A S 0 9 4 0 3 9 9 2

SEC Registration Number

GLOBAL FERRONICKEL HOLDINGS INC

formerly:

SOUTHEAST ASIA CEMENT HOLDINGS INC

(Company's Full Name)

7F CORPORATE BUSINESS CENTER 151

PASEO DE ROXAS COR ARNAIZ ST

MAKATI

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

Atty. Noel Lazaro

(Contact Person)

(632) 5118229

(Company Telephone Number)

Month *Day*

(Fiscal Year)

17-Q

(Form Type)

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended - **SEPTEMBER 30, 2021**

2. Commission Identification Number - **ASO94-003992**

3. BIR Tax Identification Number - **003-871-592**

4. Exact name of issuer as specified in its charter
   GLOBAL FERRONICKEL HOLDINGS, INC.

5. Province, country or other jurisdiction of incorporation or organization
   Metro Manila, Philippines

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of issuer's principal office — Postal Code
   7th Floor Corporate Business Centre, 151 Paseo de Roxas corner Arnaiz Street, Makati City — 1228

8. Issuer's telephone number, including area code
   (632)-519 7888

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

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

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

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

    Yes [X] 6,072,357,151 Common Shares No [ ]

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

    Yes [X] No [ ]

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

    Yes [X] No [ ]

Global Ferronickel Holdings, Inc.

17-Q QUARTERLY REPORT
SEPTEMBER 30, 2021

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PART I - FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

The Unaudited Interim Consolidated Financial Statements as at September 30, 2021 and for the nine-month period ended September 30, 2021 and 2020 (with Comparative Audited Consolidated Statement of Financial Position as at December 31, 2020) are hereto attached.

The following tables set forth the summary financial information for the nine-month period ended September 30, 2021 and 2020 and as at September 30, 2021 and December 31, 2020:

1.a. Summary Consolidated Statements of Financial Position

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)	Increase/ (Decrease)	Percent Inc. (Dec.)
	(In Thousand Pesos)			
ASSETS				
Current Assets	8,453,944	5,693,173	2,760,771	48.5%
Noncurrent Assets	6,414,380	5,881,363	533,017	9.1%
TOTAL ASSETS	14,868,324	11,574,536	3,293,788	28.5%
LIABILITIES AND EQUITY				
Current Liabilities	2,635,667	1,537,995	1,097,672	71.4%
Noncurrent Liabilities	2,083,420	923,579	1,159,841	125.6%
Total Liabilities	4,719,087	2,461,574	2,257,513	91.7%
Equity				
Attributable to Equity Holders of the Parent Company	10,118,847	9,081,373	1,037,474	11.4%
Non-controlling Interest (NCI)	30,390	31,589	(1,199)	100.0%
Total Equity	10,149,237	9,112,962	1,036,275	11.4%
TOTAL LIABILITIES AND EQUITY	14,868,324	11,574,536	3,293,788	28.5%

1.b. Summary Consolidated Statements of Comprehensive Income

	For the Three Months Ended September 30		For the Nine Months Ended September 30		Increase (Decrease)	
	2021	2020	2021	2020	3 Months	9 Months
			(In Thousand Pesos)			
Revenues	3,796,799	4,009,226	6,406,780	5,554,695	(212,427)	852,085
Cost and Expenses	(1,964,071)	(2,098,682)	(3,622,048)	(3,357,155)	134,611	(264,893)
Finance Costs	(18,648)	(14,386)	(46,003)	(45,154)	(4,262)	(849)
Share in Net Income (Loss) of Investment in Associates	(674)	(6,837)	(24,987)	12,692	6,163	(37,679)
Other Income (Charges) - net	(222,636)	4,721	(295,508)	(574)	(227,357)	(294,934)
Income Before Income Tax	1,590,770	1,894,042	2,418,234	2,164,504	(303,272)	253,730
Provision for Income Tax - net	372,284	533,079	558,954	607,768	(160,795)	(48,814)
Net Income	**1,218,486**	**1,360,963**	**1,859,280**	**1,556,736**	(142,477)	302,544
Other Comprehensive Income (Loss)	56,377	(23,463)	65,929	(32,694)	79,840	98,623
Total Comprehensive Income	**1,274,863**	**1,337,500**	**1,925,209**	**1,524,042**	(62,637)	401,167
Basic and Diluted Income Per Share	0.2330	0.2490	0.3553	0.2850	(0.0159)	0.0703
Net Income (Loss) Attributable To:						
Equity Holders of the Parent	1,218,623	1,361,379	1,860,479	1,558,073	(142,756)	302,406
Non-controlling Interest (NCI)	(137)	(416)	(1,199)	(1,337)	279	138
	1,218,486	**1,360,963**	**1,859,280**	**1,556,736**	(142,477)	302,544

1.c. Summary Consolidated Statements of Changes in Equity

	For the Period Ended September 30		For the Year Ended December 31
	2021	2020	2020
	(In Thousand Pesos)		
Capital Stock	6,375,975	6,375,975	6,375,975
Additional Paid-in Capital	239,012	239,012	239,012
Fair Value Reserve of Financial Asset at Fair Value through Other Comprehensive Loss	(5,102)	(6,577)	(5,481)
Remeasurement Gain on Retirement Obligation	8,607	19,729	8,607
Cumulative Translation Adjustment	20,581	(34,944)	(44,969)
Retained Earnings	5,392,580	3,743,634	4,053,133
Treasury Shares - at cost	(1,912,806)	(1,206,704)	(1,544,904)
Non-controlling Interest (NCI)	30,390	32,638	31,589
Total Equity	**10,149,237**	**9,162,763**	**9,112,962**

1.d. Summary Consolidated Statements of Cash Flows

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2021	2020	2021	2020
	(In Thousand Pesos)			
NET CASH FLOWS FROM (USED IN):				
Operating Activities	262,092	2,077,447	1,147,040	1,852,031
Investing Activities	(240,518)	(472,422)	(632,084)	(1,343,139)
Financing Activities	280,585	(248,545)	(131,348)	(303,585)
NET INCREASE IN CASH	302,159	1,356,480	383,608	205,307
Effect of Exchange Rate Changes on Cash	114,275	(32,820)	145,715	(58,415)
CASH AT BEGINNING OF PERIOD	2,564,455	584,476	2,451,566	1,761,244
CASH AT END OF PERIOD	**2,980,889**	**1,908,136**	**2,980,889**	**1,908,136**

Basis of Preparation of Interim Consolidated Financial Statements

The interim consolidated statements of financial position of Global Ferronickel Holdings, Inc. and Subsidiaries (the Group) as at September 30, 2021 and December 31, 2020, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the periods ended September 30, 2021 and 2020 were prepared in accordance with generally accepted accounting principles in the Philippines. All significant inter-company balances and transactions have been eliminated in the consolidated financial statements.

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

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

Statement of Financial Condition

As at September 30, 2021, total assets of the Group stood at ₱14,868.3 million, an increase of ₱3,293.8 million or 28.5%, from ₱11,574.5 million as at December 31, 2020. The increase was due to the increase in current assets by ₱2,760.8 million or 48.5% and increase in noncurrent assets by ₱533.0 million or 9.1%.

The increase in current assets was mainly attributable to the increase in trade and other receivables and cash and cash equivalents by ₱1,882.9 million and ₱529.3 million, respectively. The increase in trade and other receivables is attributable mainly to the volume shipped during the current period that is expected to be collected within 90 days.

The net increase in noncurrent assets was mainly due to the following: (a) net increase in property and equipment by ₱657.9 million or 33.3% was mainly due to the addition of right-of-use asset amounted to ₱513.5 million attributable to the Group's lease agreement with JSY6677 Landholdings, Inc. for its new office space for a lease period of ten (10) years effective April 1, 2021, acquisitions during the period amounted to ₱288.9 million, increase in mining properties "under property and equipment" by ₱115.8 million (reclassification from mine exploration costs), and reduced by ₱261.9 million representing depreciation and depletion during the period; (b) net decrease in mine exploration costs amounted to ₱34.3 million was a result of the reclassification to property and equipment amounted to ₱115.8 million attributable to the development of CAGA 1, net of exploration expenditures incurred amounted to ₱81.5 million; (c) net decrease in deferred tax assets by ₱32.4 million or 21.1%; (d) decrease in investment in associates by ₱21.7 million or 4.5%; and (e) decrease in other noncurrent assets by ₱23.7 or 3.3%, mainly attributable to increase in advances to suppliers by ₱73.7 million, reduced by ₱103.4 million attributable to the reduction of the debt service reserve account (DSRA) requirement of the new Taiwan Cooperative Bank Manila Offshore Banking Branch (TCB) loan.

