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SEC Registration Number

G L O B A L F E R R O N I C K E L H O L D I N G S I N C

f o r m e r l y :

S O U T H E A S T A S I A C E M E N T H O L D I N G S

I N C

(Company's Full Name)

P E N T H O U S E P L A T I N U M T O W E R A S E A N

A V E N U E C O R F U E N T E S S T A S E A N A

P A R A Ñ A Q U E C I T Y

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

Atty. Noel Lazaro

(Contact Person)

(632) 85118229

(Company Telephone Number)

Month

Day

(Fiscal Year)

1 7 - Q

(Form Type)

Month

Day

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

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, 2023**

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
Penthouse, Platinum Tower, Asean Avenue corner Fuentes St.,
Aseana, Parañaque City, Metro Manila, Philippines 1701

8. Issuer's telephone number, including area code
(632) 8519-7888

9. Former name, former address and former fiscal year, if changed since last report
Not Applicable

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Common Shares	6,072,357,151
Amount of Debt Outstanding	Not applicable

11. Are any or all of the securities listed on a Philippine Stock Exchange?

Yes ☒ 6,072,357,151 Common Shares No ☐

12. Has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes ☒ No ☐

13. Has been subject to such filing requirements for the past ninety (90) days.

Yes ☒ No ☐



Global Ferronickel Holdings, Inc.

**17-Q QUARTERLY REPORT
JUNE 30, 2023**

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PART I - FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

The Unaudited Interim Consolidated Financial Statements as at June 30, 2023 and for the six-month period ended June 30, 2023 and 2022 (with Comparative Audited Consolidated Statement of Financial Position as at December 31, 2022) are hereto attached.

The following tables set forth the summary financial information for the six-month period ended June 30, 2023 and 2022 and as at June 30, 2023 and December 31, 2022:

1.a. Summary Consolidated Statements of Financial Position

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)	Increase/ (Decrease)	Percent Inc. (Dec.)
	<i>(In Thousand Pesos)</i>			
ASSETS				
Current Assets	3,822,273	5,986,937	(2,164,664)	-36.2%
Noncurrent Assets	12,640,596	11,985,824	654,772	5.5%
TOTAL ASSETS	16,462,869	17,972,761	(1,509,892)	-8.4%
LIABILITIES AND EQUITY				
Current Liabilities	2,723,137	3,006,299	(283,162)	-9.4%
Noncurrent Liabilities	2,490,957	3,570,820	(1,079,863)	-30.2%
Total Liabilities	5,214,094	6,577,119	(1,363,025)	-20.7%
Equity				
Equity Attributable to the Parent Company	11,088,030	10,850,743	237,287	2.2%
Non-controlling Interests	160,745	544,899	(384,154)	-70.5%
Total Equity	11,248,775	11,395,642	(146,867)	-1.3%
TOTAL LIABILITIES AND EQUITY	16,462,869	17,972,761	(1,509,892)	-8.4%

1.b. Summary Consolidated Statements of Comprehensive Income

	For the Three Months Ended		For the Six Months Ended		Increase (Decrease)	
	June 30		June 30			
	2023	2022	2023	2022	3 Months	6 Months
	<i>(In Thousand Pesos)</i>					
Revenues	1,987,200	2,167,457	3,115,901	2,207,361	(180,257)	908,540
Cost and Expenses	(1,586,337)	(1,372,269)	(2,206,352)	(1,602,718)	214,068	603,634
Finance Costs	(74,482)	(28,034)	(142,715)	(53,814)	46,448	88,901
Share in Net Income (Loss) of Investment in Associates	1,232	(23,274)	54,009	(34,266)	24,506	88,275
Other Income - net	26,503	74,537	59,473	63,969	(48,034)	(4,496)
Income Before Income Tax	354,116	818,417	880,316	580,532	(464,301)	299,784
Provision for Income Tax - net	87,625	202,836	254,999	163,110	(115,211)	91,889
Net Income	266,491	615,581	625,317	417,422	(349,090)	207,895
Other Comprehensive Income (Loss)	21,862	80,861	(7,968)	96,905	(58,999)	(104,873)
Total Comprehensive Income	288,353	696,442	617,349	514,327	(408,089)	103,022
Basic and Diluted Income Per Share	0.0380	0.1208	0.0676	0.0833	(0.0828)	(0.0157)
Net Income (Loss) Attributable To:						
Equity Holders of the Parent	195,650	628,634	349,499	433,708	(432,984)	(84,209)
Non-controlling Interest	70,841	(13,053)	275,818	(16,286)	83,894	292,104
	266,491	615,581	625,317	417,422	(349,090)	207,895

1.c. Summary Consolidated Statements of Changes in Equity

	For the Period Ended		For the Year Ended
	June 30		December 31
	2023	2022	2022
	<i>(In Thousand Pesos)</i>		
Capital Stock	6,375,975	6,375,975	6,375,975
Additional Paid-in Capital	239,012	239,012	239,012
Fair Value Reserve of Financial Asset at Fair Value			
through Other Comprehensive Loss	(5,692)	(5,902)	(5,818)
Remeasurement Gain on Retirement Obligation	35,535	43,703	35,535
Cumulative Translation Adjustment	125,804	116,353	133,898
Retained Earnings	6,333,656	4,894,093	6,040,354
Treasury Shares - at cost	(2,016,260)	(1,946,033)	(1,968,213)
Non-controlling Interests	160,745	341,010	544,899
Total Equity	11,248,775	10,058,211	11,395,642

1.d. Summary Consolidated Statements of Cash Flows

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2023	2022	2023	2022
	<i>(In Thousand Pesos)</i>			
NET CASH FLOWS FROM (USED IN):				
Operating Activities	(470,176)	(366,390)	(20,263)	(668,351)
Investing Activities	(356,664)	(374,426)	(1,478,409)	(767,814)
Financing Activities	(685,434)	(445,571)	(902,730)	(507,954)
NET DECREASE IN CASH	(1,512,274)	(1,186,387)	(2,401,402)	(1,944,119)
Effect of Exchange Rate Changes on Cash	20,915	144,436	19,115	191,879
CASH AT BEGINNING OF PERIOD	2,289,657	3,110,888	3,180,585	3,821,177
CASH AT END OF PERIOD	798,298	2,068,937	798,298	2,068,937

Basis of Preparation of Interim Consolidated Financial Statements

The unaudited interim consolidated statements of financial position of Global Ferronickel Holdings, Inc. and Subsidiaries (the Group) as at June 30, 2023 and December 31, 2022, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the periods ended June 30, 2023 and 2022 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 unaudited 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, 2023, total assets of the Group stood at ₱16,462.9 million, lower by ₱1,509.9 million or 8.4%, from ₱17,972.8 million as at December 31, 2022. The decline was due to the decrease in current assets by ₱2,164.7 million or 36.2% and increase in noncurrent assets by ₱654.8 million or 5.5%.

The net decrease in the current assets was mainly attributed to the following:

- 74.9% (₱2,382.3 million) decrease in cash and cash equivalents - As at June 30, 2023, the Group's cash and cash equivalents have experienced a substantial decrease, falling from ₱3,180.6 million to ₱798.3 million. The significant decline is primarily attributed to the following factors:
 - During the period, the Group settled its outstanding loans and liabilities totalling to ₱874.3, resulting in a substantial outflow of cash from the Group's reserves;
 - Additionally, the Group made cash dividend payments to shareholders amounting to ₱524.2 million and fulfilled its income tax obligations amounting to ₱459.1 million, further impacting the Group's cash position;
 - Moreover, the Group invested in acquiring a non-controlling interest in its subsidiary, Mariveles Harbor Corporation (MHC) amounting to ₱192.0 million; and
 - Buyback of FNI shares amounting to ₱48.0 million;
- As of the current period, trade and other receivables have increased by ₱248.2 million or 11.1%, rising from ₱2,244.4 million as of December 31, 2022, to ₱2,492.6 million. The surge in trade and other receivables is mainly attributable to shipments made during the current period, which were conducted under the terms of payment "90-day from the date of Bill of Lading". By offering these credit terms to its customers, the Group aims to facilitate smoother transactions while maintaining strong relationships with its clients. However, it is also essential for the Group to monitor and manage receivables carefully to ensure healthy cash flow and minimize the risk of bad debts.

- Inventories increased to ₱350.4 million (from ₱292.3 million), representing an increase of 19.9%, mainly attributed to the following:
 - The increase in ore stockpile produced from our Palawan Mine contributed ₱43.3 million to the rise in inventories;
 - Additionally, materials and supplies amounting to ₱14.8 million were acquired for consumption in the next two quarters, further contributing to the overall increase in the account; and
- Decrease in advances to related parties amounted to ₱122.8 million and increase in prepayments and other current assets amounted to ₱34.1 million.

The net increase in noncurrent assets was attributable to the following:

- Increase in other noncurrent assets by ₱719.9 million or 54.7%, mainly attributed to the following:
 - Increase in advances to suppliers amounted to ₱580.8 million, reflecting a substantial surge of 152.5%. This notable growth can be primarily attributed to the following key factors:
 - Progress payments/deposits made for the purchase of five (5) additional landing craft tanks (LCT) valued at ₱215.9 million. These LCTs are scheduled to be completed and delivered in the third to fourth quarters of this year.
 - Deposits made for the acquisition of additional land in Mariveles, Bataan, totaling ₱352.6 million. The purpose of this land acquisition is in preparation for the Group's steel operations. These strategic investments have played a crucial role in bolstering the Group's noncurrent assets and signifying its commitment to expanding and diversifying its business.
 - Increase in input value-added tax (VAT) amounted to ₱147.5 million during the period.
- Net decrease in property and equipment amounting to ₱169.2 million, which represents a decrease of 2.9%. This decrease can be primarily attributed to depreciation and depletion expenses, which amounted to ₱311.9 million. However, this decrease was partially offset by new acquisitions of property and equipment, amounting to ₱145.0 million.
- Share in net income of an associate, GHGC Holdings Ltd. (GHGC) and subsidiaries, amounted to ₱54.0 million during the period.
- Increase in net deferred tax assets amounting to ₱49.7 million during the period.

