company's material related transaction; (2) the recommendation of the Audit, Risk and Related Party Transaction Committee to authorize and approve the Company's acquisition of 20% interest in Guangdong Century Tsingshan Nickel Industry Co., Ltd.; and (3) the authority of the Audit, Risk and Related Party Transaction Committee to ensure that the terms and conditions of the acquisition comply with the requirements applicable to material related party transactions and that the rights of the shareholders and other stakeholders are protected. Definitive agreements will be executed in due course.

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: August 13, 2021

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

Date: August 13, 2021

Annex A

Aging of Trade and Other Receivables
As at June 30, 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	874,748	-	-	-	186,001	1,060,749
Advances to Contractors	47,654	-	-	-	79,711	127,365
Advances to Officers, Employees and Others	9,623	-	-	-	-	9,623
Total	**932,025**	-	-	-	**265,712**	**1,197,737**
Less: Allowance for Doubtful Accounts						265,712
NET RECEIVABES						**932,025**

GLOBAL FERRONICKEL HOLDINGS, INC.
SEC FORM 17-Q
INDEX TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱2,564,455**	₱2,451,566
Trade and other receivables (Note 5)	**932,025**	126,727
Advances to related parties (Note 26)	**2,958,731**	2,765,543
Inventories (Note 6)	**271,024**	286,598
Prepayments and other current assets (Note 7)	**86,620**	62,739
Total Current Assets	**6,812,855**	5,693,173
Noncurrent Assets		
Property and equipment (Note 8)	**2,551,987**	1,977,317
Deposits for future acquisition (Note 26)	**2,165,602**	2,173,978
Investment in associates (Note 9)	**471,720**	487,657
Mining rights (Note 10)	**132,894**	136,825
Mine exploration costs (Note 11)	**135,891**	241,361
Deferred tax assets - net (Note 27)	**150,426**	153,122
Other noncurrent assets (Note 12)	**800,809**	711,103
Total Noncurrent Assets	**6,409,329**	5,881,363
TOTAL ASSETS	**₱13,222,184**	₱11,574,536
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 13)	**₱1,841,700**	₱449,896
Current portion of loans payable (Note 14)	**457,045**	460,487
Advances from related parties (Note 26)	**394,780**	394,536
Current portion of lease liabilities (Note 18)	**109,642**	56,213
Income tax payable	**202,391**	176,863
Total Current Liabilities	**3,005,558**	1,537,995
Noncurrent Liabilities		
Loans payable - net of current portion (Note 14)	**–**	–
Provision for mine rehabilitation and decommissioning (Note 15)	**332,686**	328,601
Retirement obligation (Note 16)	**19,393**	25,081
Lease liabilities - net of current portion (Note 18)	**458,144**	37,868
Other noncurrent liabilities (Note 17)	**532,029**	532,029
Total Noncurrent Liabilities	**1,342,252**	923,579
Total Liabilities	**4,347,810**	2,461,574
Equity		
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	**(36,429)**	(44,969)
Fair value reserve of financial asset at fair value through other comprehensive income (Note 12)	**(4,469)**	(5,481)
Retained earnings	**4,173,957**	4,053,133
Treasury shares (Note 19)	**(1,912,806)**	(1,544,904)
Equity attributable to the Parent Company	**8,843,847**	9,081,373
Non-controlling interests (NCI) (Note 19)	**30,527**	31,589
Total Equity	**8,874,374**	9,112,962
TOTAL LIABILITIES AND EQUITY	**₱13,222,184**	₱11,574,536

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 JUNE 30, 2021 AND 2020
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2021 AND 2020
(Amounts in Thousands, Except Earnings per Share)