Total liabilities of the Group stood at ₱4,719.1 million as at September 30, 2021, an increase of ₱2,257.5 million or 91.7%, from ₱2,461.6 million as at December 31, 2020. The net increase was mainly due to the following: (a) increase in trade and other payables by ₱1,245.3 million (from ₱449.9 million to ₱1,695.2 million) representing mainly increase in trade payables and dividends payable by ₱985.4 million and ₱303.1 million, respectively; (b) increase in lease liabilities by ₱449.1 million in relation to the increase in right-of-use asset (see noncurrent section above); (c) increase in income tax payable amounted to ₱261.0 million due to higher taxable income during the period compared to the prior period; and (d) increase in loans payable amounted to ₱303.9 million attributable to the new TCB loan as of September 30, 2021.

Results of Operations

The Group's operational Surigao mine performs nickel ore production and shipment during the dry months of each year between April to October.

Export Revenues

The Group's third quarter 2021 mining operations generated total export revenues of ₱3,796.8 million, bringing to date revenues to ₱6,406.8 million compared to ₱5,554.7 million in the nine months ended September 30, 2020, an increase of ₱852.1 million or 15.3% due to higher prices of nickel ore compared to the same period in 2020.

The sale of nickel ore for the nine months ended September 30, 2021 was 4.228 million WMT, lower by 0.151 million WMT or 3.4%, compared to 4.379 million WMT of nickel ore in the nine months ended September 30, 2020. The Group shipped 78 vessels of nickel ore during the nine months period ended September 30, 2021 as against 80 vessels of nickel ore during the same period last year mainly due to bad weather conditions. The resulting sales mix was 81% low-grade ore and 19% medium-grade ore in 2021 versus the previous period's mix of 59% low-grade ore and 41% medium-grade ore. These were exported 100% to China and consisted of 3.424 million WMT low-grade nickel ore and 0.804 million WMT medium-grade nickel ore compared to 2.588 million WMT low-grade nickel ore and 1.791 WMT medium-grade nickel ore of the same period in 2020.

The average realized nickel ore prices for the period ended September 30, 2021 were higher than 2020, specifically: (1) Low-grade ore was US$29.79/WMT in 2021, 35.4% higher than 2020 price of US$22.01/WMT; and (2) Medium-grade ore was US$34.99/WMT, 14.0% higher than 2020 price of US$30.69/WMT. The overall average realized nickel ore price for the period ended September 30, 2021 was US$30.78/WMT compared to US$25.56/WMT for the period ended September 30, 2020, higher by US$5.22/WMT or 20.4%.

The average realized Peso over US$ exchange rate for the Group's export revenues was ₱49.22 compared to ₱49.63 of the same period last year, lower by ₱0.41 or 0.8%.

<u>Service Revenues</u>
The service income earned for the landing craft tanks (LCT) chartered by Platinum Group Metals Corporation (PGMC) from its subsidiary, PGMC-CNEP Shipping Services Corp. (PCSSC), amounted to ₱70.5 million for the nine months period ended September 30, 2021 as compared to ₱61.9 million for the same period last year.

<u>Cost and Expenses</u>
Cost and expenses include cost of sales, excise taxes and royalties, general and administrative expenses and shipping and distribution. The cost and expenses amounted to ₱3,622.1 million for the nine months ended September 30, 2021 compared to ₱3,357.2 million for the nine months ended September 30, 2020, an increase of ₱264.9 million or 7.9%. The average cash operating cost per volume sold increased to ₱791.69 per WMT for the period ended September 30, 2021 from ₱706.91 per WMT, higher by ₱84.78 per WMT or 12.0%. For the nine months period ended September 30, 2021, the total aggregate cash costs and total sales volume were ₱3,347.3 million and 4.228 million WMT, respectively. For the nine months period ended September 30, 2020, the total aggregate cash costs and total sales volume were ₱3,095.6 million and 4.379 million WMT, respectively.

Cost of Sales
The cost of sales went up from ₱1,876.6 million for the nine months ended September 30, 2020 to ₱1,909.4 million for the same period this year, an increase by ₱32.8 million, or 1.8%, broken down mainly as follows: (a) increase in personnel costs by ₱26.9 million (from ₱119.0 million) or 22.6%; and (b) increase in fuel, oil and lubricants by ₱17.3 million (from ₱21.6 million) or 80.2% mainly due to increase in fuel prices compared to the same period in 2020.

Excise Taxes and Royalties
Excise taxes and royalties were ₱819.2 million and ₱736.6 million during the periods ended September 30, 2021 and 2020, respectively. Since these expenses were computed and paid based on the percentage of revenues, the increase in revenues consequently increased the excise taxes and royalties taken up.

General and Administrative
General and administrative expenses were ₱504.8 million in the period ended September 30, 2021 compared to ₱416.6 million in the period ended September 30, 2020, an increase of ₱88.2 million, or 21.2%. The increase was mainly due to the increase in taxes and licenses, depreciation and amortization, and repairs and maintenance amounted to ₱23.7 million, ₱22.5 million, ₱13.7 million, respectively. The increase in depreciation and amortization expense was mainly attributable to the amortization of the increase in right-of-use asset as explained in the statement of the financial condition section.

Shipping and Distribution
Shipping and loading costs were ₱388.6 million for the nine months ended September 30, 2021 compared to ₱327.4 million in the same period last year, up by ₱61.2 million, or 18.7%. The increase was mainly due to the increase in barging charges, fuel, oil and lubricants, stevedoring charges and shipping expenses, personnel costs, and government fees amounted to P26.2 million, ₱11.6 million, ₱10.9 million, ₱7.0 million, and ₱4.6 million, respectively.

<u>Finance Costs</u>
Finance costs amounted to ₱46.0 million in the nine months ended September 30, 2021 compared to ₱45.2 million of the same period last year, an increase of ₱0.8 million, or 1.9%.

Share in Net Income (Loss) of Investment in Associates
The share in net income (loss) of investment in associates amounted to (₱25.0 million) for the period ended September 30, 2021 compared to ₱12.7 million in 2020. This represents: (a) net loss take-up for deposits for future acquisition amounted to (₱3.3 million) and (₱16.8 million) for the periods ended September 30, 2021 and 2020, respectively, in accordance with Philippine Accounting Standards (PAS) 28; and (b) share in net income (loss) on the investment in Seasia Nectar Port Services Inc. (SNPSI), an associate, amounted to (₱21.7 million) and ₱29.5 million for the periods ended September 30, 2021 and 2020, respectively.

Other Charges - net
Net other charges amounted to ₱299.5 million in the nine months ended September 30, 2021 compared to P5.6 million in the nine months ended September 30, 2020, an increase of ₱293.9 million, or 5,203.9%. The increase in other charges was mainly due to the increase in net demurrage amounted to ₱414.2 million (from ₱16.4 million) due to bad weather conditions affecting the operations this year compared to the same period last year. Also, average demurrage rate increased to US$31,487.50 per day (from US$10,125.00 per day) or an increase of 211.0% attributable to the increase in nickel ore prices. This was offset by the increase in net foreign exchange gains to ₱74.0 million (from net foreign exchange loss of ₱31.6 million), an increase of forex gains by ₱105.6 million, or 334.6%. In addition, other income amounted to ₱57.0 million was recognized for the period ended September 30, 2021 pertains to the change in income tax rate applicable for the taxable year 2020 as a result of the CREATE (30% income tax rate was used for financial reporting purposes versus 25% income tax rate effective July 1, 2020 was used for final tax calculation and payment). This other income was treated as a nontaxable item for tax purposes. For the period ended September 30, 2020, ₱40.2 million was collected from a customer's receivables previously provided with an allowance for impairment loss that contributed to the increase in other income in 2020.

Provision for Income Tax
The provision for income tax was ₱559.0 million for the nine months ended September 30, 2021 compared to ₱607.8 million in the same period last year, a decrease of ₱48.8 million or 8%. The Group's current provision for income tax pertains to regular corporate income tax for the nine months period ended September 30, 2021 and 2020.

Total Comprehensive Income - net of tax

Net Income
As a result of the foregoing, the consolidated net income was ₱1,859.3 million for the nine months ended September 30, 2021 compared to ₱1,556.7 million in the same period last year, an increase of ₱302.6 million or 19.4%. Net of non-controlling interests, the net income attributable to equity holders of the parent for the nine months ended September 30, 2021 amounted to ₱1,860.5 million compared to ₱1,558.1 million during the same period of last year.

Cumulative Translation Adjustment
The Group had recognized cumulative translation adjustment amounted to ₱65.6 million and (₱31.8 million) for the periods ended September 30, 2021 and 2020, respectively, which pertained to the exchange differences arising on the translation of a subsidiary's functional currency to the presentation currency of the Parent Company.

Statement of Cash Flows

Cash Flows from Operating Activities
The net cash flows from operating activities resulted in ₱1,147.0 million for the nine months ended September 30, 2021 compared to ₱1,852.0 million of the same period last year. The decrease in the cash generated from operations was mainly due to increase in trade and other receivables that is expected to be collected within 90 days.