As at June 30, 2023, the total liabilities of the Group amounted to ₱5,214.1 million. This figure reflects a significant decrease of ₱1,363.0 million or 20.7% compared to ₱6,577.1 million as at December 31, 2022. The net decrease in total liabilities can primarily be attributed to the following factors:

- Payments made towards non-interest bearing liability, loans payable, other current liabilities, and lease liabilities during the period, amounting to ₱544.3 million, ₱105.2 million, ₱186.2 million and ₱38.6 million, respectively.
- A decrease in trade and other payables amounting to ₱399.5 million mainly due to settlement of the Group's outstanding obligations to suppliers and other creditors.
- A decrease in income tax payable amounting to ₱188.1 million due to lower taxable income earned from the Surigao Mine operations compared to the previous period. Additionally, the Group paid a portion of its income tax liabilities during the period, further contributing to the decrease in total liabilities.

Results of Operations

For the period ended June 30, 2023, the Group achieved a consolidated net income of ₱625.3 million, which represents a significant increase compared to the consolidated net income of ₱417.4 million recorded in the same period of the previous year. After accounting for non-controlling interests, the net income attributable to equity holders of the Parent Company reached ₱349.5 million for the period ending on June 30, 2023, as compared to ₱433.7 million in the same period of the preceding year. The result for the first half of the year was primarily driven by the strong performance of the Group's mining operations in Palawan, in addition to the regular contributions from the Group's Surigao mine.

Revenues

During the six months ended June 30, 2023, the Group's total revenues amounted to ₱3,115.9 million, showing a substantial increase of ₱908.5 million or 41.2% compared to ₱2,207.4 million in the same period last year. The bulk of the Group's revenues, approximately 99.4% of the total, were generated from its mining operations, while the remaining portion of revenues is derived from services rendered to its customers.

Nickel Ore Export Revenues

During the second quarter of 2023, the Group's mining operations generated total export revenues of ₱1,987.2 million. This amount represented a decrease of ₱180.3 million or 8.3% compared to ₱2,167.5 million in the same period of the previous year. The decline in export revenues can be attributed to the lower volume shipped and average realized nickel ore price of our Surigao mining operations. However, for the overall period ended June 30, 2023, total export revenues amounted to ₱3,098.1 million. This figure represents a significant increase of ₱962.9 million or 45.1% compared to ₱2,135.2 million for the same period of the previous year. The notable increase in export revenues for the overall period was primarily driven by the contribution from the Group's Palawan mine, which provided year-round operations and positively impacted the revenue growth.

Surigao mine

For the period ended June 30, 2023, the Group's Surigao mining operations, with incremental contributions from another wholly-owned subsidiary, PGM International Limited (PIL), generated total export revenues of ₱1,007.5 million. This amount reflects a significant decrease of ₱1,127.7 million or 52.8% compared to ₱2,135.2 million in the same period of the previous year. The decline can be attributed to two main factors:

- **Lower Averaged Realized Nickel Ore Price:** The overall average realized nickel ore price for the period ended June 30, 2023 was significantly lower by US\$15.33 per wet metric ton (WMT) or 39.1%, US\$23.88/WMT compared to US\$39.21/WMT in the same period of the previous year. Low-grade ore was US\$23.09/WMT or 37.2% lower than the US\$36.79/WMT price in 2022. On the other hand, medium-grade ore was US\$28.56/WMT or 40.8% lower than the US\$48.26/WMT price in 2022. The nickel ore prices were down compared to a year ago, as market supply expanded from capacity additions in Indonesia while demand in China remains muted following a tepid post-pandemic reopening which dampened prices in the second quarter.
- **Lower Volume Shipped:** The sale of nickel ore from our Surigao mine for the period ended June 30, 2023 was 0.758 million WMT, lower by 0.277 million WMT or 26.7%, compared to 1.035 million WMT in the same period of the previous year. This decline can be attributed to adverse weather conditions, particularly heavy rainfall, which led to mining preparation and stockpiling delays. Consequently, the Group managed 14 shipments of nickel ore in the present period, in contrast to the 19 shipments in the preceding period. The resulting sales mix was 86% low-grade ore and 14% medium-grade ore in 2023 versus the previous period's mix of 79% low-grade ore and 21% medium-grade ore. These shipments sold solely to Chinese customers consisted of 0.649 million WMT low-grade nickel ore and 0.109 million WMT medium-grade nickel ore compared to 0.816 million WMT low-grade nickel ore and 0.219 WMT medium-grade nickel ore of the same period in 2022.

Palawan mine

For the period ended June 30, 2023, the Group's Palawan mining operations generated total export revenues of ₱2,090.6 million compared to nil in the previous period as the Group started to consolidate revenues from Palawan following its acquisition on December 22, 2022.

The sale of nickel ore for the period ended June 30, 2023 was 0.701 million WMT, completing a total of 13 shipments. The resulting sales mix was 7% low-grade ore and 93% medium-grade ore during the period. These shipments sold solely to Chinese customers consisted of 0.046 million WMT low-grade nickel ore and 0.655 million WMT medium-grade nickel ore for the first half of operations.

The overall average realized nickel ore price for the period ended June 30, 2023 was US\$54.04/WMT. Low-grade nickel ore price was US\$38.78/WMT while US\$55.11/WMT for the medium-grade nickel ore price.

Overall, the Group's total export revenues were affected by the following:

- Completed 27 shipments compared to 19 shipments in the same period of the previous year.
- Total volume shipped of 1.459 million WMT compared to 1.035 million WMT in 2022.
- Sales mix was 48% low-grade ore and 52% medium-grade ore in 2023 versus the previous period's mix of 79% low-grade ore and 21% medium-grade ore.
- Total average realized nickel ore price of US\$38.37/WMT compared to US\$39.21/WMT in 2022. Low-grade was US\$24.13/WMT for the first half of 2023 compared to US\$36.79/WMT in the same period of the previous year. Medium-grade was US\$51.30/WMT in 2023 compared to US\$48.26/WMT in the same period of the previous year.
- The average realized Peso over US\$ exchange rate was ₱55.34 compared to ₱52.60 of the same period last year.

Service Revenues

The Group's service income for the periods ended June 30, 2023 and 2022, amounted to ₱17.8 million and ₱72.2 million respectively. This income is derived from port services provided by MHC, a subsidiary, to its customers. The notable decrease in earnings can be attributed to a reduction in service volume. Nevertheless, the management is proactively engaged in formulating strategic initiatives for MHC, which encompass the expansion of services to include warehousing and container terminal operations.

Also, the Group earned service income for the LCTs chartered by the Surigao Mine and Palawan Mine from PGMC-CNEP Shipping Services Corp. (PCSSC), a subsidiary, amounted to ₱46.7 million for the six months period ended June 30, 2023 as compared to ₱29.9 million for the same period last year. This service income is eliminated in full in the consolidated financial statements.

Cost and Expenses

Cost and expenses comprise the cost of sales, excise taxes and royalties, general and administrative expenses and shipping and distribution. During the six months ended June 30, 2023, these costs and expenses amounted to ₱2,206.4 million, compared to ₱1,602.7 million for the same period in 2022, representing an increase of ₱603.6 million or 37.7%. The significant rise in costs is primarily attributable to the Group's Palawan mining operations. The average cash operating cost per volume sold decreased to ₱1,295.71 per WMT for the period ending June 30, 2023, from ₱1,349.83 per WMT in the previous period. This decline amounts to ₱54.12 per WMT or 4.0%. For the six-month period ending June 30, 2023, the total aggregate cash costs and total sales volume amounted to ₱1,890.4 million and 1.459 million WMT, respectively. In comparison, for the six-month period ending June 30, 2022, the total aggregate cash costs and total sales volume were ₱1,397.1 million and 1.035 WMT, respectively.

Cost of Sales

In the first half of 2023, the cost of sales amounted to ₱1,286.2 million, showing a significant increase compared to ₱779.4 million in the previous period, representing a rise of ₱506.8 million or 65.0%. This substantial increase in the cost of sales for the six months ended June 30, 2023, can primarily be attributed to various factors within the Group's Palawan mining operations, which commenced its commercial operations in September of the previous year.

The specific components contributing to this increase, along with their respective increments compared to the same period in 2022, are as follows:

- Contract hire: An increase of ₱213.4 million or 53.2%.
- Depreciation and depletion: An increase of ₱102.0 million or 74.4%.
- Personnel costs: An increase of ₱80.5 million or 90.2%.
- Fuel, oil, and lubricants: An increase of ₱45.8 million or 105.0%.
- Operation overhead: An increase of ₱30.8 million or 215.8%.
- Community relations: An increase of ₱20.5 million or 115.6%.
- Repairs and maintenance: An increase of ₱16.2 million or 130.4%.

These factors combined led to the significant rise in the cost of sales during the specified period, driven mainly by the ongoing operations and expansion of the Group's Palawan mining activities.

General and Administrative

In the period ended June 30, 2023, the general and administrative expenses amounted to ₱530.3 million, which showed an increase compared to ₱406.6 million in the same period in 2022, higher by ₱123.7 million or 30.4%. This was mainly due to the increase in taxes and licenses, outside services, depreciation, personnel costs, and marketing and entertainment amounted to ₱34.3 million, ₱49.3 million, ₱14.0 million, ₱13.2 million and ₱17.9 million, respectively. The rise in expenses is mainly attributable to the Group's Palawan mining operations.

Shipping and Distribution

During the six months ended June 30, 2023, shipping and loading costs amounted to ₱178.8 million, which reflects an increase compared to ₱116.5 million in the same period last year, higher by ₱62.3 million or 53.4%. The primary reason for this increase is the freight cost incurred for the Group's cost and freight shipments during the specified period.

Finance Costs

Finance costs amounted to ₱142.7 million in the six months ending on June 30, 2023, compared to ₱53.8 million for the corresponding period last year, representing a significant increase of ₱88.9 million or 165.2%. This notable surge can be primarily attributed to the recognition of an accretion interest expense totaling ₱73.3 million, which is associated with the non-interest-bearing liability resulting from the acquisition of an associate company last year.

Share in Net Income/Loss of Investment in Associates

In accordance with Philippine Accounting Standards (PAS) 28, "Investment in Associates and Joint Ventures," the Group applies the equity method of accounting to recognize its share of the net earnings or losses from associates. For the period ending on June 30, 2023, the Group's share in the net income of its investment in an associate amounted to ₱54.0 million, while in the corresponding period last year, the share in the net loss of the investment in an associate was ₱34.3 million. During the period ending on June 30, 2023, this reflects the Group's recognition of net income from its investment in GHGC. Conversely, for the period ending on June 30, 2022, the recognition pertains to the Group's absorption of net losses from its investment in Southeast Palawan Nickel Ventures, Inc. (SPNVI) and subsidiaries. Notably, as of December 22, 2022, SPNVI transitioned from an associate to a subsidiary of the Group, thus discontinuing its associate status.