	Three Months Ended June 30		Six Months Ended June 30	
	2021	2020	2021	2020
			(Unaudited)	
SALE OF ORE	₱2,476,712	₱1,506,472	₱2,609,981	₱1,545,469
COST OF SALES (Note 21)	790,344	646,990	837,814	680,858
GROSS PROFIT	1,686,368	859,482	1,772,167	864,611
OPERATING EXPENSES				
Excise taxes and royalties (Note 22)	307,085	197,575	320,401	201,913
General and administrative (Note 23)	159,127	98,731	325,813	274,322
Shipping and distribution (Note 24)	163,488	93,121	173,949	101,380
	629,700	389,427	820,163	577,615
FINANCE COSTS (Note 27)	(17,824)	(14,643)	(27,355)	(30,768)
FINANCE INCOME	1,310	1,573	2,717	3,451
SHARE IN NET INCOME (LOSS) OF INVESTMENT IN ASSOCIATES (Note 9)	(18,054)	22,388	(24,313)	19,529
OTHER CHARGES - net (Note 28)	(80,330)	(3,546)	(75,589)	(8,746)
INCOME BEFORE INCOME TAX	941,770	475,827	827,464	270,462
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 30)				
Current	182,820	84,086	187,634	84,086
Deferred	24,389	37,997	(964)	(9,397)
	207,209	122,083	186,670	74,689
NET INCOME	734,561	353,744	640,794	195,773
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified to profit or loss in subsequent periods:				
Currency translation adjustment	1,597	(18,847)	12,200	(11,621)
Income tax effect	(479)	5,654	(3,660)	3,486
	1,118	(13,193)	8,540	(8,135)
Items that will not be reclassified to profit or loss in subsequent periods:				
Fair value reserve of financial asset at fair value through other comprehensive income (Note 12)	801	105	1,012	(1,096)
TOTAL COMPREHENSIVE INCOME	₱736,480	₱340,656	₱650,346	₱186,542
Net Income Attributable To:				
Equity holders of the Parent Company	₱735,009	₱354,237	₱641,856	₱196,694
NCI	(448)	(493)	(1,062)	(921)
	₱734,561	₱353,744	₱640,794	₱195,773
Total Comprehensive Income Attributable To:				
Equity holders of the Parent Company	₱736,928	₱341,149	₱651,408	₱187,463
NCI	(448)	(493)	(1,062)	(921)
	₱736,480	₱340,656	₱650,346	₱186,542
Basic/Diluted Earnings (Loss) Per Share on Net Income (Loss) Attributable to Equity Holders of the Parent Company (Note 20)	₱0.1399	₱0.0648	₱0.1223	₱0.0360

See accompanying Notes to Unaudited Consolidated Financial Statements.

GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2021 AND 2020
(Amounts in Thousands)

	Capital Stock (Note 19)	Additional Paid-in Capital (Note 19)	Treasury Shares (Note 19)	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
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	-	-	-	-	-	-	641,856	641,856	(1,062)	640,794
Other comprehensive loss - net of tax	-	-	-	1,012	-	8,540	-	9,552	-	9,552
Total comprehensive income (loss) - net of tax	-	-	-	1,012	-	8,540	641,856	651,408	(1,062)	650,346
Declaration of cash dividend	-	-	-	-	-	-	(521,032)	(521,032)	-	(521,032)
Purchase of treasury shares	-	-	(367,902)	-	-	-	-	(367,902)	-	(367,902)
Balances at June 30, 2021 (Unaudited)	₱ 6,375,975	₱ 239,012	₱ (1,912,806)	₱ (4,469)	₱ 8,607	₱ (36,429)	₱ 4,173,957	₱ 8,843,847	₱ 30,527	₱ 8,874,374
Balances at December 31, 2019 (Audited)	₱ 6,375,975	₱ 239,012	₱ (1,198,909)	₱ (5,692)	₱ 19,729	₱ (3,135)	₱ 2,185,561	₱ 7,612,541	₱ 33,975	₱ 7,646,516
Net income (loss) for the period	-	-	-	-	-	-	196,694	196,694	(921)	195,773
Other comprehensive loss - net of tax	-	-	-	(1,096)	-	(8,135)		(9,231)	-	(9,231)
Total comprehensive income (loss) - net of tax	-	-	-	(1,096)	-	(8,135)	196,694	187,463	(921)	186,542
Issuance of common stock - NCI	-	-	-	-	-	-	-	-	-	-
Purchase of treasury shares	-	-	(7,795)	-	-	-	-	(7,795)	-	(7,795)
Balances at June 30, 2020 (Unaudited)	₱ 6,375,975	₱ 239,012	₱ (1,206,704)	₱ (6,788)	₱ 19,729	₱ (11,270)	₱ 2,382,255	₱ 7,792,209	₱ 33,054	₱ 7,825,263

See accompanying Notes to Unaudited Consolidated Financial Statements.

GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2021 AND 2020
(Amounts in Thousands)

	2021	2020
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱827,464**	₱270,462
Adjustments for:		
Depreciation, depletion and amortization (Note 26)	**158,362**	140,539
Interest expense (Note 27)	**19,739**	23,093
Share in net loss (income) of investment in associates (Note 9)	**24,313**	(19,529)
Retirement benefits costs (Note 16)	**5,282**	7,061
Accretion interest on provision for mine rehabilitation and decommissioning (Note 27)	**4,085**	6,417
Unrealized foreign exchange gains - net	**(14,038)**	(5,489)
Interest income	**(2,717)**	(3,451)
Other income “under Other charges - net”	**(56,982)**	–
Operating income before changes in working capital	**965,508**	419,103
Decrease (increase) in:		
Trade and other receivables	**(805,298)**	(572,846)
Inventories	**15,574**	4,776
Prepayments and other current assets	**(23,636)**	(80,873)
Increase in trade and other payables	**874,994**	219,843
Net cash generated from (used in) operations	**1,027,142**	(9,997)
Income taxes paid	**(106,282)**	(188,140)
Interest paid	**(25,616)**	(21,587)
Contributions (Note 16)	**(11,454)**	(7,636)
Interest received	**1,158**	1,944
Net cash flows from (used in) operating activities	**884,948**	(225,416)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property and equipment	**(97,183)**	(50,433)
Mine exploration costs	**(10,327)**	(4,415)
Increase in:		
Advances to related parties	**(193,188)**	(787,552)
Other noncurrent assets	**(90,868)**	(28,317)
Net cash flows used in investing activities	**(391,566)**	(870,717)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of bank loans	**–**	291,770
Payments of bank loans	**(8,204)**	(103,308)
Purchase of treasury shares (Note 19)	**(367,902)**	(7,795)
Increase (decrease) in:		
Lease liabilities	**(36,071)**	(11,072)
Advances from related parties	**244**	365
Other noncurrent liabilities	**–**	(225,000)
Net cash flows from (used in) financing activities	**(411,933)**	(55,040)
NET INCREASE (DECREASE) IN CASH	**81,449**	(1,151,173)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**31,440**	(25,595)
CASH AT BEGINNING OF PERIOD	**2,451,566**	1,761,244
CASH AT END OF PERIOD	**₱2,564,455**	₱584,476