Cash Flows from Investing Activities
The net cash flows used in investing activities for the nine months ended September 30, 2021 and 2020 amounted to ₱632.1 million and ₱1,343.1 million, respectively. The net cash outflows in 2021 arise mainly from the acquisition of property and equipment amounted to ₱288.9 million, additional advances to related parties amounted to ₱282.4 million, additional mine exploration costs incurred amounted to ₱81.5 million and decrease in other noncurrent assets by ₱20.8 million. The net cash outflows in 2020 arise mainly from the net acquisitions of property and equipment amounted to ₱156.0 million, additional mine exploration costs incurred amounted to ₱10.6 million, additional advances to related parties amounted to ₱1,137.2 million and increase in other noncurrent assets by ₱39.3 million.

Cash Flows from Financing Activities
For the nine months ended September 30, 2021 and 2020, the net cash flows used in financing activities amounted to ₱131.3 million and ₱303.6 million, respectively. The net cash outflows in 2021 arise mainly from proceeds from availment of bank loans amounted to ₱755.1 million, net of payments of bank loans amounted to ₱465.2 million; repurchase of treasury shares amounted to ₱367.9 million, and payments of lease liabilities amounted to ₱53.9 million. The net cash outflows in 2020 arise mainly from proceeds from availment of bank loans amounted to P291.8 million, net of payments of bank loans amounted to ₱402.2 million; payment of subscription payable amounted to ₱225.0 million; increase in lease liabilities amounted to ₱39.2 million; and repurchase of treasury shares amounted to ₱7.8 million.

Material Off-balance Sheet Transactions

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

Material Commitments for Capital Expenditures

The Group does not have any outstanding commitment for capital expenditures as at September 30, 2021.

Known Trends, Events and Uncertainties

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

PART II - FINANCIAL SOUNDNESS INDICATORS

The Group considers the following as the significant Key Performance Indicators as at September 30, 2021 and 2020:

Indicators	Formula	2021	2020
Earnings (Loss) Per Share	Profit for the Period/Weighted Average Number of Shares Outstanding	0.3553	0.2850
Debt-to-Equity Ratio	Total Liabilities/Total Equity	0.46:1	0.37:1
Asset-to-Equity Ratio	Total Assets/Total Equity	1.46:1	1.37:1
Current Ratio	Current Assets/Current Liabilities	3.21:1	2.61:1

PART III - OTHER INFORMATION

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

Date	Description
June 30, 2021	Annual Stockholders' Meeting on: I. Approval of the Minutes of the Annual Stockholders' Meeting dated February 10, 2021; II. Approval of the Company's Audited Financial Statements and Annual Report as of December 31, 2020; III. The following were elected directors of FNI for the ensuing year: 1. Joseph C. Sy 2. Dante R. Bravo 3. Gu Zhifang 4. Dennis Allan T. Ang

	5. Mary Belle D. Bituin 6. Francis C. Chua 7. Jennifer Y. Cong 8. Noel B. Lazaro 9. Edgardo G. Lacson - Independent Director 10. Sergio R. Ortiz-Luis Jr. - Independent Director IV. Ratification of acts of the Board of Directors and proceedings of the Board of Directors, Board Committees and management: a. Declaration of Cash Dividend of P0.10 per share for stockholders of record as of June 15, 2021; b. Approval of the acquisition of 20% interest in Guandong Century Tsingshan Nickel Co., Ltd. FNI is still finalizing the terms and conditions of the definitive agreements and will make the disclosures in due course. V. Sycip Gorres Velayo & Co. was re-appointed as the external auditor of FNI for the ensuing year.
August 13, 2021	News clarification on the news article entitled “FNI to pursue steel mill after partner quits” and posted on Manila Standard (Online Edition). The Company clarified that the information attributed to FNI President Dante Bravo was in response to questions raised during a webinar. We have previously disclosed on October 21, 2020 that once the Rebar Steel Rolling Plant’s commercial operations are underway in 2022, the facility is estimated to have an annual output of 600,000 tons of steel bars. The rest of the statement reflects the plan of the Company. However, as of date, formalities about the plan have not yet been signed and received by the parties. We will make the necessary disclosure as soon as definitive agreements are perfected and on hand.
October 21, 2021	Press Release:Global Ferronickel Holdings, Inc. net income up 43% to P1.86B in 2020
October 29, 2021	At its regular meeting on October 29, 2021 the Board approved the acquisition of up to 100% shareholding in FNI Steel Corporation and FNI Steel Landholdings Corporation. By agreement of the parties, Huarong Asia Limited has relinquished its interest in FNI Steel Corporation and FNI Steel Landholdings Corporation in favor of Global Ferronickel Holdings, Inc. Consequently, FSC and FSLC will be wholly-owned subsidiaries of FNI. FNI will pursue the viability of the rebar steel rolling plant on its own.

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: November 11, 2021

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

Date: November 11, 2021

Annex A

Aging of Trade and Other Receivables
As at September 30, 2021
(In Thousand Pesos)

	Neither Past Due Nor Impaired	Past Due But Not Impaired			Impaired	Total
		90 Days or Less	91-120 Days	More than 120 days		
Trade	1,979,143	-	-	-	186,001	2,165,144
Advances to Contractors	17,860	-	-	-	79,711	97,571
Advances to Officers, Employees and Others	12,575	-	-	-	-	12,575
Total	**2,009,578**	**-**	**-**	**-**	**265,712**	**2,275,290**
Less: Allowance for Doubtful Accounts						265,712
NET RECEIVABES						**2,009,578**

GLOBAL FERRONICKEL HOLDINGS, INC.
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SEPTEMBER 30, 2021

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Interim Consolidated Statements of Financial Position as at September 30, 2021 and December 31, 2020

Interim Consolidated Statements of Comprehensive Income for the Three-Month Period Ended September 30, 2021 and 2020

Interim Consolidated Statements of Comprehensive Income for the Nine-Month Period Ended September 30, 2021 and 2020

Interim Consolidated Statements of Changes in Equity for the Nine-Month Period Ended September 30, 2021 and 2020

Interim Consolidated Statements of Cash Flows for the Nine-Month Period Ended September 30, 2021 and 2020

Notes to Consolidated Financial Statements

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

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱2,980,889**	₱2,451,566
Trade and other receivables (Note 5)	**2,009,578**	126,727
Advances to related parties (Note 29)	**3,047,987**	2,765,543
Inventories (Note 6)	**256,598**	286,598
Prepayments and other current assets (Note 7)	**158,892**	62,739
Total Current Assets	**8,453,944**	5,693,173
Noncurrent Assets		
Property and equipment (Note 8)	**2,635,264**	1,977,317
Deposits for future acquisition (Note 29)	**2,170,726**	2,173,978
Investment in associates (Note 9)	**465,922**	487,657
Mining rights (Note 10)	**127,243**	136,825
Mine exploration costs (Note 11)	**207,059**	241,361
Deferred tax assets - net (Note 30)	**120,738**	153,122
Other noncurrent assets (Note 12)	**687,428**	711,103
Total Noncurrent Assets	**6,414,380**	5,881,363
TOTAL ASSETS	**₱14,868,324**	₱11,574,536
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 13)	**₱1,695,234**	₱449,896
Current portion of loans payable (Note 14)	**–**	460,487
Advances from related parties (Note 29)	**395,121**	394,536
Current portion of lease liabilities (Note 18)	**107,413**	56,213
Income tax payable	**437,899**	176,863
Total Current Liabilities	**2,635,667**	1,537,995
Noncurrent Liabilities		
Loans payable - net of current portion (Note 14)	**764,385**	–
Provision for mine rehabilitation and decommissioning (Note 15)	**334,729**	328,601
Retirement obligation (Note 16)	**16,549**	25,081
Lease liabilities - net of current portion (Note 18)	**435,728**	37,868
Other noncurrent liabilities (Note 17)	**532,029**	532,029
Total Noncurrent Liabilities	**2,083,420**	923,579
Total Liabilities	**4,719,087**	2,461,574
Equity		
Capital stock (Note 19)	**6,375,975**	6,375,975
Additional paid-in capital	**239,012**	239,012
Remeasurement gain on retirement obligation	**8,607**	8,607
Cumulative translation adjustment	**20,581**	(44,969)
Fair value reserve of financial asset at fair value through other comprehensive income (Note 12)	**(5,102)**	(5,481)
Retained earnings	**5,392,580**	4,053,133
Treasury shares (Note 19)	**(1,912,806)**	(1,544,904)
Equity attributable to the Parent Company	**10,118,847**	9,081,373
Non-controlling interest (NCI) (Note 19)	**30,390**	31,589
Total Equity	**10,149,237**	9,112,962
TOTAL LIABILITIES AND EQUITY	**₱14,868,324**	₱11,574,536

See accompanying Notes to Unaudited Consolidated Financial Statements.

GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIOD ENDED SEPTEMBER 30, 2021 AND 2020
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2021 AND 2020
(Amounts in Thousands, Except Earnings per Share)

	Three Months Ended September 30		Nine Months Ended September 30	
	2021	2020	2021	2020
			(Unaudited)	
SALE OF ORE	₱3,796,799	₱4,009,226	₱6,406,780	₱5,554,695
COST OF SALES (Note 21)	1,071,599	1,195,705	1,909,413	1,876,563
GROSS PROFIT	2,725,200	2,813,521	4,497,367	3,678,132
OPERATING EXPENSES				
Excise taxes and royalties (Note 22)	498,750	534,640	819,151	736,553
General and administrative (Note 23)	178,997	142,278	504,810	416,600
Shipping and distribution (Note 24)	214,725	226,059	388,674	327,439
	892,472	902,977	1,712,635	1,480,592
FINANCE COSTS (Note 27)	(18,648)	(14,386)	(46,003)	(45,154)
FINANCE INCOME	1,338	1,623	4,055	5,074
SHARE IN NET INCOME (LOSS) OF INVESTMENT IN ASSOCIATES (Note 9)	(674)	(6,837)	(24,987)	12,692
OTHER INCOME (CHARGES) - net (Note 28)	(223,974)	3,098	(299,563)	(5,648)
INCOME BEFORE INCOME TAX	1,590,770	1,894,042	2,418,234	2,164,504
PROVISION FOR INCOME TAX (Note 30)				
Current	367,029	517,004	554,663	601,090
Deferred	5,255	16,075	4,291	6,678
	372,284	533,079	558,954	607,768
NET INCOME	**1,218,486**	**1,360,963**	**1,859,280**	**1,556,736**
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified to profit or loss in subsequent periods:				
Currency translation adjustment	81,443	(33,820)	93,643	(45,441)
Income tax effect	(24,433)	10,146	(28,093)	13,632
	57,010	(23,674)	65,550	(31,809)
Items that will not be reclassified to profit or loss in subsequent periods:				
Fair value reserve of financial asset at fair value through other comprehensive income (Note 12)	(633)	211	379	(885)
TOTAL COMPREHENSIVE INCOME	**₱1,274,863**	**₱1,337,500**	**₱1,925,209**	**₱1,524,042**
Net Income Attributable To:				
Equity holders of the Parent Company	₱1,218,623	₱1,361,379	₱1,860,479	₱1,558,073
NCI	(102)	(416)	(1,164)	(1,337)
	₱1,218,486	₱1,360,963	₱1,859,280	₱1,556,736
Total Comprehensive Income Attributable To:				
Equity holders of the Parent Company	₱1,275,000	₱1,337,916	₱1,926,408	₱1,525,379
NCI	(102)	(416)	(1,164)	(1,337)
	₱1,274,863	₱1,337,500	₱1,925,209	₱1,524,042
Basic/Diluted Earnings Per Share on Net Income Attributable to Equity Holders of the Parent Company (Note 20)	₱0.2330	₱0.2490	₱0.3553	₱0.2850

See accompanying Notes to Unaudited Consolidated Financial Statements.

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

	Capital Stock (Note 19)	Additional Paid-in Capital	Treasury Shares (Note 19)	Fair Value Reserve of Financial Asset at Fair Value through Other Comprehensive Income (Note 12)	Remeasurement Gain on Retirement Obligation	Cumulative Translation Adjustment	Retained Earnings	Total	NCI	Total Equity
Balances at December 31, 2020 (Audited)	₱ 6,375,975	₱ 239,012	₱ (1,544,904)	₱ (5,481)	₱ 8,607	₱ (44,969)	₱ 4,053,133	₱ 9,081,373	₱ 31,589	₱ 9,112,962
Net income (loss) for the period	-	-	-	-	-	-	1,860,479	1,860,479	(1,199)	1,859,280
Other comprehensive income - net of tax	-	-	-	379	-	65,550	-	65,929	-	65,929
Total comprehensive income (loss) - net of tax	-	-	-	379	-	65,550	1,860,479	1,926,408	(1,199)	1,925,209
Declaration of cash dividend	-	-	-	-	-	-	(521,032)	(521,032)	-	(521,032)
Purchase of treasury shares	-	-	(367,902)	-	-	-	-	(367,902)	-	(367,902)
Balances at September 30, 2021 (Unaudited)	₱ 6,375,975	₱ 239,012	₱ (1,912,806)	₱ (5,102)	₱ 8,607	₱ 20,581	₱ 5,392,580	₱ 10,118,847	₱ 30,390	₱ 10,149,237
Balances at December 31, 2019 (Audited)	₱ 6,375,975	₱ 239,012	₱ (1,198,909)	₱ (5,692)	₱ 19,729	₱ (3,135)	₱ 2,185,561	₱ 7,612,541	₱ 33,975	₱ 7,646,516
Net income (loss) for the period	-	-	-	-	-	-	1,558,073	1,558,073	(1,337)	1,556,736
Other comprehensive loss - net of tax	-	-	-	(885)	-	(31,809)		(32,694)	-	(32,694)
Total comprehensive income (loss) - net of tax	-	-	-	(885)	-	(31,809)	1,558,073	1,525,379	(1,337)	1,524,042
Purchase of treasury shares	-	-	(7,795)	-	-	-	-	(7,795)	-	(7,795)
Balances at September 30, 2020 (Unaudited)	₱ 6,375,975	₱ 239,012	₱ (1,206,704)	₱ (6,577)	₱ 19,729	₱ (34,944)	₱ 3,743,634	₱ 9,130,125	₱ 32,638	₱ 9,162,763

See accompanying Notes to Unaudited Consolidated Financial Statements.

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

	2021	2020
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱2,418,234**	₱2,164,504
Adjustments for:		
Depreciation, depletion and amortization (Note 26)	**274,772**	261,600
Interest expense (Note 27)	**34,009**	32,830
Unrealized foreign exchange gains - net	**(34,833)**	(12,955)
Share in net loss (gains) of investment in associates (Note 9)	**24,987**	(12,692)
Retirement benefits costs (Note 16)	**7,924**	10,591
Accretion interest on provision for mine rehabilitation and decommissioning (Note 27)	**6,128**	9,626
Interest income	**(4,055)**	(5,074)
Other income “under Other charges - net”	**(56,982)**	–
Operating income before changes in working capital	**2,670,184**	2,448,430
Decrease (increase) in:		
Trade and other receivables	**(1,882,851)**	(654,338)
Inventories	**30,000**	78,960
Prepayments and other current assets	**(95,907)**	(66,785)
Increase in trade and other payables	**719,188**	361,651
Net cash generated from operations	**1,440,614**	2,167,918
Income taxes paid	**(241,779)**	(274,108)
Interest paid	**(36,330)**	(31,211)
Contributions (Note 16)	**(17,182)**	(13,363)
Interest received	**1,717**	2,795
Net cash flows from operating activities	**1,147,040**	1,852,031
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property and equipment	**(288,897)**	(156,030)
Mine exploration costs	**(81,495)**	(10,590)
Decrease (increase) in:		
Advances to related parties	**(282,444)**	(1,137,174)
Other noncurrent assets	**20,752**	(39,345)
Net cash flows used in investing activities	**(632,084)**	(1,343,139)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of bank loans	**755,130**	291,769
Payments of bank loans	**(465,250)**	(402,195)
Purchase of treasury shares (Note 19)	**(367,902)**	(7,795)
Increase (decrease) in:		
Lease liabilities	**(53,911)**	39,160
Advances from related parties	**585**	476
Other noncurrent liabilities	**–**	(225,000)
Net cash flows used in financing activities	**(131,348)**	(303,585)
NET INCREASE IN CASH	**383,608**	205,307
EFFECT OF EXCHANGE RATE CHANGES ON CASH	**145,715**	(58,415)
CASH AT BEGINNING OF PERIOD	**2,451,566**	1,761,244
CASH AT END OF PERIOD	**₱2,980,889**	₱1,908,136

See accompanying Notes to Unaudited Consolidated Financial Statements.

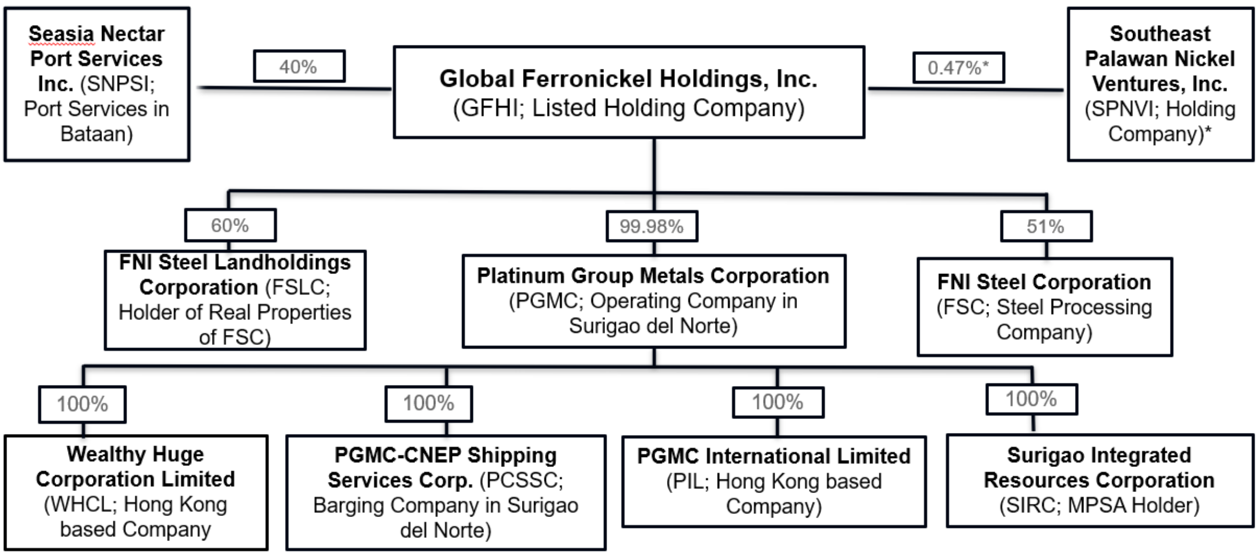
GLOBAL FERRONICKEL HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Global Ferronickel Holdings, Inc. (formerly Southeast Asia Cement Holdings, Inc.; GFHI; Parent Company') is a corporation listed in the Philippine Stock Exchange (PSE). It was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on May 3, 1994. The principal activities of the Parent Company are to invest in, purchase or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, including shares of stock, and other securities or obligations of any corporation.