Other Income - net

In the period ending on June 30, 2023, net other income reached ₱41.0 million, a decrease from the ₱59.7 million recorded in the corresponding period of the prior year, representing a decline of ₱18.7 million or 31.3%. This reduction can primarily be attributed to the lower net foreign exchange gains and despatch revenues during the current period in comparison to the previous one.

Provision for Income Tax - net

In the first half of 2023, the net provision for income tax totaled ₱255.0 million, showing a contrast to the ₱163.1 million recorded in the same period of the previous year. This reflects an increase in the provision by ₱91.9 million or 56.3%. This upward trend in the provision can be attributed to the taxable income generated from the Group's Palawan mining operations.

Total Comprehensive Income - net of tax

Net Income

As a result of the aforementioned factors, the consolidated net income for the period ending on June 30, 2023, amounted to ₱625.3 million, showcasing an increase from the ₱417.4 million recorded in the corresponding period of the previous year. This represents an increase of ₱207.9 million or 49.8%. After accounting for non-controlling interests, the net income attributable to equity holders of the Parent Company reached ₱349.5 million for the period ending on June 30, 2023, as compared to ₱433.7 million in the same period of the preceding year.

Cumulative Translation Adjustment

The Group has recognized cumulative translation adjustments, net of tax, amounting to (₱8.1 million) and ₱97.2 million for the periods ending on June 30, 2023 and 2022, respectively. These adjustments relate to the exchange differences that arise from translating a subsidiary's functional currency into the presentation currency of the Parent Company.

Statement of Cash Flows

Cash Flows from Operating Activities

The net cash outflows utilized in operating activities amounted to ₱20.3 million and ₱668.4 million for the periods ended June 30, 2023 and 2022, respectively. This decrease can be primarily attributed to the disbursements for income taxes and trade-related payments, coupled with an increase in trade and other receivables.

Cash Flows from Investing Activities

The net cash outflows utilized in investing activities for the six months ending on June 30, 2023 and 2022 were ₱1,478.4 million and ₱767.8 million, respectively. In 2023, the net cash outflows were primarily driven by: (1) Payment of non-interest bearing liability related to the acquisition of an associate amounting to ₱544.3 million; (2) Additional investment or acquisition of non-controlling interest in MHC, totaling ₱192.0 million; (3) Acquisition of property and equipment, totaling ₱143.1 million; (4) Decrease in advances to related parties amounted to ₱122.8 million; and (5) Increase in other noncurrent assets by ₱721.8 million. In 2022, the net cash outflows were mainly attributed to: (1) Acquisition of property and equipment, totaling ₱244.1 million; (2) Additional advances to related parties, resulting in an increase of ₱482.7 million; and (3) Increase in other noncurrent assets by ₱41.0 million.

Cash Flows from Financing Activities

For the six-month periods ended June 30, 2023 and 2022, the net cash utilization in financing activities totaled ₱902.7 million and ₱508.0 million, respectively. The negative cash flows from financing activities in the current period primarily resulted from the disbursement of funds for several purposes. These include cash dividend distributions, loan repayments, settlement of lease obligations, and other current liabilities, which amounted to ₱524.2 million, ₱105.2 million, ₱38.7 million and ₱186.2 million, respectively. Additionally, there was a buyback of FNI shares, resulting in an expenditure of ₱48.0 million. In 2022, the net cash outflows were mainly driven by the acquisition of treasury as part of the Parent Company's buyback program, totaling ₱33.2 million. Moreover, cash was expended on lease liabilities, amounting to ₱33.0 million, and cash dividends, totaling ₱433.7 million. Further contributing to the outflows were payments made toward loans, amounting to ₱137.8 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, 2023.

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 principal risks 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, 2023 and 2022:

<u>Indicators</u>	<u>Formula</u>	<u>2023</u>	<u>2022</u>
Earnings Per Share	Profit for the Period/Weighted Average Number of Shares Outstanding	0.0676	0.0833
Debt-to-Equity Ratio	Total Liabilities/Total Equity	0.46:1	0.41:1
Asset-to-Equity Ratio	Total Assets/Total Equity	1.46:1	1.41:1
Current Ratio	Current Assets/Current Liabilities	1.40:1	3.38:1

PART III - OTHER INFORMATION

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

Date	Description
April 27, 2023	Press Release: Platinum Group Metals Corporation commences nickel ore shipments to China
April 27, 2023	In its meeting held April 27, 2023, the Board approved the issuance and sale of 51,897,858 treasury shares representing 1% shareholding interest. The sale shall be open to the general public through the Philippine Stock Exchange, Inc. and its trading facilities, at current market price. Sale proceeds will be used for general corporate purposes. No pre-emptive rights over sale of treasury shares as per Company Articles of Incorporation.
May 16, 2023	<p>In its regular meeting on May 16, 2023, the Board set the Annual Stockholders' Meeting to June 28, 2023 and record date to June 1, 2023. 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 means allowed by the SEC. The Company shall disclose the details in due course.</p> <p>The Board also approved the declaration of cash dividend at P0.10 per share, subject to the Company's withholding of applicable taxes, for stockholders of record as of June 1, 2023.</p>
June 29, 2023	<p>Following are the results of Annual Stockholders' Meeting of Global Ferronickel Holdings, Inc. ("FNI") held on June 29, 2023 via videoconference:</p> <p>I. Approval of the Minutes of the Annual Stockholders' Meeting dated June 29, 2022;</p> <p>II. Approval of the Company's Audited Financial Statements and Annual Report as of December 31, 2022;</p> <p>III. Election of the following directors of FNI for the ensuing year: Joseph C. Sy, Dante R. Bravo, Gu Zhifang, Dennis Allan T. Ang, Mary Belle D. Bituin, Francis C. Chua, Jennifer Y. Cong, Noel B. Lazaro, Edgardo G. Lacson (Independent Director), and Sergio R. Ortiz-Luis Jr. (Independent Director)</p> <p>IV. Ratification of acts of the Board of Directors and proceedings of the Board of Directors, Board Committees and management</p> <p>V. Reappointment of Sycip Gorres Velayo & Co. as the external auditor of FNI for the ensuing year.</p>
	Share Buy Back transactions on April 28, 2023, June 7, 2023, June 8, 2023, June 9, 2023, June 13-16, 2023, June 20-23, 2023, June 26-28, 2023, July 25-28, 2023, July 31, 2023, August 1-4, 2023

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 9, 2023


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

Date: August 9, 2023

Annex A

Aging of Trade and Other Receivables

As at June 30, 2023

(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	2,065,101	-	-	-	209,575	2,274,676
Advances to Contractors	288,881	-	-	-	79,711	368,592
Income Tax Receivable	89,611	-	-	-	-	89,611
Advances to Officers, Employees and Others	48,984	-	-	-	-	48,984
Total	2,492,577	-	-	-	289,286	2,781,863
Less: Allowance for Expected Credit Losses						289,286
NET RECEIVABLES						<u>2,492,577</u>

GLOBAL FERRONICKEL HOLDINGS, INC.
SEC FORM 17-Q
INDEX TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2023

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Interim Consolidated Statements of Financial Position as at June 30, 2023 and December 31, 2022

Interim Consolidated Statements of Comprehensive Income for the Three-Month Period Ended June 30, 2023 and 2022

Interim Consolidated Statements of Comprehensive Income for the Six-Month Period Ended June 30, 2023 and 2022

Interim Consolidated Statements of Changes in Equity for the Six-Month Period Ended June 30, 2023 and 2022

Interim Consolidated Statements of Cash Flows for the Six-Month Period Ended June 30, 2023 and 2022

Notes to Interim Consolidated Financial Statements

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

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱798,298	₱3,180,585
Trade and other receivables (Note 5)	2,492,577	2,244,391
Advances to related parties (Note 29)	91,149	213,927
Inventories (Note 6)	350,410	292,293
Prepayments and other current assets (Note 7)	89,839	55,741
Total Current Assets	3,822,273	5,986,937
Noncurrent Assets		
Property and equipment (Note 8)	5,734,986	5,904,199
Investment in associates (Note 9)	4,362,549	4,308,540
Mining rights (Note 10)	115,730	117,304
Mine exploration costs (Note 11)	179,035	179,030
Deferred tax assets - net (Note 30)	192,943	143,215
Retirement plan asset - net (Note 16)	18,719	16,836
Other noncurrent assets (Note 12)	2,036,634	1,316,700
Total Noncurrent Assets	12,640,596	11,985,824
TOTAL ASSETS	₱16,462,869	₱17,972,761
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 13)	₱552,454	₱951,912
Non-interest bearing liability (Note 17)	634,519	561,200
Current portion of loans payable (Note 14)	726,626	315,675
Advances from related parties (Note 29)	227,224	227,683
Current portion of lease liabilities (Note 18)	64,569	57,823
Income tax payable	131,746	319,827
Other current liabilities (Note 17)	385,999	572,179
Total Current Liabilities	2,723,137	3,006,299
Noncurrent Liabilities		
Non-interest bearing liability - net of current portion (Note 17)	1,330,192	1,874,482
Loans payable - net of current portion (Note 14)	-	526,125
Provision for mine rehabilitation and decommissioning (Note 15)	269,958	261,039
Lease liabilities - net of current portion (Note 18)	757,812	777,762
Deferred tax liabilities - net	132,763	131,180
Other noncurrent liabilities	232	232
Total Noncurrent Liabilities	2,490,957	3,570,820
Total Liabilities	5,214,094	6,577,119
Equity		
Capital stock (Note 19)	6,375,975	6,375,975
Additional paid-in capital	239,012	239,012
Remeasurement gain on retirement obligation	35,535	35,535
Cumulative translation adjustment	125,804	133,898
Fair value reserve of financial asset at fair value through other comprehensive income (Note 12)	(5,692)	(5,818)
Retained earnings	6,333,656	6,040,354
Treasury shares (Note 19)	(2,016,260)	(1,968,213)
Equity attributable to the Parent Company	11,088,030	10,850,743
Non-controlling interests (NCI) (Note 19)	160,745	544,899
Total Equity	11,248,775	11,395,642
TOTAL LIABILITIES AND EQUITY	₱16,462,869	₱17,972,761

See accompanying Notes to Unaudited Consolidated Financial Statements.

GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2023 AND 2022
(Amounts in Thousands, Except Earnings per Share)

	Three Months Ended June 30		Six Months Ended June 30	
	2023	2022	2023	2022
REVENUE FROM CONTRACTS WITH CUSTOMERS	P1,987,200	P2,167,457	P3,115,901	P2,207,361
COST OF SALES (Note 21)	1,012,489	749,913	1,286,234	779,432
GROSS PROFIT	974,711	1,417,544	1,829,667	1,427,929
OPERATING EXPENSES				
Excise taxes and royalties (Note 22)	163,907	300,197	211,019	300,197
General and administrative (Note 23)	263,437	207,950	530,345	406,595
Shipping and distribution (Note 24)	146,504	114,209	178,754	116,494
	573,848	622,356	920,118	823,286
SHARE IN NET INCOME (LOSS) OF INVESTMENT IN ASSOCIATES (Note 9)	1,232	(23,274)	54,009	(34,266)
FINANCE COSTS (Note 27)	(74,482)	(28,034)	(142,715)	(53,814)
FINANCE INCOME	7,290	2,150	18,475	4,251
OTHER INCOME - net (Note 28)	19,213	72,387	40,998	59,718
INCOME BEFORE INCOME TAX	354,116	818,417	880,316	580,532
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 30)				
Current	131,423	158,267	300,499	158,787
Deferred	(43,798)	44,569	(45,500)	4,323
	87,625	202,836	254,999	163,110
NET INCOME	266,491	615,581	625,317	417,422
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Currency translation adjustment	29,656	109,444	(10,792)	129,656
Income tax effect	(7,414)	(27,361)	2,698	(32,414)
	22,242	82,083	(8,094)	97,242
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>				
Fair value reserve of financial asset at fair value through other comprehensive income (Note 12)	(380)	(1,222)	126	(337)
TOTAL COMPREHENSIVE INCOME	P288,353	P696,442	P617,349	P514,327
Net Income (Loss) Attributable To:				
Equity holders of the Parent Company	P195,650	P628,634	P349,499	P433,708
Non-controlling interests in consolidated subsidiaries	70,841	(13,053)	275,818	(16,286)
	P266,491	P615,581	P625,317	P417,422
Total Comprehensive Income (Loss) Attributable To:				
Equity holders of the Parent Company	P217,512	P709,495	P341,531	P530,613
Non-controlling interests in consolidated subsidiaries	70,841	(13,053)	275,818	(16,286)
	P288,353	P696,442	P617,349	P514,327
Basic/Diluted Earnings Per Share on Net Income				
Attributable to Equity Holders of the Parent Company (Note 20)	P0.0380	P0.1208	P0.0676	P0.0833

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, 2023 AND 2022
(Amounts in Thousands)

	Capital Stock (Note 19)	Additional Paid-in	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, 2022 (Audited)	₱ 6,375,975	₱ 239,012	₱ (1,968,213)	₱ (5,818)	₱ 35,535	₱ 133,896	₱ 6,040,354	₱ 10,850,743	₱ 544,899	₱ 11,395,642
Net income for the period	-	-	-	-	-	-	349,499	349,499	275,818	625,317
Other comprehensive income (loss) - net of tax	-	-	-	126	-	(8,094)	-	(7,968)	-	(7,968)
Total comprehensive income (loss) - net of tax	-	-	-	126	-	(8,094)	349,499	341,531	275,818	617,349
Declaration of cash dividend	-	-	-	-	-	-	(524,169)	(524,169)	-	(524,169)
Acquisitions of non-controlling interests	-	-	-	-	-	-	467,972	467,972	(659,972)	(192,000)
Purchase of treasury shares	-	-	(48,047)	-	-	-	-	(48,047)	-	(48,047)
Balances at June 30, 2023 (Unaudited)	₱ 6,375,975	₱ 239,012	₱ (2,016,260)	₱ (5,692)	₱ 35,535	₱ 125,804	₱ 6,333,656	₱ 11,088,030	₱ 160,745	₱ 11,248,775
Balances at December 31, 2021 (Audited)	₱ 6,375,975	₱ 239,012	₱ (1,912,806)	₱ (5,565)	₱ 43,703	₱ 19,111	₱ 5,500,360	₱ 10,259,790	₱ 357,296	₱ 10,617,086
Net income (loss) for the period	-	-	-	-	-	-	433,708	433,708	(16,286)	417,422
Other comprehensive income (loss) - net of tax	-	-	-	(337)	-	97,242	-	96,905	-	96,905
Total comprehensive income (loss) - net of tax	-	-	-	(337)	-	97,242	433,708	530,613	(16,286)	514,327
Declaration of cash dividend	-	-	-	-	-	-	(1,039,975)	(1,039,975)	-	(1,039,975)
Purchase of treasury shares	-	-	(33,227)	-	-	-	-	(33,227)	-	(33,227)
Balances at June 30, 2022 (Unaudited)	₱ 6,375,975	₱ 239,012	₱ (1,946,033)	₱ (5,902)	₱ 43,703	₱ 116,353	₱ 4,894,093	₱ 9,717,201	₱ 341,010	₱ 10,058,211

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, 2023 AND 2022
(Amounts in Thousands)

	2023	2022
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱880,316	₱580,532
Adjustments for:		
Depreciation, depletion and amortization (Note 26)	315,909	199,871
Interest expense (Note 27)	58,153	47,581
Unrealized foreign exchange losses (gains) - net	(39,367)	22,470
Share in net income (loss) of investment in associates (Note 9)	(54,009)	34,266
Retirement benefits costs (Note 16)	11,173	6,958
Accretion interest expense on:		
Non-interest-bearing liability	73,319	—
Provision for mine rehabilitation and decommissioning (Note 27)	8,919	5,617
Interest income	(18,475)	(4,251)
Accretion interest income on security deposit under		
"Other noncurrent assets" (Note 27)	(474)	(476)
Gain on disposals of property and equipment	(4)	—
Operating income before changes in working capital	1,235,460	890,568
Decrease (increase) in:		
Trade and other receivables	(248,182)	(2,029,831)
Inventories	(58,118)	(21,452)
Prepayments and other current assets	(34,098)	(60,840)
Increase (decrease) in trade and other payables	(378,080)	647,358
Net cash generated from (used in) operations	516,982	(572,197)
Income taxes paid	(459,066)	(22,832)
Interest paid	(80,735)	(63,492)
Contributions (Note 16)	(11,453)	(11,454)
Interest received	14,009	1,624
Net cash flows used in operating activities	(20,263)	(668,351)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property and equipment	(143,095)	(244,059)
Mine exploration costs	(5)	—
Decrease (increase) in:		
Advances to related parties	122,778	(482,714)
Other noncurrent assets	(721,798)	(41,041)
Payment of non-interest bearing liability related to the acquisition of an associate	(544,290)	—
Acquisition of non-controlling interest in MHC	(192,000)	—
Proceeds from disposals of property and equipment	1	—
Net cash flows used in investing activities	(1,478,409)	(767,814)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Cash dividends	(524,169)	(433,678)
Other noncurrent liabilities	(186,180)	—
Loans	(105,225)	(137,766)
Lease Liabilities	(38,650)	(33,009)
Purchase of treasury shares (Note 19)	(48,047)	(33,227)
Increase (decrease) in advances from related parties	(459)	39,726
Proceeds from avancement of bank loans	—	90,000
Net cash flows used in financing activities	(902,730)	(507,954)
NET DECREASE IN CASH	(2,401,402)	(1,944,119)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	19,115	191,879
CASH AT BEGINNING OF PERIOD	3,180,585	3,821,177
CASH AT END OF PERIOD	₱798,298	₱2,068,937

See accompanying Notes to Unaudited Consolidated Financial Statements.

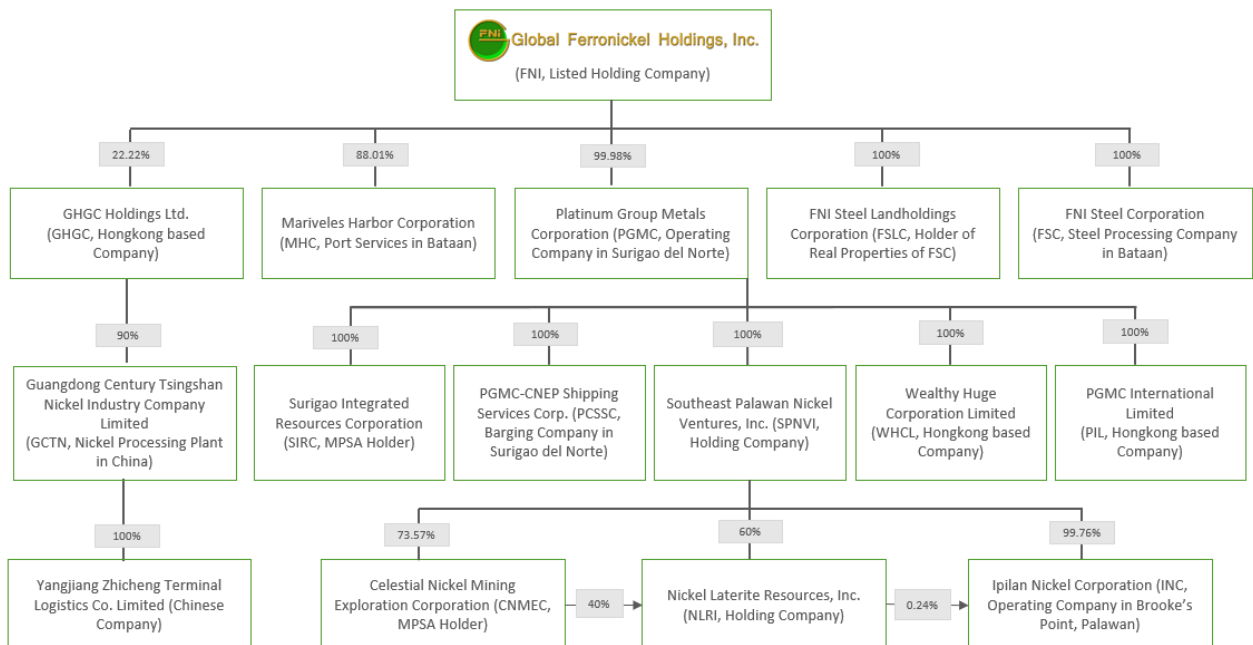
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Global Ferronickel Holdings, Inc. (FNI; 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 Parent Company's principal office address is at Penthouse, Platinum Tower, Asean Avenue corner Fuentes St., Aseana, Parañaque City.