See accompanying Notes to Unaudited Consolidated Financial Statements.

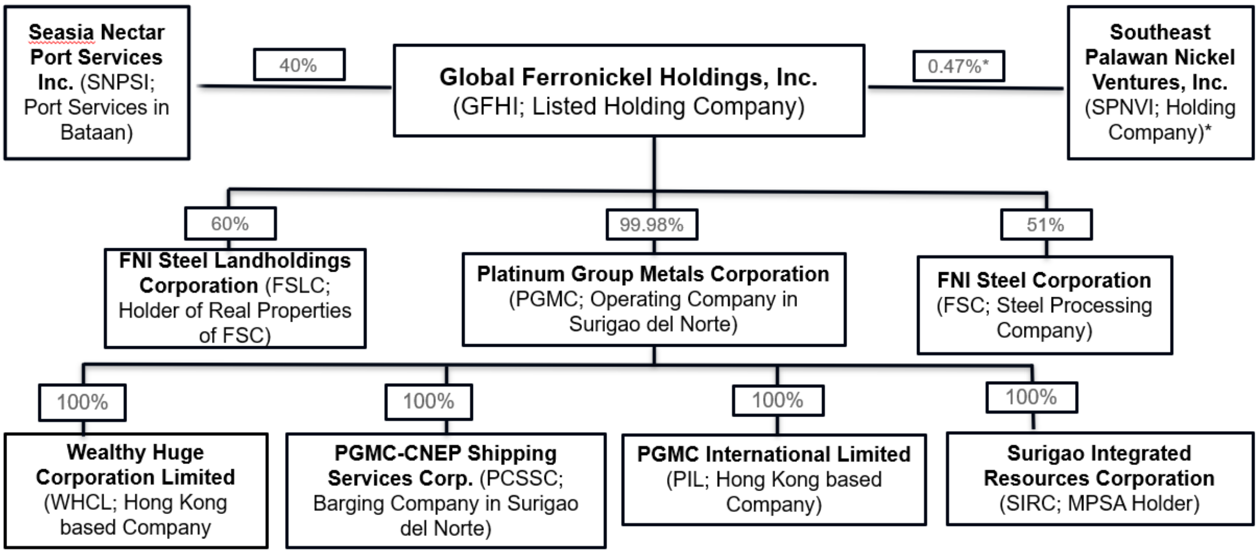
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 June 30, 2021 are as follows:

List of Top 20 Stockholders

Name	Citizenship	Holdings	Percentage
PCD NOMINEE CORP. - FILIPINO	Filipino	2,813,850,767	41.91%
PCD NOMINEE CORP. - NON-FILIPINO	Foreign	1,832,199,935	34.16%
REGULUS BEST NICKEL HOLDINGS INC.	Filipino	523,154,668	10.04%
BLUE EAGLE ELITE VENTURE INC.	Filipino	348,769,779	06.69%
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. ODTOJAN	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%

<u>The Subsidiaries</u>

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 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 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 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.

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.

Wealthy Huge Corporation Limited (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.

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.

PGMC, SIRC, PCSSC, PIL and WHCL are hereinafter collectively referred to as PGMC Group. PGMC Group and FSLC's registered address is the same as that of the Parent Company except for PIL and WHCL which are registered at Unit 4101-02, 41/F, Office Tower, Convention Plaza, 1 Harbour Road Wanchai, Hong Kong, and Room 804, 8/F, LAP FAI Building, 6-8 Pottinger Street, Central Hong Kong, respectively. 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 June 30, 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.

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

Basis of Preparation

The accompanying interim consolidated financial statements of the Group as at June 30, 2021 and for the six months period ended June 30, 2021 and 2020 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 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 June 30, 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	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash on hand	₱854	₱909
Cash with banks	1,973,340	2,378,678
Short-term cash investments	590,261	71,979
	₱2,564,455	₱2,451,566

5. Trade and Other Receivables

Amount in thousands	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade	₱1,060,749	₱275,853
Advances to:		
Contractors	127,365	106,502
Officers, employees and others	9,623	10,084
	1,197,737	392,439
Less allowance for impairment losses	265,712	265,712
	₱932,025	₱126,727

There was no provision for impairment losses for the periods ended June 30, 2021 and 2020.