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

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



* 0.47% represents the ownership of GFHI on SPNVI's all classes of outstanding shares, preferred and common. GFHI owns 37.5% of the outstanding common shares of SPNVI with voting power.

The Parent Company's principal stockholders as at September 30, 2021 are as follows:

List of Top 20 Stockholders

Name	Citizenship	Holdings	Percentage
PCD NOMINEE CORP. - FILIPINO	Filipino	2,193,723,698	42.10%
PCD NOMINEE CORP. - NON-FILIPINO	Foreign	1,822,446,880	34.98%
REGULUS BEST NICKEL HOLDINGS INC.	Filipino	523,154,668	10.04%
BLUE EAGLE ELITE VENTURE INC.	Filipino	348,769,779	06.69%
SOHOTON SYNERGY, INC.	Filipino	233,156,767	04.47%
RED LION FORTUNE GROUP INC.	Filipino	57,588,866	01.11%
JOSEPH C. SY	Filipino	5,000,000	00.10%
DANTE R BRAVO	Filipino	3,261,053	00.06%
ORION-SQUIRE CAPITAL, INC. A/C-0459	Filipino	2,283 106	00.04%
CARLO A. MATILAC	Filipino	1,733,226	00.03%
MARY BELLE D. BITUIN	Filipino	1,630,523	00.03%
SQUIRE SECURITIES, INC	Filipino	867,338	00.02%
CORSINO L. ODTOJAN	Filipino	785,860	00.01%
GEARY L. BARIAS	Filipino	785,860	00.01%
MARILOU C. CELZO	Filipino	678,479	00.01%
EMMANUEL FELIPE E. FANG	Filipino	575,779	00.01%
HILARIO A. SALE JR.	Filipino	575,779	00.01%
GO GEORGE L.	Filipino	539,153	00.01%
KUOK PHILIPPINES PROPERTIES INC.	Filipino	463,953	00.01%
RICHARD C. GIMENEZ	Filipino	430,738	00.01%
TONG GABRIEL	Filipino	417,805	00.01%
OCA GREGORIO S.	Filipino	415,193	00.01%

The Subsidiaries

PGMC

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

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

Seasonality

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

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

PGMC has been certified by the Board of Investment (BOI) as a qualified enterprise for the purpose of VAT zero-rating of its transactions pursuant to the terms and conditions set forth by the BOI. On February 19, 2021, the BOI issued to PGMC the certification granting the renewal of PGMC's VAT zero-rated status. The certification is valid from January 1 up to December 31, 2021 unless sooner revoked by the BOI Governing Board.

SIRC

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

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

On June 15, 2016, SIRC and Cagdianao Lateritic Nickel Mining, Inc. (CLNMI) executed a Deed of Assignment wherein CLNMI has agreed to assign all of its rights, titles and interests on its Exploration Permit (EP) and mineral property. CLNMI has a pending application for EP with Application No. EPA-000101-XIII filed with the MGB covering an area of about 927.9 hectares located at Cagdianao, Claver, Surigao del Norte. The Deed of Assignment was approved by the MGB on June 27, 2016. As such, on June 28, 2016, the contract area covered by the MPSA was amended from 4,376 hectares to 5,219.5612 hectares by annexing the portion of the area covered by the application for EP. On March 2, 2020, MGB approved the area expansion and the MPSA No. 007-92-X-SMR was redenominated as MPSA No. 007-92-X-SMR (Amended 1).

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

PIL
PIL is a wholly-owned subsidiary of the Parent Company through PGMC and was incorporated on July 22, 2015 as a limited company under the Companies Ordinance of Hong Kong. Its primary purpose is to trade mineral products. It was established to facilitate relations with Chinese customers, to promote marketing, to collect accounts, to avail of offshore banking services such as loans, credit/discounting lines and other financing arrangements, and to do other services for PGMC.

Wealthy Huge Corporation Limited (WHCL)
WHCL is a wholly-owned subsidiary of the Parent Company through PGMC and was incorporated on March 1, 2021 as a limited company under the Companies Ordinance of Hong Kong. Its primary purpose is to facilitate relations with offshore customers, collection of accounts, availment of offshore banking services, and such other services as will aid PGMC's strategic growth in the ASEAN region.

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

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

PGMC, SIRC, PCSSC, PIL and WHCL are hereinafter collectively referred to as PGMC Group. PGMC Group and FSLC's registered address is the same as that of the Parent Company except for PIL and WHCL which are registered at Unit 4101-02, 41/F, Office Tower, Convention Plaza, 1 Harbour Road Wanchai, Hong Kong, and Room 804, 8/F, LAP FAI Building, 6-8 Pottinger Street, Central Hong Kong, respectively. FSC's registered address is at Lot 9 3rd Floor AFAB Administration Building, Freeport Area of Bataan Alas-asin Mariveles, Bataan, Region III, Philippines.

The Associates

SPNVI

SPNVI is an associate of the Parent Company and was registered with SEC on July 11, 2014 primarily to engage to prospect, explore, locate, acquire, hold, work, develop, lease, operate and exploit mineral lands for nickel, chromite, copper, manganese, magnesite, silver, gold, and other precious and non-precious metals; to acquire and dispose of mining claims and rights, and to conduct and carry on the business of preparing, milling, concentrating, smelting, treating or preparing for market, and to market, sell at wholesale, exchange or otherwise deal in nickel, chromite, copper, manganese, magnesite, silver, gold and other mineral products. The registered office address of SPNVI is at 7th Floor, Corporate Business Center, 151 Paseo de Roxas cor. Arnaiz St., Makati City, Philippines.

On September 1, 2016, SPNVI and the Parent Company entered into a Deed of Assignment, wherein the Parent Company assigned, transferred and conveyed in favor of SPNVI ₱0.3 million of its advances as payment for the subscription to the 300,000 unissued common shares out of 800,000 common shares of SPNVI with a par value of ₱1.00 per share.

As a result of the above Deed of Assignment, the Parent Company acquired 37.50% of the common shares with voting rights and 0.47% of the total shares. The Group assessed that it has a significant influence over SPNVI since it directly holds more than twenty percent (20%) of the voting power of SPNVI.

As at September 30, 2021, SPNVI directly owns 99.76% of Ipilan Nickel Corporation (INC), a company registered with the Philippine SEC on July 22, 2005, for the primary purpose to explore, develop, mine, operate, produce, utilize, process and dispose of all the minerals and the products or by-products that may be produced, extracted, gathered, recovered, unearthed or found within the area of Sitio Ipilan, Mambalot, Municipality of Brooke's Point, Province of Palawan, consisting of 2,835 hectares and covered by MPSA No. 017-93-IV, Amended 2000 by the Government of the Republic of the Philippines through the Secretary of the Department of Environment and Natural Resources (DENR).

SNPSI

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

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

Basis of Preparation

The accompanying interim consolidated financial statements of the Group as at September 30, 2021 and for the nine months period ended September 30, 2021 and 2020 have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*, and on a historical cost basis, except for the financial asset at fair value through other comprehensive income (FVOCI), which are carried at fair value. The consolidated financial statements are presented in Philippine peso, which is the Group's presentation currency under the Philippine Financial Reporting Standards (PFRS). Based on the economic substance of the underlying circumstances relevant to the Group, the functional currencies of the Parent Company and subsidiaries is Philippine peso, except for PIL whose functional currency is Hong Kong Dollar (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, 2020.

Statement of Compliance

The accompanying 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 consolidated financial statements include the accounts of the Parent Company and its subsidiaries after eliminating significant intercompany balances and transactions. These subsidiaries, except PIL, are all based in the Philippines and are duly registered with the Philippine SEC. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using uniform and consistent accounting policies.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncement starting January 1, 2021. Adoption of this pronouncement did not have any significant impact on the Group's financial position or performance.