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



The Parent Company's principal stockholders as at June 30, 2023 are as follows:

List of Top 20 Stockholders

Name	Citizenship	Holdings	Percentage
PCD NOMINEE CORP. - FILIPINO	Filipino	2,222,683,405	42.57%
PCD NOMINEE CORP. - NON-FILIPINO	Foreign	1,805,232,491	34.57%
REGULUS BEST NICKEL HOLDINGS INC.	Filipino	523,154,668	10.02%
BLUE EAGLE ELITE VENTURE INC.	Filipino	348,769,779	06.68%
SOHOTON SYNERGY, INC.	Filipino	233,156,767	04.47%
RED LION FORTUNE GROUP INC.	Filipino	57,588,866	01.10%
JOSEPH C. SY	Filipino	5,000,000	00.10%
DANTE R BRAVO	Filipino	3,261,053	00.06%
ORION-SQUIRE CAPITAL, INC. A/C-0459	Filipino	2,283,106	00.04%
CARLO A. MATILAC	Filipino	1,733,226	00.03%
MARY BELLE D. BITUIN	Filipino	1,630,523	00.03%
SQUIRE SECURITIES, INC	Filipino	867,338	00.02%
CORSINO L. ODOJAN	Filipino	785,860	00.01%
GEARY L. BARIAS	Filipino	785,860	00.01%
MARILOU C. CELZO	Filipino	678,479	00.01%
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.
PAZ VENSON

Filipino
Filipino

415,193
410,579

00.01%
00.01%

The Subsidiaries

PGMC

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

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

Seasonality

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

SIRC

SIRC is a wholly-owned subsidiary of the Parent Company through PGMC and was registered with the Philippine SEC on July 16, 1999. Its primary purposes are to engage in the exploration and processing of minerals, petroleum and other mineral oils, to enter into financial and technical assistance agreements for the large-scale exploration, development and utilization of mineral resources or otherwise engage in mining activities or enter into agreements as may be allowed by law. SIRC's principal office address is the same as that of the Parent Company.

SIRC is the holder of MPSA No. 007-92-X, redenominated as MPSA No. 007-92-X-SMR (Amended 1), located in Cagdianao, Claver, Surigao del Norte. The said MPSA was last renewed on June 21, 2016 for another 25 years from its initial term ending in 2017, or until February 14, 2042.

PCSSC

PCSSC is a wholly-owned subsidiary of the Parent Company through PGMC and was registered with the Philippine SEC on June 4, 2013. Its primary purpose is to conduct and carry on the business of inter-island shipping, including chartering, hiring, leasing, or otherwise acquiring tug and barge, self-propelled barges or landing craft tank (LCT) or other ships or vessels, together with equipment, appurtenances and furniture therefor; and to employ the same in the conveyance and carriage of ores, minerals, goods, wares and merchandise of every kind and description. PCSSC's principal office address is the same as that of the Parent Company.

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. PIL's principal office address is at Unit 4101-02, 41/F, Office Tower, Convention Plaza, 1 Harbour Road Wanchai, Hong Kong.

WHCL

WHCL is a wholly-owned subsidiary of the Parent Company through PGMC and was incorporated on March 1, 2021 as a limited company under the Companies Ordinance of Hong Kong. Its primary purpose is to facilitate relations with offshore customers, collection of accounts, availment of offshore banking services, and such other services as will aid PGMC's strategic growth in the ASEAN region. WHCL's principal office address is at Room 804, 8/F, LAP FAI Building, 6-8 Pottinger Street, Central Hong Kong. WHCL has not started its operations as at June 30, 2023.

SPNVI

SPNVI is 59.37% owned by the Parent Company through PGMC as at December 31, 2022, and was registered with the SEC on July 11, 2014. It is primarily engaged 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. SPNVI's principal office address is the same as that of the Parent Company.

On June 1, 2023, PGMCI entered into a Deed of Assignment with Giantlead Prestige, Inc., Alpha Centauri Fortune Group, Inc., Antares Nickel Capital, Inc., Huatai Investments Holding Pty. Ltd. and Wei Ting (collectively referred to as "Five Stockholders"), where the Five Stockholders assigned, in a manner absolute, all their rights, interests, and title to the shares of SPNVI, including all the interests accruing therefrom, in favor of PGMCI, and PGMCI accepts the same. As a result of this transaction, PGMCI now owns 99.98% of SPNVI.

INC

SPNVI wholly owns INC, a company registered with the 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). INC's principal office address is the same as that of the Parent Company.

CNMEC

SPNVI directly owns 73.57% of CNMEC, a company registered with the SEC on December 17, 1979, for the primary purpose is to search for, prospect, explore, develop ores and mineral, to locate mining claims within the Philippines and record the same according to mining laws, and to purchase, take on lease, exchange or otherwise acquire mines, workings, mineral lands, mining claims, mineral, water and timer rights, foreshore leases, licenses concessions and grants, and other effects whatsoever which the Company may from time to time deem proper to be acquired for any of its purposes. CNMEC's principal office address is the same as that of the Parent Company.

NLRI

SPNVI directly owns 60% of NLRI, a company registered with SEC on July 22, 2005, for the primary purpose to subscribe for, purchase or otherwise acquire, obtain interests in, own, hold, pledge, hypothecate, assign, sell, exchange or otherwise dispose of and generally deal in and with personal properties and securities of every kind and description of any government, municipality or other political subdivision or agency, corporation, association or entity; to exercise any and all interest in respect of any such securities; and to promote, manage, participate in and act as agent for any purchasing or selling syndicate or group of investors and otherwise to take part in and assist, in any legal matter for the purchase and sale of any securities as may be allowed by law, without acting as or engaging in the business of an investment house, mutual fund or broker or dealer in securities. NLRI's principal office address is the same as that of the Parent Company.

FSC

FSC is a wholly-owned subsidiary of the Parent Company and was registered with the Philippine SEC on August 5, 2019. Its primary purpose is to engage in the business of buying, selling, dealing, at wholesale and retail, importing and manufacturing iron, steel and other ferrous or non-ferrous metal products, to be processed either by melting, rolling, casting, or forging to produce it in the form of ingots, billets, sections, bars, plates, strips, rods, tubes, pipes and other such form in demand in the market or industry; to import materials, machinery and equipment needed to manufacture such finished products; and to lease real properties such as land and buildings as needed. FSC's principal office address is at Lot 9 3rd Floor AFAB Administration Building, Freeport Area of Bataan Alas-asin Mariveles, Bataan, Region III, Philippines. As at June 30, 2023, FSC has not yet started its commercial operations.

FSLC

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

MHC

MHC is a 64.03%-owned subsidiary of the Parent Company as at December 31, 2022, and was registered with the Philippine SEC on July 11, 2014 primarily to engage to carry on the business of providing and rendering general services incidental to and necessarily connected with the operation and management of port terminals in the Philippines, which will involve the handling of containers, bulk liquid and dry cargoes, bagging of fertilizers, refrigerated warehousing facilities, warehousing and stevedoring, lightering, towing, and/or storing of cargo handled by MHC to and from port terminals in the delivery from abroad and/or for shipment abroad as may be necessary or incidental thereto. MHC's principal office address is at Mariveles Multi-Purpose Terminal, Mariveles Diversion Road, Freeport Area of Bataan, Brgy. Sisiman, Mariveles, Bataan.

On March 2, 2023, the Parent Company acquired an additional 23.98% interest (equivalent to 1,000,000 common shares) in MHC from Seasia Logistics Philippines, Inc., an existing stockholder, for ₱192.0 million cash, resulting in 88.01% ownership in MHC (see Note 19). The increased shareholding in MHC gives FNI significant control over the operation of the Mariveles port.

The Associates

GHGC

GHGC is 22.22% owned by the Parent Company and was incorporated in the British Virgin Islands (BVI) on April 14, 2011 whose principal activity is investment holding. The registered office of GHGC is at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands. It engages in trading nickel ore and other related mineral products.

GHGC owns 90% shareholding in Guangdong Century Tsingshan Nickel Industry Company Limited (GCTN). GCTN is a nickel alloy enterprise in China that is processing laterite nickel ore and is selling nickel pig iron. It operates a 33-hectare area with more than 600 employees. GCTN is one of the most competitive smelters with Rotary kiln-electric furnace (RKEF) technology. The rotary kiln can feed up to four (4) furnaces and is estimated to produce about 28,000 tons of pure nickel at its optimum. GCTN's wholly owned subsidiary is Yangjiang Zhicheng Terminal Logistics Co. Limited, located near Yangjiang Harbour, Hailing Cove area.

2. Basis of Preparation, Statement of Compliance, Basis of Consolidation and Changes in Accounting Policies and Disclosures

Basis of Preparation

The accompanying unaudited interim consolidated financial statements of the Group as at June 30, 2023 and for the six months period ended June 30, 2023 and 2022 have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*, and on a historical cost basis, except for the financial asset at fair value through other comprehensive income (FVOCI), which are carried at fair value. The unaudited interim consolidated financial statements are presented in Philippine peso, which is the Group's presentation currency under the Philippine Financial Reporting Standards (PFRS). Based on the economic substance of the underlying circumstances relevant to the Group, the functional currencies of the Parent Company and subsidiaries is Philippine peso, except for PIL and WHCL whose functional currency is Hong Kong Dollar (HK\$). All values are rounded to the nearest thousand (000), except number of shares, per share data and as indicated. Further, the unaudited interim consolidated financial statements do not include all the information and disclosure required in the annual consolidated financial statements, and should be read in conjunction with the audited Group's annual consolidated financial statements as at December 31, 2022.

Statement of Compliance

The accompanying unaudited interim consolidated financial statements of the Group have been prepared in compliance with PFRS. PFRS includes statements named PFRS, PAS, and Standard Interpretation Committee/ Philippine Interpretation based on International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC, including SEC pronouncements.