6. Inventories

Amount in thousands	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Beneficiated nickel ore	₱199,461	₱204,776
Materials and supplies	71,563	81,822
	₱271,024	₱286,598

The amount of inventoriable cost charged to cost of sales in the consolidated statements of comprehensive income amounted to ₱514.4 million and ₱417.2 million for the six months ended June 30, 2021 and 2020, respectively (see Note 21).

7. Prepayments and Other Current Assets

Amount in thousands	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Prepaid taxes and licenses	₱60,994	₱38,387
Prepaid insurance	19,091	8,922
Prepaid rent	6,151	15,031
Others	4,068	4,083
	90,304	66,423
Less allowance for impairment losses	3,684	3,684
	₱86,620	₱62,739

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

8. Property and Equipment

As at June 30, 2021 and December 31, 2020, property and equipment amounted to ₱2,552.0 million and ₱1,977.3 million, respectively. During the six-month period ended June 30, 2021 and 2020, the Group acquired assets with a cost of ₱97.2 million and ₱50.4 million, respectively, including construction in-progress.

In addition, the Group embarked on the development of its CAGA 1 in the first quarter of 2021 and with this, the Group transferred to Mining Properties portion of its mine exploration costs applicable to CAGA 1 amounted to ₱115.8 million (see Note 10).

Depreciation and depletion expenses for the six-month period ended June 30, 2021 and 2020 amounted to ₱152.3 million and ₱131.6 million, respectively (see Note 26). As of June 30, 2021 and December 31, 2020, total accumulated depreciation and depletion amounted to ₱2,726.6 million and ₱2,577.9 million, respectively.

The property and equipment includes the right-of-use assets amounted to ₱601.7 million and ₱115.3 million as at June 30, 2021 and December 31, 2020, respectively. During the six-month period ended June 30, 2021, the Group recognized right-of-use asset amounted to ₱513.5 million attributable to the Group's lease agreement with JSY6677 Landholdings, Inc. for its new office space for a lease period of ten years effective April 1, 2021 (see Note 18). As of June 30, 2021 and December 31, 2020, accumulated depreciation of the right-of-use assets amounted to ₱73.7 million and ₱45.7 million, respectively. Depreciation expense of right-of-use assets for the six-month period June 30, 2021 and 2020 amounted to ₱27.4 million and ₱12.6 million, respectively.

No property and equipment were pledged as at June 30, 2021 and December 31, 2020 except machineries and other equipment subject to chattel mortgage.

9. Investment in Associates

Amount in thousands	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
SPNVI	₱–	₱–
SNPSI	471,720	487,657
	₱471,720	₱487,657

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	June 30, 2021 (Unaudited)	December 31, 2020 (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 ₱22.3 million and ₱17.2 million for the periods ended June 30, 2021 and 2020, respectively. The Group's share in the net loss of SPNVI from its deposits for future acquisition amounted to ₱8.4 million and ₱6.4 million for the periods ended June 30, 2021 and 2020, respectively. As at June 30, 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	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Investment in associates	₱300	₱300
Deposits for future acquisition	51,452	43,076
	₱51,752	₱43,376

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 SNPSI are as follows:

Amount in thousands	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Cost	₱450,000	₱450,000
Accumulated equity in net loss:		
Beginning balance	37,657	1,429
Share in net income (loss)	(15,937)	36,228
Ending balance	21,720	37,657
	₱471,720	₱487,657

SNPSI incurred a net income (loss) of (₱39.8 million) and ₱64.9 million for the periods ended June 30, 2021 and 2020, respectively. The Group's share in the net income (loss) amounted to (₱15.9 million) and ₱26.0 million for the periods ended June 30, 2021 and 2020, respectively.

The Group recognized total share in net income (loss) of investment in associates amounted to (₱24.3 million) and ₱19.6 million for the periods ended June 30, 2021 and 2020, respectively.

10. Mining Rights

Amount in thousands	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Cost	₱396,500	₱396,500
Accumulated amortization:		
Beginning balance	259,675	240,191
Amortization	3,931	19,484
Ending balance	263,606	259,675
Net book value	₱132,894	₱136,825

There was no provision for impairment loss on mining rights recognized for the six months period ended June 30, 2021 and 2020.

11. Mine Exploration Costs

Amount in thousands	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Beginning balance	₱241,361	₱219,746
Exploration expenditures incurred	10,327	21,615
Reclassification (see Note 8)	(115,797)	–
Ending balance	₱135,891	₱241,361

The reduction in mine exploration costs pertains to the portion applicable to CAGA 1 which has moved from exploration stage to development stage in the first quarter of 2021. The same amount of ₱115.8 million is now part of the Mining properties under "Property and equipment". The remaining mine exploration costs as of June 30, 2021 pertains to CAGAs 5, 6, 7 and limestone areas which are all still under exploration activities.