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*
  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Group shall also disclose information about:

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

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

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2022

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

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

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

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

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

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

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

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

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

- *Annual Improvements to PFRSs 2018-2020 Cycle*

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

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

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

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

  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*
    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

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

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

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

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

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

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

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

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

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

Determining Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group, except PIL, has been determined to be the Philippine peso. The functional currency of PIL has been determined to be the HK$. The Philippine peso and the HK$ are the currencies that most faithfully represent the economic substance of the Group's underlying transactions, events and conditions.

Assessing Existence of Significant Influence
As at September 30, 2021 and December 31, 2020, the Group assessed that it has significant influence over SPNVI and SNPSI and has accounted for the investment as investment in associates.

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

4. Cash and Cash Equivalents

Amount in thousands	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Cash on hand	₱1,028	₱909
Cash with banks	2,907,805	2,378,678
Short-term cash investments	72,056	71,979
	₱2,980,889	₱2,451,566

5. Trade and Other Receivables

Amount in thousands	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade	₱2,165,144	₱275,853
Advances to:		
Contractors	97,571	106,502
Officers, employees and others	12,575	10,084
	2,275,290	392,439
Less allowance for impairment losses	265,712	265,712
	₱2,009,578	₱126,727

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

6. Inventories

Amount in thousands	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Beneficiated nickel ore	₱177,112	₱204,776
Materials and supplies	79,486	81,822
	₱256,598	₱286,598

The amount of inventoriable cost charged to cost of sales in the consolidated statements of comprehensive income amounted to ₱1,349.8 million and ₱1,363.4 million for the nine months ended September 30, 2021 and 2020, respectively (see Note 21).

7. Prepayments and Other Current Assets

Amount in thousands	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Prepaid taxes and licenses	₱143,315	₱38,387
Prepaid insurance	13,376	8,922
Prepaid rent	1,072	15,031
Others	4,813	4,083
	162,576	66,423
Less allowance for impairment losses	3,684	3,684
	₱158,892	₱62,739

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

8. Property and Equipment

As at September 30, 2021 and December 31, 2020, property and equipment amounted to ₱2,635.3 million and ₱1,977.3 million, respectively. During the nine-month period ended September 30, 2021 and 2020, the Group acquired assets with a cost of ₱288.9 million and ₱156.0 million, respectively, including construction in-progress.

In addition, the Group embarked on the development of its CAGA 1 in the first quarter of 2021 and with this, the Group transferred to Mining Properties portion of its mine exploration costs applicable to CAGA 1 amounted to ₱115.8 million (see Note 11).

Depreciation and depletion expenses for the nine-month period ended September 30, 2021 and 2020 amounted to ₱261.9 million and ₱239.4 million, respectively (see Note 26). As of September 30, 2021 and December 31, 2020, total accumulated depreciation and depletion amounted to ₱2,839.5 million and ₱2,577.9 million, respectively.

The property and equipment includes the right-of-use assets amounted to ₱582.4 million and ₱115.3 million as at September 30, 2021 and December 31, 2020, respectively. During the nine-month period ended September 30, 2021, the Group recognized right-of-use asset amounted to ₱513.5 million attributable to the Group's lease agreement with JSY6677 Landholdings, Inc. for its new office space for a lease period of ten years effective April 1, 2021 (see Note 18). As of September 30, 2021 and December 31, 2020, accumulated depreciation of the right-of-use assets amounted to ₱95.8 million and ₱45.7 million, respectively. Depreciation expense of right-of-use assets for the nine-month period ended September 30, 2021 and 2020 amounted to ₱47.7 million and ₱18.7 million, respectively.

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

9. Investment in Associates

Amount in thousands	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
SPNVI	₱–	₱–
SNPSI	465,922	487,657
	₱465,922	₱487,657

<u>SPNVI</u>

Details of investment in SPNVI are as follows:

Amount in thousands	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Cost	₱300,000	₱300,000
Accumulated equity in net loss:		
Beginning balance	(300,000)	(300,000)
Share in loss	–	–
Ending balance	(300,000)	(300,000)
	₱–	₱–

SPNVI and subsidiaries incurred a net loss of ₱8.7 million and ₱44.8 million for the periods ended September 30, 2021 and 2020, respectively. The Group's share in the net loss of SPNVI from its deposits for future acquisition amounted to ₱3.2 million and ₱16.8 million for the periods ended September 30, 2021 and 2020, respectively. As at September 30, 2021 and December 31, 2020, the Group's accumulated share in net loss of SPNVI charged to its net investment in SPNVI are as follows:

Amount in thousands	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Investment in associates	₱300	₱300
Deposits for future acquisition	46,328	43,076
	₱46,628	₱43,376

<u>SNPSI</u>

Details of investment in SNPSI are as follows:

Amount in thousands	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Cost	₱450,000	₱450,000
Accumulated equity in net loss:		
Beginning balance	37,657	1,429
Share in net income (loss)	(21,735)	36,228
Ending balance	15,922	37,657
	₱465,922	₱487,657

SNPSI incurred a net income (loss) of (₱54.3 million) and ₱73.7 million for the periods ended September 30, 2021 and 2020, respectively. The Group's share in the net income (loss) amounted to (₱21.7 million) and ₱29.5 million for the periods ended September 30, 2021 and 2020, respectively.

The Group recognized total share in net income (loss) of investment in associates amounted to (₱25.0 million) and ₱12.7 million for the periods ended September 30, 2021 and 2020, respectively.

10. Mining Rights

Amount in thousands	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Cost	₱396,500	₱396,500
Accumulated amortization:		
Beginning balance	259,675	240,191
Amortization	9,582	19,484
Ending balance	269,257	259,675
Net book value	₱127,243	₱136,825

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

11. Mine Exploration Costs

Amount in thousands	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Beginning balance	₱241,361	₱219,746
Exploration expenditures incurred	81,495	21,615
Reclassification (see Note 8)	(115,797)	–
Ending balance	₱207,059	₱241,361

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

12. Other Noncurrent Assets

Amount in thousands	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Mine rehabilitation fund (MRF)	₱317,475	₱316,501
Advances to suppliers	219,400	145,707
Input VAT	210,563	204,872
Restricted cash	77,006	180,448
Intangible asset	33,981	35,384
Financial asset at FVOCI	3,753	3,374
Others	27,430	26,997
	889,608	913,283
Less allowance for impairment losses	202,180	202,180
	₱687,428	₱711,103

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

Amount in thousands	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Beginning balance	₱3,374	₱3,163
Fair value reserve	379	211
Ending balance	₱3,753	₱3,374

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

Amount in thousands	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Beginning balance	(₱5,481)	(₱5,692)
Fair value reserve	379	211
Ending balance	(₱5,102)	(₱5,481)

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

13. Trade and Other Payables

Amount in thousands	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade	₱1,094,092	₱108,650
Dividends payable (see Note 19)	323,325	20,238
Accrued expenses and taxes	216,122	139,121
Advances from Huarong Asia Limited	37,666	168,596
Nontrade	19,359	13,291
Interest payables	4,670	–
	₱1,695,234	₱449,896

Details of the accrued expenses and taxes are summarized below:

Amount in thousands	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Excise taxes and royalties payable	₱152,504	₱77,869
Business and other taxes	20,520	15,976
Provision for Social Development and Management Program (SDMP) and Indigenous Cultural Communities (ICC)	43,131	30,546
Others	(33)	14,730
	₱216,122	₱139,121

14. Loans Payable

Amount in thousands	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Long term loan	₱764,385	₱450,337
Chattel mortgage loans	–	10,150
Total	764,385	460,487
Less current portion:		
Long term loan	–	450,337
Chattel mortgage loans	–	10,150
Loans payable - current portion	–	460,487
Noncurrent portion	₱764,385	₱–

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

Amount in thousands	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Beginning balance	₱460,487	₱697,028
Availments	755,130	291,769
Payments	(465,250)	(499,367)
Effect of changes in foreign currency exchange rates and others	14,018	(28,943)
Ending balance	₱764,385	₱460,487

<u>Long term loans</u>
TCB
On July 29, 2021, the June 28, 2018 TCB loan was fully paid.

On July 29, 2021, the Group was re-granted by TCB through PGMC an Omnibus Line for Loan Facility in the aggregate principal amount not exceeding an aggregate of US$15.0 million for general corporate purposes as follows:

- Revolving loan of US$5.0 million
- Term loan of US$15.0 million

The loan is available for drawing from July 9, 2021 to July 8, 2022, and repayment terms are as follow:

- Revolving loan shall be repaid at the maturity date of each loan but the tenor shall not exceed 180 days
- Term loan shall be repaid in four semi-annual installment repayments. First installment commences on the date falling 18 months from the first drawdown date as follows:

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

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

The other conditions of the agreement are as follows:

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

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

Interest expense related to the TCB loan amounted to ₱25.5 million and ₱21.4 million for the periods ended September 30, 2021 and 2020, respectively.

The Group has complied with the terms of the loan as at September 30, 2021 and December 31, 2020.

SBM Leasing
On July 5, 2019, the Group availed long-term loan from SBM Leasing for the acquisition of transportation equipment. The loans are payable within two years and bear an annual interest rate of 9.50% per annum. The SBM Leasing term loan was fully paid as of September 30, 2021. Interest expense related to the loan amounted to ₱0.2 million and ₱1.4 million for the periods ended September 30, 2021 and 2020, respectively.