Basis of Consolidation

The unaudited interim consolidated financial statements include the balances of the Parent Company and its subsidiaries and equity share in net income or losses of associates, after eliminating significant intercompany balances and transactions.

Subsidiaries and Associates	Principal Place of Business	Principal Activities	Effective Ownership	
			March 31, 2023	December 31, 2022
PGMC	Philippines	Mining	99.98%	99.98%
SIRC ⁽¹⁾	Philippines	Mining	99.98%	99.98%
PCSSC ⁽¹⁾	Philippines	Services	99.98%	99.98%
PIL ⁽¹⁾	Hong Kong	Marketing, Trading and Services	99.98%	99.98%
WHCL ⁽¹⁾	Hong Kong	Marketing, Trading and Services	99.98%	99.98%
FSLC	Philippines	Landholdings	100.00%	100.00%
FSC	Philippines	Manufacturing	100.00%	100.00%
MHC ⁽²⁾	Philippines	Port Operations	88.01%	64.03%
SPNVI ⁽³⁾	Philippines	Holding/Mining	99.98%	59.37%
INC ⁽⁴⁾	Philippines	Holding/Mining	99.96%	59.37%
CNMEC ⁽⁴⁾	Philippines	Holding/Mining	83.98%	59.37%
NLRI ⁽⁴⁾	Philippines	Holding/Mining	93.58%	59.37%
Associates				
GHGC	British Virgin Islands	Holding	22.22%	22.22%
GCTN	China	Nickel Processing	20.00%	20.00%

(1) Indirect ownership through PGMC.

(2) On March 2, 2023, the Parent Company's equity interest in MHC increased from 64.03% to 88.01% as a result of the purchase of additional interest from Seasia Logistics Philippines, Inc., an existing stockholder.

(3) As of June 1, 2023, PGMC owned 99.98% of SPNVI through the assignment of the remaining interests previously held by the Five Stockholders.

(4) This represents the indirect ownership of the Parent Company to the subsidiaries of SPNVI.

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective starting January 1, 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to the Practice Statement provide non-mandatory guidance. The amendments did not have any impact on the consolidated financial statements of the Group.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The amendments have no impact on the consolidated financial statements of the Group.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

The amendments have no impact on the consolidated financial statements of the Group.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements [unless otherwise indicated].

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRSs requires the Group to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the judgments and assumptions used in arriving at the estimates to change. The effects of any changes in estimates are reflected in the unaudited interim consolidated financial statements as they become reasonably determinable.

Accounting judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

Judgments

In the process of applying the Group's accounting policies, management has made judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the unaudited interim consolidated financial statements.

Estimates and Assumptions

The Group based its assumptions and estimates on parameters available when the unaudited interim consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

4. Cash and Cash Equivalents

Amount in thousands	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Cash on hand	₱1,573	₱1,873
Cash with banks	774,959	3,156,946
Short-term cash investments	21,766	21,766
	₱798,298	₱3,180,585

5. Trade and Other Receivables

Amount in thousands	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Trade	₱2,274,676	₱1,999,403
Advances to:		
Contractors	368,592	401,973
Officers, employees and others	48,984	41,555
Income tax receivable	89,611	90,746
	2,781,863	2,533,677
Less allowance for expected credit losses (ECL)	289,286	289,286
	₱2,492,577	₱2,244,391

There was no provision for ECL on trade and other receivables for the periods ended June 30, 2023 and 2022.

6. Inventories

Amount in thousands	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Beneficiated nickel ore	₱251,684	₱208,381
Materials and supplies	98,726	83,912
	₱350,410	₱292,293

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

No provision for inventory losses was recognized for the periods ended June 30, 2023 and 2022. The balance of the allowance for inventory losses on materials and supplies amounted to ₱11.6 million as at June 30, 2023 and December 31, 2022.

7. Prepayments and Other Current Assets

Amount in thousands	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Prepaid taxes and licenses	₱39,036	₱16,918
Prepaid insurance	29,454	14,143
Creditable withholding taxes (CWT)	10,279	9,008
Advances to suppliers	9,318	7,431
Prepaid rent	4,318	4,865
Others	1,118	7,060
	93,523	59,425
Less allowance for impairment losses	3,684	3,684
	₱89,839	₱55,741

No provision for impairment losses on other current assets was recognized in 2023 and 2022.

8. Property and Equipment

As at June 30, 2023 and December 31, 2022, property and equipment amounted to ₱5,735.0 million and ₱5,904.2 million, respectively. During the six-month period ended June 30, 2023 and 2022, the Group acquired assets with a cost of ₱145.0 million and ₱247.5 million, respectively, including construction in-progress.

Depreciation and depletion expenses for the six-month period ended June 30, 2023 and 2022 amounted to ₱311.9 million and ₱192.0 million, respectively. As at June 30, 2023 and December 31, 2022, total accumulated depreciation and depletion amounted to ₱3,622.1 million and ₱3,346.4 million, respectively.

The property and equipment includes right-of-use assets amounted to ₱774.6 million and ₱819.4 million as at June 30, 2023 and December 31, 2022, respectively. As at June 30, 2023 and December 31, 2022, accumulated depreciation of the right-of-use assets amounted to ₱242.7 million and ₱197.7 million, respectively. Depreciation expense of right-of-use assets for the six-month period ended June 30, 2023 and 2022 amounted to ₱45.8 million and ₱39.7 million, respectively.

No property and equipment were pledged as at June 30, 2023 and December 31, 2022.

9. Investment in Associates

As at June 30, 2023 and December 31, 2022, investment in associates amounted to ₱4,362.5 million and ₱4,308.5 million, respectively.

The Group recognized total share in net income of investment in associates amounted to ₱54.0 million for the six months ended June 30, 2023 and share in net loss of investment in associates amounted to ₱34.3 million for the same period of the previous year.

10. Mining Rights

Amount in thousands	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Cost	₱396,500	₱396,500
Accumulated amortization:		
Beginning balance	279,196	270,921
Amortization	1,574	8,275
Ending balance	280,770	279,196
Net book value	₱115,730	₱117,304

No provision for impairment losses on mining rights was recognized for the periods ended June 30, 2023 and 2022.

11. Mine Exploration Costs

Amount in thousands	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Beginning balance	₱179,030	₱147,299
Exploration expenditures incurred	5	31,731
Ending balance	₱179,035	₱179,030

As at June 30, 2023, the remaining mine exploration costs are associated with PGM's CAGA 5, 6, 7 and limestone areas, which are still in the exploration and evaluation phase.

12. Other Noncurrent Assets

Amount in thousands	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Advances to suppliers	₱961,585	₱380,831
Input VAT	676,854	529,349
Mine rehabilitation fund (MRF)	379,173	378,152
Restricted cash	83,745	84,311
Miscellaneous deposit	63,656	68,849
Intangible asset	27,985	30,805
Security deposits	24,416	23,986
Financial asset at FVOCI	3,162	3,036
Computer software	1,736	682
Others	10,308	12,685
	2,232,620	1,512,686
Less allowance for impairment losses	195,986	195,986
	₱2,036,634	₱1,316,700

No dividend income was earned by the Group for the periods ended June 30, 2023 and 2022 from the financial asset at FVOCI.

13. Trade and Other Payables

Amount in thousands	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Trade	₱373,666	₱337,698
Accrued expenses and taxes	136,330	335,360
Dividends payable	21,209	20,238
Interest payable	11,379	–
Nontrade	9,870	10,624
Contract liabilities	–	247,992
	₱552,454	₱951,912

Details of the accrued expenses and taxes are summarized below:

Amount in thousands	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Business and other taxes	₱58,993	₱14,217
Provision for Social Development and Management Program (SDMP) and Indigenous Cultural Communities (ICC)	24,970	62,946
Accrued liabilities	24,544	89,386
Excise taxes and royalties payable	9,291	140,761
Accrued payroll	4,950	15,423
Accrued professional fees	432	1,442
Others	13,150	11,185
	₱136,330	₱335,360

14. Loans Payable

Amount in thousands	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Taiwan Cooperative Bank Manila Offshore Banking Branch (TCB) - Long-term loan	₱726,626	₱841,800
Less current portion: TCB	726,626	315,675
Noncurrent portion	₱–	₱526,125

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

Amount in thousands	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Beginning balance	₱841,800	₱899,256
Payments	(105,225)	(137,646)
Effect of changes in foreign currency exchange rates	(9,949)	80,190
Ending balance	₱726,626	₱841,800

Long term loans

TCB

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

- Revolving loan shall be repaid at the maturity date of each loan but the tenor shall not exceed 180 days

- Term loan shall be repaid in four (4) semi-annual installment repayments. First installment commences on the date falling 18 months from the first drawdown date as follows:

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

The interest shall be payable quarterly in arrears. The interest rate for the loan is the aggregate of the reference rate plus spread of 3.25% per annum. The reference rate is the applicable London Interbank Offered Rates (LIBOR) displayed on the Bloomberg and Reuters' page for three (3) month yield as of approximately 11:15 am on the interest rate setting date as stated in the loan agreement.

The other conditions of the agreement are as follows:

- The Group shall maintain a waterfall account with TCB wherein all amounts collected from the buyers of nickel ore shall be deposited.
- The security required by TCB shall consist of only three (3) kinds, as follows:
 - Accounts receivables from PGMC's customers or clients or Import letters of credit (LC) issued in favor of PGMC by its customers and clients. Provided, that the aggregate value, in combination, shall at least twice (2x) the amount of the actual drawdown
 - Demand Deposit Account which shall be opened and set-up by the collateral provider acceptable to TCB (in this case PGMC International Limited) amounting to at least 10% of the drawdown. The amount in said account maybe reduced proportionately as PGMC pays the principal and its interest by express agreement of TCB and PGMC.
 - Guarantee issued by any individual, juridical person such as corporations or any combination thereof that is acceptable to TCB.
- TCB is irrevocably appointed as the collecting agent for the account receivables from PGMC's export orders of nickel ore and as a collecting and advising bank for the import LC opened by the buyers of the nickel ore of PGMC. All the amount collected by TCB shall be deposited in the Waterfall Account of PGMC.
- The Group may, at its option, prepay the loan in part or in full, together with accrued interest thereon.
- If the Group fails to make payment when due of any sum (whether at the stated maturity, by acceleration or otherwise), the Group shall pay penalty on such past due and unpaid amount/s at the rate of 18% per annum, in addition to the interest rate from due date until the date of payment in full. The penalty shall be payable from time to time and upon demand by the bank.