12. Other Noncurrent Assets

Amount in thousands	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Mine rehabilitation fund (MRF)	₱317,155	₱316,501
Restricted cash	183,394	180,448
Input VAT	209,338	204,872
Advances to suppliers	227,737	145,707
Intangible asset	33,706	35,384
Financial asset at FVOCI	4,386	3,374
Others	27,273	26,997
	1,002,989	913,283
Less allowance for impairment losses	202,180	202,180
	₱800,809	₱711,103

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

Amount in thousands	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Beginning balance	₱3,374	₱3,163
Fair value reserve	1,012	211
Ending balance	₱4,386	₱3,374

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

Amount in thousands	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Beginning balance	(₱5,481)	(₱5,692)
Fair value reserve	1,012	211
Ending balance	(₱4,469)	(₱5,481)

There was no dividend income earned from the quoted equity instrument for the periods ended June 30, 2021 and 2020.

13. Trade and Other Payables

Amount in thousands	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade	₱973,142	₱108,650
Advances from Huarong Asia Limited	168,596	168,596
Accrued expenses and taxes	184,897	139,121
Dividends payable	497,802	20,238
Nontrade	17,263	13,291
	₱1,841,700	₱449,896

Details of the accrued expenses and taxes are summarized below:

Amount in thousands	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Excise taxes and royalties payable	₱88,489	₱77,869
Business and other taxes	63,813	15,976
Provision for Social Development and Management Program (SDMP) and Indigenous Cultural Communities (ICC)	30,952	30,546
Others	1,643	14,730
	₱184,897	₱139,121

14. Loans Payable

Amount in thousands	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Long term loans	₱455,100	₱450,337
Chattel mortgage loans	1,945	10,150
Total	457,045	460,487
Less current portion:		
Long term loans	455,100	450,337
Chattel mortgage loans	1,945	10,150
Loans payable - current portion	457,045	460,487
Loans payable - net of current portion	₱–	₱–

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

Amount in thousands	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Beginning balance	₱460,487	₱697,028
Availments	–	291,769
Payments	(8,204)	(499,367)
Effect of changes in foreign currency exchange rates and others	4,762	(28,943)
Ending balance	₱457,045	₱460,487

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:

a. The Group shall maintain a waterfall account with TCB wherein all amounts collected by TCB from the buyers of nickel ore shall be deposited.
b. The security by TCB shall consist of only three kinds, as follows:
    i. Accounts receivables from PGMC's customers or clients.
    ii. Import letters of credit (LC) issued in favor of PGMC by its customers and clients.
    iii. Demand Deposit Account which shall be opened and set-up by the collateral provider or pledger acceptable to TCB amounting to at least 25% of the drawdown.
    iv. Guarantee issued by any individual, juridical person or any combination thereof acceptable to TCB.
c. TCB is irrevocably appointed as the collecting agent for the account receivables from the Group's export orders of nickel ore and as a collecting and advising bank for the import LC opened by the buyers of the nickel ore of the Group. The amount collected shall be deposited in the waterfall account of the Group.
d. 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 TCB.
f. 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 ₱9.4 million and ₱19.1 million for the periods ended June 30, 2021 and 2020, respectively.

The Group has complied with the terms of the loan as at June 30, 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.

<u>Short term loan</u>
BDO
The Group is annually granted by BDO a revolving US$20.0 million Export Packing Credit Line for working capital purposes. As at June 30, 2021 and December 31, 2020, the remaining balance is nil. Interest expense related to the BDO loan is nil for the periods ended June 30, 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.

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	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Beginning balance	₱328,601	₱252,454
Accretion interest	4,085	8,171
Effect of change in estimate	–	67,976
Ending balance	₱332,686	₱328,601

16. Retirement Obligation

The GFHI 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 June 30, 2021 and December 31, 2020.

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

As at June 30, 2021, the Group's contribution to the pension fund amounted to ₱11.5 million. The Group does not currently employ any asset-liability matching.

As at June 30, 2021 and December 31, 2020, retirement obligation, net of fair value of plan assets, amounted to ₱19.4 million and ₱25.1 million, respectively. The retirement benefits costs amounted to ₱5.3 million and ₱7.1 million for the six months period ended June 30, 2021 and 2020, respectively (see Note 25). The interest cost on retirement obligation amounted to ₱2.0 million and ₱2.1 million for the six months period ended June 30, 2021 and 2020, respectively. The interest income on plan assets amounted to ₱1.6 million and ₱1.5 million for the six months period ended June 30, 2021 and 2020, respectively.

17. Other Noncurrent Liabilities

Amount in thousands	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Previous stockholders of Celestial Nickel Mining Exploration Corporation (CNMEC)	₱366,463	₱366,463
Brookes Nickel Ventures, Inc. (BNVI)	165,566	165,566
	₱532,029	₱532,029

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.