Short term loan
BDO
The Group is annually granted by BDO a revolving US$20.0 million Export Packing Credit Line for working capital purposes. For the periods ended September 30, 2021 and 2020, there were drawdown amounts of nil and US$5.8 million, respectively, that were fully paid as at end of reporting periods. Interest expense related to the BDO loan is nil and ₱1.1 million for the periods ended September 30, 2021 and 2020, respectively.

Chattel mortgage loans
In 2019, the Group availed two chattel mortgage loans from Caterpillar Financial Services Philippines Inc. for the acquisition of transportation equipment. The loans are payable within two years at interest rates ranging from 5.97% to 6.31% per annum and payable in monthly installments. The chattel mortgage loans amounted to nil and ₱5.7 million as at September 30, 2021 and December 31, 2020, respectively. Interest expense incurred in relation to the chattel mortgage amounted to ₱0.7 million and ₱0.2 million for the periods ended September 30, 2021 and 2020, respectively.

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	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Beginning balance	₱328,601	₱252,454
Accretion interest	6,128	8,171
Effect of change in estimate	–	67,976
Ending balance	₱334,729	₱328,601

16. Retirement Obligation

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

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

There was no plan termination, curtailment or settlement as at September 30, 2021 and December 31, 2020.

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

As at September 30, 2021 and December 31, 2020, the Group's contribution to the pension fund amounted to ₱17.2 million and ₱22.9 million, respectively. The Group does not currently employ any asset-liability matching.

As at September 30, 2021 and December 31, 2020, retirement obligation, net of fair value of plan assets, amounted to ₱16.5 million and ₱25.1 million, respectively. The retirement benefits costs amounted to ₱7.9 million and ₱10.6 million for the nine months period ended September 30, 2021 and 2020, respectively (see Note 25). The interest cost on retirement obligation amounted to ₱3.1 million and ₱3.2 million for the nine months period ended September 30, 2021 and 2020, respectively. The interest income on plan assets amounted to ₱2.3 million for the nine months period ended September 30, 2021 and 2020.

17. Other Noncurrent Liabilities

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

18. Leases

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

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

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

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

Amount in thousands	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Current portion	₱107,413	₱56,213
Noncurrent portion	435,728	37,868
	₱543,141	₱94,081

The rollforward analysis of lease liabilities follows:

Amount in thousands	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Beginning balance	₱94,081	₱74,193
Addition	501,856	44,351
Interest expense	14,725	2,079
Payments	(67,521)	(26,542)
Ending balance	₱543,141	₱94,081

19. Equity

Capital Stock

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

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

Retained Earnings

On May 17, 2021, the Board of Directors (BOD) of the Parent Company approved the declaration of cash dividends at ₱0.10 per share, subject to the Parent Company's withholding of applicable taxes, for stockholders of record as of June 15, 2021. As at September 30, 2021, dividends payable amounted to ₱323.3 million (including ₱20.2 million payable from the previous cash dividends declaration of the Parent Company).

NCI

September 30, 2021

	FSC	FSLC	PGMC	Total
Percentage of ownership	**49.00%**	**40.00%**	**0.02%**	
Issuance of capital stock	**30,625**	**7,500**	**446**	**38,571**
Retained earnings, beginning	(6,344)	(697)	59	(6,982)
Total comprehensive income (loss) attributable to NCI	(2,233)	653	381	(1,199)
Total	**22,048**	**7,456**	**886**	**30,390**

December 31, 2020

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

Treasury Stock

The Parent Company has 862,044,322 shares amounting to ₱1,912.8 million and 735,182,322 shares amounting to ₱1,544.9 million in treasury as at September 30, 2021 and December 31, 2020, respectively.

For the periods ended September 30, 2021 and 2020, the Parent Company purchased a total of 126,862,000 common shares and 9,035,000 common shares at an average price of ₱2.90 per share and ₱0.86 per share, respectively.

20. Earnings Per Share

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

	2021	2020
	(Unaudited)	
Net income attributable to equity holders of the Parent Company (amounts in thousands)	₱1,860,479	₱1,558,073
Number of shares:		
Common shares outstanding at beginning of the year	5,337,174,829	5,474,209,829
Effect of buyback during the period	(100,743,353)	(6,902,290)
Adjusted weighted average number of common shares outstanding	5,236,431,476	5,467,307,539
Basic/Diluted Earnings per Share	₱0.3553	₱0.2850

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

21. Cost of Sales

	For the nine months period ended September 30	
Amount in thousands	2021	2020
	(Unaudited)	
Contract hire	₱1,349,767	₱1,363,399
Depreciation, depletion and amortization (see Note 26)	210,218	219,513
Personnel costs (see Note 25)	145,950	119,017
Environmental protection costs	41,765	25,180
Fuel, oil and lubricants	38,941	21,612
Community relations	25,719	33,855
Manning services	16,358	15,997
Operation overhead	14,557	8,113
Repairs and maintenance	13,461	15,962
Assaying and laboratory	14,294	21,576
Other charges	38,383	32,339
	₱1,909,413	₱1,876,563

22. Excise Taxes and Royalties

	For the nine months period ended September 30	
Amount in thousands	2021	2020
	(Unaudited)	
Royalties to:		
Government	₱278,790	₱253,664
Claim-owners	259,309	228,652
Indigenous people (IP)	58,020	51,306
Excise taxes	223,032	202,931
	₱819,151	₱736,553

23. General and Administrative

Amount in thousands	For the nine months period ended September 30 2021	2020
	(Unaudited)	
Personnel costs (see Note 25)	₱164,373	₱157,270
Taxes and licenses	100,521	76,865
Depreciation (see Note 26)	64,554	42,087
Outside services	45,788	40,610
Marketing and entertainment	31,317	23,572
Consultancy fees	27,492	29,117
Repairs and maintenance	21,288	7,595
Fuel, oil and lubricants	8,397	5,565
Travel and transportation	7,482	9,366
Office supplies	4,218	4,474
Communication	3,184	3,532
Membership and subscription	3,730	2,811
Rentals	1,087	1,228
Other charges	21,379	12,508
	₱504,810	₱416,600

24. Shipping and Distribution

Amount in thousands	For the nine months period ended September 30 2021	2020
	(Unaudited)	
Barging charges	₱254,569	₱228,341
Stevedoring charges and shipping expenses	51,373	40,487
Government fees	29,518	24,918
Personnel costs (see Note 25)	25,235	18,273
Fuel, oil and lubricants	25,343	13,749
Supplies	2,149	1,233
Repairs and maintenance and others	487	438
	₱388,674	₱327,439

25. Personnel Costs

Amount in thousands	For the nine months period ended September 30 2021	2020
	(Unaudited)	
Salaries and wages	₱287,149	₱249,269
Retirement benefits costs (see Note 16)	7,924	10,591
Other employee benefits	40,485	34,700
	₱335,558	₱294,560

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 nine months period ended September 30 2021	2020
	(Unaudited)	
Cost of sales (see Note 21)	₱145,950	₱119,017
General and administrative (see Note 23)	164,373	157,270
Shipping and distribution (see Note 24)	25,235	18,273
	₱335,558	₱294,560

26. Depreciation, Depletion and Amortization

Amount in thousands	For the nine months period ended September 30 2021	2020
	(Unaudited)	
Property and equipment (see Note 8)	₱261,888	₱239,414
Mining rights (see Note 10)	9,582	15,415
Other noncurrent assets	3,302	6,771
	₱274,772	₱261,600

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

Amount in thousands	For the nine months period ended September 30 2021	2020
	(Unaudited)	
Cost of sales (see Note 21)	₱210,218	₱219,513
General and administrative (see Note 23)	64,554	42,087
	₱274,772	₱261,600

27. Finance Costs

Amount in thousands	For the nine months period ended September 30 2021	2020
	(Unaudited)	
Interest expense	₱34,009	₱32,830
Accretion interest on provision for mine rehabilitation and decommissioning	6,128	9,626
Bank charges	5,866	2,698
	₱46,003	₱45,154

28. Other Income (Charges) - net

Amount in thousands	For the nine months period ended September 30 2021	2020
	(Unaudited)	
Demurrage - net	(₱430,600)	(₱16,364)
Foreign exchange gains (losses) - net	74,055	(31,564)
Reversal of impairment loss on trade receivables	–	40,159
Others	56,982	2,121
	(₱299,563)	(₱5,648)

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

Amount in thousands	For the nine months period ended September 30 2021	2020
	(Unaudited)	
Net realized foreign exchange gains (losses)	₱4,019	(₱38,518)
Unrealized foreign exchange gains (losses) on:		
Cash	48,851	(10,382)
Trade and other receivables	35,044	(1,407)
Other noncurrent assets	1,069	(903)
Loans payable	(14,018)	24,240
Trade and other payables	(910)	(4,594)
	₱74,055	(₱31,564)

The Group recognized other income amounted to ₱57.0 million during the year attributable to the change in income tax rate applicable for the taxable year 2020 as a result of the CREATE (30% income tax rate was used for financial reporting purposes versus 25% income tax rate effective July 1, 2020 was used for the final tax calculation and payment). This was treated as a nontaxable item for tax purposes.