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

Interest expense related to the TCB loan amounted to ₱32.6 million and ₱17.5 million for the periods ended June 30, 2023 and 2022, respectively.

Bank of Commerce (BOC)

On May 10, 2017, the Group through MHC entered into a loan agreement with BOC to acquire additional financing to support the construction of Phase 1 of the dry bulk terminal facilities in Mariveles, Bataan with the terms and conditions:

- Repayments of the loan in equal semi-annual installments for five (5) years;
- Bears an annual interest rate ranging from 7.12% to 7.21% per annum;
- With MHC's shares of stock as collateral and a continuing suretyship from Seasia Logistics Philippines, Inc; and
- MHC shall not participate in or enter into any merger or consolidation, sell, lease mortgage or otherwise dispose of all or substantially all of its assets and voluntarily suspend its business operations or dissolve its affairs, and declare or pay dividends to its shareholders (other than dividends payable solely in shares of capital stock) if payment of any sum due to BOC is in arrears.

MHC has fully settled its loan with BOC on May 29, 2022.

Interest expense related to the BOC loan amounted to nil and ₱1.2 million for the periods ended June 30, 2023 and 2022, respectively.

Short term loans

BDO Unibank, Inc. (BDO)

The Group is granted annually by BDO a revolving US\$20.0 million Export Packing Credit Line for working capital purposes. No drawdowns were made for the periods ended June 30, 2023 and 2022.

UnionBank of the Philippines (UBP)

On May 20, 2021 and June 10, 2021, the Group through MHC entered into short-term loans for ₱50.0 million and ₱40.0 million, respectively. These are payable in one (1) year, bear an interest rate of 6.50% per annum and are intended for working capital purposes. The short-term loans were renewed for another one (1) year with an interest rate of 6.5% and 6.75% per annum. Interest expense related to the UBP loan amounted to nil and ₱3.0 million for the periods ended June 30, 2023 and 2022, respectively. The short-term loans with UBP were fully settled on July 29, 2022.

The Group has complied with the terms of the loans as at June 30, 2023 and December 31, 2022.

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, 2023 (Unaudited)	December 31, 2022 (Audited)
Beginning balance	₱261,039	₱305,414
Accretion interest	8,919	11,234
Additions	–	63,844
Effect of change in estimate	–	(119,453)
Ending balance	₱269,958	₱261,039

16. Retirement Obligation

The FNI Group of Companies Multiemployer Retirement Plan (the Retirement Plan) is jointly established by PGMCO, 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, 2023 and December 31, 2022.

The latest actuarial valuation report of the retirement plan is as at December 31, 2022.

As at June 30, 2023, 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, 2023 and December 31, 2022, the retirement plan asset, net of retirement obligation, amounted to ₱18.7 million and ₱16.8 million, respectively. The current service cost amounted to ₱11.2 million and ₱7.0 million for the six months period ended June 30, 2023 and 2022, respectively. The interest cost on retirement obligation amounted to ₱2.9 million and ₱1.8 million for the six months period ended June 30, 2023 and 2022, respectively. The interest income on plan assets amounted to ₱4.5 million and ₱2.6 million for the six months period ended June 30, 2023 and 2022, respectively.

17. Non-interest Bearing and Other Current Liabilities

Non-interest bearing liability

On September 30, 2022, as a result of the acquisition of GCTN, the Group recognized a non-interest bearing liability to the Seller amounting to US\$51.8 million which will be settled through annual installment payment amounting to US\$10.0 million starting 2023 until fully paid.

Details of the non-interest bearing liability to the Seller is as follows:

Amount in thousands	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Balance at the date of acquisition, undiscounted	₱2,947,352	₱2,947,352
Discount on non-interest bearing liability:		
Day 1 gain	469,174	504,273
Accretion of interest	(73,319)	(35,099)
Ending balance	395,855	469,174
Payment	(544,290)	–
Net carrying value	2,007,207	2,478,178
Effect of changes in foreign currency exchange rates	(42,496)	(42,496)
Ending balance	1,964,711	2,435,682
Less: Current portion	634,519	561,200
Non-interest bearing liability - net of current portion	₱1,330,192	₱1,874,482

Other current liabilities

As at June 30, 2023 and December 31, 2022, the Group has payable to previous stockholders of Celestial Nickel Mining Exploration Corporation (CNMEC) and Brooks Nickel Ventures Inc. (BNVI), as follows:

Amount in thousands	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Previous stockholders of CNMEC	₱192,256	₱378,436
Payable to BNVI	193,743	193,743
Noncurrent portion	₱385,999	₱572,179

Amount in thousands	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Beginning balance	₱572,179	₱521,968
Additions	–	28,177
Payments	(186,180)	(85,446)
Effect of changes in foreign currency exchange rates	–	107,480
Ending balance	₱385,999	₱572,179

18. Leases

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

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

The lease liabilities as at June 30, 2023 and December 31, 2022, discounted using incremental borrowing rate are as follows:

Amount in thousands	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Lease liabilities	₱822,381	₱835,585
Less current portion	64,569	57,823
Noncurrent portion	₱757,812	₱777,762

The rollforward analysis of lease liabilities follows:

Amount in thousands	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Beginning balance	₱835,585	₱824,013
Interest expense	25,446	51,538
Payments	(38,650)	(111,721)
Modification	–	71,755
Ending balance	₱822,381	₱835,585

19. Equity

Capital Stock

The Parent Company has 11,957,161,906 authorized shares at ₱1.05 par value as at June 30, 2023 and December 31, 2022. 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, 2023 and December 31, 2022.

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

NCI

June 30, 2023

	MHC	PGMC	SPNVI	Total
Percentage of ownership	11.99%	0.02%	0.00%	
Acquisition of SPNVI and MHC	429,936	-	6,503	436,439
Acquisition of NCI	(328,508)	-	(331,464)	(659,972)
Issuance of capital stock	-	446	-	446
Retained earnings, beginning	65,991	437	41,586	108,014
Total comprehensive income (loss)				
attributable to NCI	(7,631)	74	283,375	275,818
Total	159,788	957	-	160,745

December 31, 2022

	MHC	PGMC	SPNVI	Total
Percentage of ownership	35.97%	0.02%	40.63%	
Acquisition of SPNVI and MHC, as restated	429,936	-	6,503	436,439
Issuance of capital stock	-	446	-	446
Retained earnings, beginning	-	211	-	211
Total comprehensive income attributable to NCI	191,886	282	41,586	233,754
Cash dividend	(125,895)	(56)	-	(125,951)
Total	495,927	883	48,089	544,899

Material NCI

As at June 30, 2023, the accumulated balance of material NCI amounted to ₱159.8 million, which represents 11.99% equity interest in MHC. As at December 31, 2022, the accumulated balance of material NCI amounted to ₱544.0 million, which represents 40.63% equity interest in SPNVI and 35.97% equity interest in MHC. Net profit allocated to material NCI amounted to ₱275.7 million for the six months ended June 30, 2023 and ₱233.5 million for the year ended December 31, 2022.

Acquisition of NCI

On March 2, 2023, the Parent Company acquired an additional 23.98% interest in MHC from Seasia Logistics Philippines, Inc. for ₱192.0 million, resulting in 88.01% ownership interest in the subsidiary. The effect on equity for the acquisition follows:

Consideration paid for the additional interest acquired	₱192,000
Acquisition of NCI	(328,508)
Retained earnings	₱136,508

On June 1, 2023, the Parent Company, through PGMC, acquired the non-controlling interest in SPNVI through the assignment of the remaining interests previously held by Five Stockholders (see Note 1). This transaction resulted in the Group recognizing retained earnings amounting to ₱331.5 million.

Treasury Stock

The Parent Company has 850,851,464 amounting to ₱2,016.3 million and 882,571,322 shares amounting to ₱1,968.2 million in treasury as at June 30, 2023 and December 31, 2022, respectively.

For the periods ended June 30, 2023 and 2022, the Parent Company purchased a total of 20,178,000 common shares and 10,440,000 common shares at an average price of ₱2.38 per share and ₱3.18 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:

	2023 (Unaudited)	2022
Net income attributable to equity holders of the Parent Company (amounts in thousands)	₱349,500	₱433,708
Number of shares:		
Common shares outstanding at beginning of the year	5,189,785,829	5,210,312,829
Effect of buyback during the period	(19,607,817)	(6,560,333)
Adjusted weighted average number of common shares outstanding	5,170,178,012	5,203,752,496
Basic/Diluted Earnings per Share	₱0.0676	₱0.0833

As at June 30, 2023 and 2022, there are no potentially dilutive common shares.