In April 2021, the Group recognized lease liability amounted to ₱502.6 million attributable to the Group's lease agreement with JSY6677 Landholdings, Inc. for its new office space for a lease period of ten (10 years effective April 1, 2021 (see Note 8).

The current and noncurrent portion of the lease liabilities as at June 30, 2021 and December 31, 2020, discounted using incremental borrowing rate are as follows:

Amount in thousands	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Current portion	₱109,642	₱56,213
Noncurrent portion	458,144	37,868
	₱567,786	₱94,081

The rollforward analysis of lease liabilities follows:

Amount in thousands	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
Beginning balance	₱94,081	₱74,193
Addition	501,856	44,351
Interest expense	7,920	2,079
Payments	(36,071)	(26,542)
	₱567,786	₱94,081

19. Equity

Capital Stock

The Parent Company has 11,957,161,906 authorized shares at ₱1.05 par value as at June 30, 2021 and December 31, 2020. Out of the total authorized shares of the Parent Company, 6,072,357,151 shares are issued amounting to ₱6,375,975 as at June 30, 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

June 30, 2021

	FSC	FSLC	PGMC	Total
Percentage of ownership	49.00%	40.00%	0.02%	
Issuance of capital stock	30,625	7,500	446	38,571
Retained earnings, beginning	(6,344)	(697)	59	(6,982)
Total comprehensive income (loss) attributable to NCI	(1,583)	385	136	(1,062)
Total	22,698	7,188	641	30,527

December 31, 2020

	FSC	FSLC	PGMC	Total
Percentage of ownership	49.00%	40.00%	0.02%	
Issuance of capital stock	30,625	7,500	446	38,571
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)
Total	24,281	6,803	505	31,589

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 June 30, 2021 and December 31, 2020, respectively.

For the periods ended June 30, 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 Per Share

The following reflects the income and share data used in the earnings per share computation for the six months period ended June 30:

	2021	2020
	(Unaudited)	
Net income attributable to equity holders of the Parent Company (amounts in thousands)	₱641,856	₱196,694
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	(87,393,822)	(5,818,260)
Adjusted weighted average number of common shares outstanding	5,249,781,007	5,468,391,569
Basic/Diluted Earnings per Share	₱0.1223	₱0.0360

As at June 30, 2021 and 2020, there are no potentially dilutive common shares.

21. Cost of Sales

Amount in thousands	For the six months period ended June 30 2021	2020
	(Unaudited)	
Contract hire	₱514,375	₱417,219
Depreciation, depletion and amortization (see Note 26)	119,718	112,282
Personnel costs (see Note 25)	81,613	55,603
Fuel, oil and lubricants	20,219	9,970
Environmental protection costs	18,994	12,587
Community relations	15,753	25,082
Manning services	10,798	10,658
Operation overhead	9,955	3,639
Repairs and maintenance	9,089	9,273
Assaying and laboratory	7,413	6,407
Other charges	29,887	18,138
	₱837,814	₱680,858

22. Excise Taxes and Royalties

Amount in thousands	For the six months period ended June 30 2021	2020
	(Unaudited)	
Royalties to:		
Government	₱109,492	₱69,620
Claim-owners	100,186	61,989
Indigenous people (IP)	23,129	14,608
Excise taxes	87,594	55,696
	₱320,401	₱201,913

23. General and Administrative

Amount in thousands	For the six months period ended June 30 2021	2020
	(Unaudited)	
Personnel costs (see Note 25)	₱110,894	₱102,053
Taxes and licenses	60,427	51,118
Depreciation and amortization (see Note 26)	38,644	28,257
Outside services	30,954	25,695
Marketing and entertainment	24,649	19,161
Consultancy fees	21,052	20,887
Repairs and maintenance	7,173	4,401
Fuel, oil and lubricants	4,465	2,634
Travel and transportation	4,327	4,119
Office supplies	2,958	2,407
Membership and subscription	2,427	1,894
Communication	2,031	2,409
Rentals	780	852
Other charges	15,032	8,435
	₱325,813	₱274,322

24. Shipping and Distribution

Amount in thousands	For the six months period ended June 30 2021	2020
	(Unaudited)	
Barging charges	₱118,552	₱71,952
Stevedoring charges and shipping expenses	19,841	11,363
Government fees	12,051	7,250
Personnel costs (see Note 25)	11,845	5,581
Fuel, oil and lubricants	9,872	4,268
Supplies	1,478	581
Repairs and maintenance and others	310	385
	₱173,949	₱101,380

25. Personnel Costs

Amount in thousands	For the six months period ended June 30 2021	2020
	(Unaudited)	
Salaries and wages	₱174,737	₱137,325
Retirement benefits costs (see Note 16)	5,282	7,061
Other employee benefits	24,333	18,851
	₱204,352	₱163,237