21. Cost of Sales

Amount in thousands	For the six months period ended June 30	
	2023	2022
	(Unaudited)	
Contract hire	₱614,822	₱401,373
Depreciation and depletion (see Note 26)	239,156	137,152
Personnel costs (see Note 25)	169,814	89,265
Fuel, oil and lubricants	89,495	43,657
Operation overhead	45,097	14,280
Community relations	38,156	17,700
Repairs and maintenance	28,598	12,415
Environmental protection costs	15,294	32,326
Manning services	12,473	11,682
Assaying and laboratory	11,862	4,989
Others	21,467	14,593
	₱1,286,234	₱779,432

22. Excise Taxes and Royalties

Amount in thousands	For the six months period ended June 30	
	2023	2022
	(Unaudited)	
Royalties to:		
Government	₱41,984	₱98,809
Claim-owners	35,583	102,579
Indigenous people (IP)	8,982	19,762
Excise taxes	124,470	79,047
	₱211,019	₱300,197

23. General and Administrative

Amount in thousands	For the six months period ended June 30	
	2023	2022
	(Unaudited)	
Personnel costs (see Note 25)	₱138,137	₱124,984
Taxes and licenses	91,917	57,583
Outside services	88,232	38,890
Depreciation and amortization (see Note 26)	76,753	62,719
Marketing and entertainment	46,136	28,245
Consultancy fees	28,085	27,275
Travel and transportation	13,894	9,562
Repairs and maintenance	12,893	14,920
Fuel, oil and lubricants	5,721	8,019
Membership and subscription	4,864	3,175
Power and utilities	2,995	3,106
Communication	2,786	2,022
Other charges	17,932	26,095
	₱530,345	₱406,595

24. Shipping and Distribution

Amount in thousands	For the six months period ended June 30	
	2023	2022
	(Unaudited)	
Stevedoring charges and shipping expenses	₱114,265	₱12,657
Barging charges	44,282	65,904
Fuel, oil and lubricants	6,843	18,595
Personnel costs (see Note 25)	6,023	10,295
Government fees	5,609	7,251
Repairs and maintenance and others	1,130	245
Supplies	602	1,547
	₱178,754	₱116,494

25. Personnel Costs

Amount in thousands	For the six months period ended June 30	
	2023	2022
	(Unaudited)	
Salaries and wages	₱268,756	₱185,506
Retirement benefits costs (see Note 16)	11,173	8,026
Other employee benefits	34,045	31,012
	₱313,974	₱224,544

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	
	2023	2022
	(Unaudited)	
Cost of sales (see Note 21)	₱169,814	₱89,265
General and administrative (see Note 23)	138,137	124,984
Shipping and distribution (see Note 24)	6,023	10,295
	₱313,974	₱224,544

26. Depreciation, Depletion and Amortization

Amount in thousands	For the six months period ended June 30	
	2023	2022
	(Unaudited)	
Cost of sales (see Note 21)	₱239,156	₱137,152
General and administrative (see Note 23)	76,753	62,719
	₱315,909	₱199,871

27. Finance Costs

Amount in thousands	For the six months period ended June 30	
	2023	2022
	(Unaudited)	
Interest expense	₱58,153	₱47,581
Accretion interest on non-interest bearing liability	73,319	–
Accretion interest on provision for mine rehabilitation and decommissioning	8,919	5,617
Bank charges	2,324	616
	₱142,715	₱53,814

28. Other Income - net

Amount in thousands	For the six months period ended June 30	
	2023	2022
	(Unaudited)	
Foreign exchange gains - net	₱33,798	₱43,912
Despatch - net	7,042	15,273
Gain on disposals of property and equipment	4	–
Others	154	533
	₱40,998	₱59,718

Breakdown of net foreign exchange gains is as follows:

Amount in thousands	For the six months period ended June 30	
	2023	2022
	(Unaudited)	
Net realized foreign exchange gains (losses)	(₱43,350)	₱11,332
Unrealized foreign exchange gains (losses) on:		
Cash and cash equivalents	29,418	41,235
Trade and other receivables	22,669	54,461
Other noncurrent assets	393	483
Loans payable	9,949	(63,705)
Trade and other payables	14,719	106
	₱33,798	₱43,912

29. Related Party Disclosures

Set out below are the Group's transactions with related parties for the six-month periods ended June 30, 2023 and 2022, including the corresponding assets and liabilities arising from the said transactions as at June 30, 2023 (Unaudited) and December 31, 2022 (Audited):

Amount in thousands Category	Amount/Volume	Sale of Ore	Advances to related parties	Advances from related parties	Non-interest bearing liability	Terms	Conditions
<i>Stockholders</i>							
June 30, 2023	P—	P—	P82,546	P—	P1,964,711	On demand;	
December 31, 2022	P111,827	—	P205,498	P—	P2,435,682	noninterest- bearing; collectible or payable in cash	Secured; with guarantee
<i>Affiliates with common officers, directors and stockholders</i>							
June 30, 2023	174	—	8,603	227,224	—	On demand;	
December 31, 2022	892	—	8,429	227,683	—	noninterest- bearing; collectible or payable in cash	Secured; with guarantee
<i>Associate</i>							
June 30, 2023	2,456,198	2,456,198	—	—	—	On demand;	
December 31, 2022	2,146,342	2,146,342	—	—	—	noninterest- bearing; collectible in cash	Secured; with guarantee
Total		P2,456,198	P91,149	P227,224	P1,964,711		
Total		P2,146,342	P213,927	P227,683	P2,435,682		

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

- GCTN entered into ore supply sales agreements with the Group for the purchase of nickel ore amounting to P2,456.2 million and P1,124.3 million for the periods ended June 30, 2023 and 2022, respectively.
- PIL entered into ore supply sales agreements with PGMCO for the purchase of nickel ore amounting to P296.7 million and P636.1 million for the periods ended June 30, 2023 and 2022, respectively.
- 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, 2023 and 2022 amounted to P34.6 million and P41.0 million, respectively.

30. Income Taxes

For the periods ending on June 30, 2023 and 2022, the Group's current provision for income tax amounted to P300.5 million and P158.8 million, respectively, representing regular corporate income tax (RCIT) and special corporate income tax (5% tax on gross income). The Group has availed of the itemized deductions method in claiming its deductions for the six months ended June 30, 2023 and 2022.

As at June 30, 2023 and December 31, 2022, the Group's net deferred income tax assets amounted to P192.9 million and P143.2 million, respectively. As at June 30, 2023 and December 31, 2022, the Group's net deferred income tax liabilities amounted to P132.8 million and P131.2 million, respectively.

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

Fair Value Hierarchy

As at June 30, 2023 and December 31, 2022, 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, 2023 and December 31, 2022.

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 INC and port services rendered by MHC to its customers; and

- The manufacturing segment includes FSC which is engaged in the manufacturing of iron steel bars and FSLC which is engaged in holding the real properties of FSC.

The Group's core business is the sale of nickel ore to external customers which accounted for 99.4% of the Group's total revenue. Accordingly, the Group's mining segment operates in two (2) geographical locations within the Philippines: Surigao and Palawan. 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, mine exploration costs, mining rights, and other noncurrent assets are located in the Philippines, Hong Kong and China.

The Group has revenues from external customers as follows:

Amount in thousands	For the six months period ended June 30	
	2023	2022
Country of Domicile	(Unaudited)	
China	₱3,098,152	₱2,135,215
Local	17,749	72,146
	₱3,115,901	₱2,207,361

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

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

Amount in thousands	June 30, 2023 (Unaudited)				Total
	Mining	Services	Manufacturing	Elimination	
External customers	₱3,098,152	₱17,749	₱—	₱—	₱3,115,901
Intersegment revenues	296,723	46,696	2,400	(345,819)	—
Total revenues	3,394,875	64,445	2,400	(345,819)	3,115,901
Cost of sales	1,494,960	84,511	—	(293,237)	1,286,234
Excise taxes and royalties	211,019	—	—	—	211,019
Shipping and distribution	225,450	—	—	(46,696)	178,754
Segment operating earnings	1,463,446	(20,066)	2,400	(5,886)	1,439,894
General and administrative	508,339	18,297	3,709	—	530,345
Finance income	18,412	47	16	—	18,475
Finance costs	(130,295)	(12,420)	—	—	(142,715)
Share in net income of investment in associates	54,009	—	—	—	54,009
Other income - net	630,747	30	4,333	(594,112)	40,998
Provision for income tax - net	254,773	(658)	884	—	254,999
Net income (loss)	1,273,207	(50,048)	2,156	(599,998)	625,317
Net income (loss) attributable to NCI	283,449	(7,631)	—	—	275,818
Net income (loss) attributable to equity holders of FNI	₱989,758	(₱42,417)	₱2,156	(₱599,998)	₱349,499
Segment assets	₱31,632,562	₱1,972,291	₱1,020,132	(₱18,355,059)	₱16,269,926
Deferred tax assets - net	194,622	2,298	(3,977)	—	192,943
Total assets	₱31,827,184	₱1,974,589	₱1,016,155	(₱18,355,059)	₱16,462,869
Segment liabilities	₱9,019,948	₱620,961	₱958,995	(₱5,518,573)	₱5,081,331
Deferred tax liabilities - net	107,247	(4,392)	5,545	24,363	132,763
Total liabilities	₱9,127,195	₱616,569	₱964,540	(5,494,210)	5,214,094
Capital expenditures	₱140,269	₱1,845	₱2,898	₱—	₱145,012
Depreciation and depletion	₱263,461	₱52,187	₱261	₱—	₱315,909

Amount in thousands	June 30, 2022 (Unaudited)				
	Mining	Services	Manufacturing	Elimination	Total
External customers	P2,135,215	P72,146	P-	P-	P2,207,361
Intersegment revenues	636,150	29,932	-	(666,082)	-
Total revenues	2,771,365	102,078	-	(666,082)	2,207,361
Cost of sales	1,300,725	112,399	-	(633,476)	779,648
Excise taxes and royalties	300,197	-	-	-	300,197
Shipping and distribution	146,503	-	-	(29,932)	116,571
Segment operating earnings	1,023,940	(10,321)	-	(2,674)	1,010,945
General and administrative	365,164	37,305	3,833	-	406,302
Finance income	4,204	36	11	-	4,251
Finance costs	(37,564)	(16,250)	-	-	(53,814)
Share in net loss of investment in associates	(34,266)	-	-	-	(34,266)
Other charges - net	57,044	-	-	2,674	59,718
Provision for (benefit from) income tax	162,903	(435)	642	-	163,110
Net income (loss) attributable to equity holders of GFNI	P485,291	(P63,405)	(P4,464)	P-	P417,422
Segment assets	P24,942,195	P1,728,069	P453,362	(P13,024,588)	P14,099,038
Deferred tax assets - net	99,449	5,305	(4,019)	(41,378)	59,357
Total assets	P25,041,644	P1,733,374	P449,343	(P13,065,966)	P14,158,395
Segment liabilities	P5,082,117	P550,678	P389,481	(P1,922,092)	P4,100,184
Capital expenditures	P225,558	P18,351	P5,784	(P2,232)	P247,461
Depreciation and depletion	P150,956	P48,648	P267	P-	P199,871

Amount in thousands	December 31, 2022 (Audited)				
	Mining	Services	Manufacturing	Elimination	Total
Segment assets	P32,246,473	P1,990,089	P804,598	(P7,211,614)	P17,829,546
Deferred tax assets - net	189,552	2,298	-	(48,635)	143,215
Total assets	P32,436,025	P1,992,387	P804,598	(P17,260,249)	P17,972,761
Segment liabilities	P9,676,392	P719,288	P746,501	(P4,565,062)	P6,577,119
Capital expenditures	P344,664	P29,754	P236,904	P-	P611,322