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 six months period ended June 30 2021	2020
	(Unaudited)	
Cost of sales (see Note 21)	₱81,613	₱55,603
General and administrative (see Note 23)	110,894	102,053
Shipping and distribution (see Note 24)	11,845	5,581
	₱204,352	₱163,237

26. Depreciation, Depletion and Amortization

Amount in thousands	For the six months period ended June 30 2021	2020
	(Unaudited)	
Property and equipment (see Note 8)	₱152,257	₱131,597
Mining rights (see Note 10)	3,931	4,377
Other noncurrent assets	2,174	4,565
	₱158,362	₱140,539

The amounts of depreciation, depletion and amortization expense are distributed as follows:

	For the six months period ended June 30	
Amount in thousands	2021	2020
	(Unaudited)	
Cost of sales (see Note 21)	₱119,718	₱112,282
General and administrative (see Note 23)	38,644	28,257
	₱158,362	₱140,539

27. Finance Costs

	For the six months period ended June 30	
Amount in thousands	2021	2020
	(Unaudited)	
Interest expense	₱19,739	₱23,093
Accretion interest on provision for mine rehabilitation and decommissioning	4,085	6,417
Bank charges	3,531	1,258
	₱27,355	₱30,768

28. Other Income (Charges) - net

	For the six months period ended June 30	
Amount in thousands	2021	2020
	(Unaudited)	
Foreign exchange gains (losses) - net	₱14,657	(₱3,167)
Demurrage - net	(147,228)	(5,612)
Other income	56,982	–
Others	–	33
	(₱75,589)	(₱8,746)

Breakdown of net foreign exchange gains (losses) is as follows:

	For the six months period ended June 30	
Amount in thousands	2021	2020
	(Unaudited)	
Net realized foreign exchange gains (losses)	(₱6,906)	(₱7)
Unrealized foreign exchange gains (losses) on:		
Cash	18,800	(2,254)
Trade and other receivables	7,110	(4,043)
Other noncurrent assets	520	(905)
Loans payable	(4,762)	8,648
Trade and other payables	(105)	(4,606)
	₱14,657	(₱3,167)

The Group recognized other income amounted to P57.0 million during the year attributable to the change in income tax rate applicable for the taxable year 2020 as a result of the CREATE (30% income tax rate was used for financial reporting purposes versus 25% income tax rate effective July 1, 2020 was used for the final tax calculation and payment). This was treated as a nontaxable item for tax purposes.

29. Related Party Disclosures

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities, which are under common control with the reporting enterprises and its key management personnel, directors or its stockholders. 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
Stockholders					
June 30, 2021	(₱1,127)	₱2,161,029	₱9,070	On demand; noninterest-bearing; collectible or payable in cash	Unsecured; with guarantee
December 31, 2020	₱402,434	₱2,162,156	₱9,070		
Affiliates with common officers, directors and stockholders					
June 30, 2021	194,315	705,903	385,710	On demand; noninterest-bearing; collectible or payable in cash	Unsecured; with guarantee
December 31, 2020	433,389	511,588	385,466		
Associate					
June 30, 2021	–	91,799	–	On demand; noninterest-bearing; collectible in cash	Unsecured; with guarantee
December 31, 2020	–	91,799	–		
Total		₱2,958,731	₱394,780		
Total		₱2,765,543	₱394,536		

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 ₱1,628.1 million as at December 31, 2015 to the Parent Company. In 2016, the Parent Company, PGMC, SPNVI and the stockholders of SPNVI executed another Deed of Assignments wherein SPNVI assigned its payable to BNVI, payable to the previous stockholders of CNMEC and the remaining payable to stockholders of SPNVI, to the Parent Company amounting to ₱589.3 million.

   As at June 30, 2021 and December 31, 2020, these advances amounted to ₱2,165.2 million and ₱2,174.0 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 ₱2.6 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 ₱32.1 million and ₱22.2 million for the six months ended June 30, 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 ₱158.7 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 ₱934.2 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 ₱2.7 million and nil for the periods ended June 30, 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 six months period ended June 30, 2021 and 2020 amounted to ₱36.8 million and ₱37.8 million, respectively.

30. Income Taxes

The current provision for income tax represents regular corporate income tax for the six months ended June 30, 2021 and 2020.

The components of the Group's net deferred income tax assets as at June 30, 2021 and December 31, 2020 follow:

Amount in thousands	2021	2020
	(Unaudited)	Audited
Deferred tax assets:		
Provision for mine rehabilitation and decommissioning	₱99,602	₱98,580
Allowance for impairment losses on trade and other receivables	79,713	79,713
Currency translation adjustment recognized directly in OCI	15,613	19,272
Retirement obligation recognized in profit or loss	9,791	11,213
Depreciation of right-of-use asset	9,151	4,319
Accrued taxes	3,380	3,380
NOLCO	2,809	2,757
Allowance for impairment losses on inventories	1,786	1,786
Minimum corporate income tax	–	52
	221,845	221,072
Deferred tax liabilities:		
Undepleted asset retirement obligation	53,550	55,125
Lease payments	4,135	3,746
Retirement obligation recognized directly in OCI	3,689	3,689
Unrealized foreing exchange gains - net	7,863	3,890
Rental income	2,182	1,500
	71,419	67,950
Deferred tax assets - net	₱150,426	₱153,122

The Group has availed of the itemized deductions method in claiming its deductions for the six months ended June 30, 2021 and 2020.

31. 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 June 30, 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 June 30, 2021 and December 31, 2020.

32. 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 newly 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 ₱2,610.0 million and ₱1,545.5 million for the six months ended June 30, 2021 and 2020, respectively.

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

	June 30, 2021 (Unaudited)				
Amount in thousands	Mining	Service	Manufacturing	Elimination	Total
External customers	₱2,609,981	₱–	₱–	₱–	₱2,609,981
Intersegment revenues	1,549,792	32,132	–	(1,549,792)	–
Total revenues	4,159,773	32,132	–	(1,549,792)	2,609,981
Cost of sales	2,335,067	51,629	–	(1,548,882)	837,814
Excise taxes and royalties	320,401	–	–	–	320,401
Shipping and distribution	206,081	–	–	(32,132)	173,949
Segment operating earnings (loss)	1,298,224	(19,497)	–	(910)	1,277,817
General and administrative	(314,290)	(7,194)	(4,329)	–	(325,813)
Finance costs	(27,355)	–	–	–	(27,355)
Finance income	2,596	105	16	–	2,717
Share in net loss of investment in associates	(24,313)	–	–	–	(24,313)
Other income (charges) - net	(76,499)	–	–	910	(75,589)
Provision for income tax	185,988	–	682	–	186,670
Segment net income (loss)	672,375	(26,586)	(4,995)	–	640,794
Net income (loss) attributable to NCI	136	–	(1,198)	–	(1,062)
Segment net income (loss) attributable to equity holders of GFHI	₱672,239	(₱26,586)	(3,797)	₱–	₱641,856
Segment assets	₱23,541,711	₱325,618	₱536,821	(₱11,332,392)	₱13,071,758
Deferred tax assets - net	149,799	2,809	(2,182)	–	150,426
Total assets	₱23,691,510	₱328,427	₱534,639	(₱11,332,392)	₱13,222,184
Segment liabilities	₱4,667,283	₱3,570	₱472,529	(₱795,572)	₱4,347,810
Capital expenditures	₱93,777	₱570	₱2,836	₱–	₱97,183
Depreciation, depletion and amortization	₱140,529	₱17,577	₱256	₱–	₱158,362

	June 30, 2020 (Unaudited)				
Amount in thousands	Mining	Service	Manufacturing	Elimination	Total
External customers	₱1,545,469	₱–	₱–	₱–	₱1,545,469
Intersegment revenues	499,417	22,244	–	(521,661)	–
Total revenues	2,044,886	22,244	–	(521,661)	1,545,469
Cost of sales	1,142,843	41,184	–	(503,169)	680,858
Excise taxes and royalties	201,913	–	–	–	201,913
Shipping and distribution	123,624	–	–	(22,244)	101,380
Segment operating earnings (loss)	576,506	(18,940)	–	3,752	561,318
General and administrative	(266,681)	(5,658)	(1,983)	–	(274,322)
Finance income	3,169	252	30	–	3,451
Finance costs	(30,767)	–	(1)	–	(30,768)
Share in net income of investment in associates	19,529	–	–	–	19,529
Other income (charges) - net	(4,994)	–	–	(3,752)	(8,746)
Provision for income tax - net	82,069	(7,380)	–	–	74,689
Net income (loss) attributable to equity holders of GFHI	₱214,693	(₱16,966)	(1,954)	₱–	₱195,773
Segment assets	₱21,614,189	₱355,458	₱401,617	(₱11,596,229)	₱10,775,035
Deferred tax assets - net	159,193	–	–	–	159,193
Total assets	₱21,773,382	₱355,458	₱401,617	(₱11,596,229)	₱10,934,228
Segment liabilities	₱3,843,371	₱737	₱332,165	(₱1,067,308)	₱3,108,965
Capital expenditures	₱27,097	₱1,349	₱21,987	₱–	₱50,433
Depreciation and depletion	₱122,773	₱17,515	₱251	₱–	₱140,539

	December 31, 2020 (Audited)				
Amount in thousands	Mining	Service	Manufacturing	Elimination	Total
Segment assets	₱21,607,913	₱350,821	₱522,420	(₱11,059,740)	₱11,421,414
Deferred tax assets - net	151,813	2,809	(1,500)	–	153,122
Total assets	₱21,759,726	₱353,630	₱520,920	(₱11,059,740)	₱11,574,536
Segment liabilities	₱2,542,762	₱2,188	₱455,859	(₱539,235)	₱2,461,574
Capital expenditures	₱170,524	₱1,393	₱72,739	₱–	₱244,656