29. Related Party Disclosures

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities, which are under common control with the reporting enterprises and its key management personnel, directors or its stockholders. Intercompany transactions are eliminated in the consolidated financial statements.

Amount in thousands Category	Amount/Volume	Advances to related parties	Advances from related parties	Terms	Conditions
Stockholders					
September 30, 2021	(₱2,236)	₱2,159,920	₱9,070	On demand; noninterest-bearing; collectible or payable in cash	Unsecured; with guarantee
December 31, 2020	₱402,434	₱2,162,156	₱9,070		
Affiliates with common officers, directors and stockholders					
September 30, 2021	284,680	796,268	386,051	On demand; noninterest-bearing; collectible or payable in cash	Unsecured; with guarantee
December 31, 2020	433,389	511,588	385,466		
Associate					
September 30, 2021	–	91,799	–	On demand; noninterest-bearing; collectible in cash	Unsecured; with guarantee
December 31, 2020	–	91,799	–		
Total		₱3,047,987	₱395,121		
Total		₱2,765,543	₱394,536		

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

a. PIL entered into several ore supply sales agreements with PGMC for the purchase of nickel ore amounting to ₱2,716.1 million and ₱2,156.3 million for the periods ended September 30, 2021 and 2020, respectively.

b. The Parent Company, PGMC and the stockholders of SPNVI executed various Deed of Assignments wherein PGMC assigned all the rights, title, and interest for the cash advances made by PGMC to SPNVI, amounting to ₱1,628.1 million as at December 31, 2015 to the Parent Company. In 2016, the Parent Company, PGMC, SPNVI and the stockholders of SPNVI executed another Deed of Assignments wherein SPNVI assigned its payable to BNVI, payable to the previous stockholders of CNMEC and the remaining payable to stockholders of SPNVI, to the Parent Company amounting to ₱589.3 million.

   As at September 30, 2021 and December 31, 2020, these advances amounted to ₱2,170.7 million and ₱2,174.0 million, respectively. A portion of these advances will form part of the purchase price for the acquisition of SPNVI pursuant to the Contract to Sell executed on August 6, 2015 and are recorded under "Deposits for future acquisition".

c. In the first quarter of 2021, PGMC entered into a Time Charter Agreement (TCA) with PCSSC for the use of five (5) LCTs at ₱2.6 million each per month. This Agreement covers a period of seven months on/about April 1, 2021 to October 31, 2021, subject to renewal upon mutual agreement of the parties. The charter fee incurred amounted to ₱70.5 million and ₱61.9 million for the nine months ended September 30, 2021 and 2020, respectively.

d. On January 21, 2020, FSLC and FSC entered into a lease agreement which allows the FSC to occupy FSLC's parcel of land located in Mariveles, Bataan for a period of 25 years, renewable upon mutual agreement of both parties, and for a monthly consideration amounting to ₱5.0 per square meter. The lease period will commence upon the start of commercial operations of FSC. Rental revenue eliminated amounted to ₱4.1 million and nil for the periods ended September 30, 2021 and 2020, respectively.

e. 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 nine months period ended September 30, 2021 and 2020 amounted to ₱52.9 million and ₱55.6 million, respectively.

30. Income Taxes

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

Amount in thousands	2021	2020
	(Unaudited)	Audited
Deferred tax assets:		
Provision for mine rehabilitation and decommissioning	₱100,112	₱98,580
Allowance for impairment losses on trade and other receivables	79,713	79,713
Depreciation of right-of-use asset	13,146	4,319
Retirement obligation recognized in profit or loss	9,080	11,213
Accrued taxes	3,380	3,380
Net operating loss carry-over	2,809	2,757
Allowance for impairment losses on inventories	1,786	1,786
Currency translation adjustment recognized directly in OCI	–	19,272
Minimum corporate income tax	–	52
	210,026	221,072
Deferred tax liabilities:		
Undepleted asset retirement obligation	51,286	55,125
Unrealized foreing exchange gains - net	18,835	3,890
Currency translation adjustment recognized directly in OCI	8,820	–
Lease payments	4,135	3,746
Retirement obligation recognized directly in OCI	3,689	3,689
Rental income	2,523	1,500
	89,288	67,950
Deferred tax assets - net	₱120,738	₱153,122

The current provision for income tax represents regular corporate income tax for the nine months ended September 30, 2021 and 2020. It also represents amounts which are expected to be paid to different taxation authorities, the BIR and the Inland Revenue Department (IRD) in HK.

The current provision for income tax is broken down into:

	For the nine months period ended September 30	
Amount in thousands	2021	2020
	(Unaudited)	
For the BIR	₱457,933	₱538,284
For the IRD	96,730	62,806
	₱554,663	₱601,090

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

31. Financial Instruments

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

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

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

Financial asset at FVOCI under "Other noncurrent assets"
The fair value of quoted equity instrument is determined by reference to the market closing quotes at the end of the reporting period.

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

Loans Payable
The fair value of loans payable is estimated using the discounted cash flow methodology using the benchmark risk free rates for similar types of loans and borrowings, except for variable-rate borrowings which are repriced quarterly.

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

Fair Value Hierarchy
As at September 30, 2021 and December 31, 2020, the Group's financial asset at FVOCI is classified under Level 1 and its loans payable and lease liabilities are classified under Level 3.

There were no transfers between levels of fair value measurement as at September 30, 2021 and December 31, 2020.

32. Operating Segment Information

Operating segments are components of the Group that engage in business activities from which they may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker (the BOD) to make decisions about how resources are to be allocated to the segment and assess their performances, and for which discrete financial information is available.

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group conducts the majority of its business activities in the following areas:

- The mining segment is engaged in the exploration, mining and exporting of nickel saprolite and limonite ore;
- The services segment is engaged in the chartering out of LCTs by PCSSC to PGMC; and
- The manufacturing segment includes FSC which is engaged in the manufacturing of iron steel bars and FSLC which is engaged in holding the real properties of FSC.

The Group's core business is the sale of nickel ore to external customers which accounted for the Group's total revenue. Accordingly, the Group mainly operates in one reportable business which include two geographical segments, Philippines and Hong Kong. Noncurrent assets of the Group comprising property and equipment, deposits for future acquisition, mine exploration costs, mining rights, and other noncurrent assets are located in the Philippines and Hong Kong.

The Group has revenues from external customers in China amounting to ₱6,406.8 million and ₱5,554.7 million for the nine months ended September 30, 2021 and 2020, respectively.

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

	September 30, 2021 (Unaudited)				
Amount in thousands	Mining	Service	Manufacturing	Elimination	Total
External customers	₱6,406,780	₱–	₱–	₱–	₱6,406,780
Intersegment revenues	2,716,131	70,471	–	(2,786,602)	–
Total revenues	9,122,911	70,471	–	(2,786,602)	6,406,780
Cost of sales	4,548,536	69,554	–	(2,708,677)	1,909,413
Excise taxes and royalties	819,151	–	–	–	819,151
Shipping and distribution	459,145	–	–	(70,471)	388,674
Segment operating earnings	3,296,079	917	–	(7,454)	3,289,542
General and administrative	489,381	9,412	(6,017)	–	504,810
Finance income	3,874	157	24	–	4,055
Finance costs	(46,003)	–	–	–	(46,003)
Share in net loss of investment in associates	(24,987)	–	–	–	(24,987)
Other income (charges) - net	(307,017)	–	–	7,454	(299,563)
Provision for income tax	557,931	–	1,023	–	558,954
Net income (loss) attributable to equity holders of GFHI	₱1,874,253	(₱8,338)	(₱5,436)	₱–	₱1,860,479
Segment assets	₱26,032,684	₱345,501	₱541,541	(₱12,172,140)	₱14,747,586
Deferred tax assets - net	120,452	2,809	(2,523)	–	120,738
Total assets	₱26,153,136	₱348,310	₱539,018	(₱12,172,140)	₱14,868,324
Segment liabilities	₱5,853,194	₱5,206	₱477,906	(₱1,617,219)	₱4,719,087
Capital expenditures	₱285,096	₱637	₱3,164	₱–	₱288,897
Depreciation and depletion	₱248,015	₱26,373	₱384	₱–	₱274,772

	September 30, 2020 (Unaudited)				
Amount in thousands	Mining	Service	Manufacturing	Elimination	Total
External customers	₱5,554,695	₱–	₱–	₱–	₱5,554,695
Intersegment revenues	2,156,343	61,908	–	(2,218,251)	–
Total revenues	7,711,038	61,908	–	(2,218,251)	5,554,695
Cost of sales	4,010,765	59,814	–	(2,194,016)	1,876,563
Excise taxes and royalties	736,553	–	–	–	736,553
Shipping and distribution	389,347	–	–	(61,908)	327,439
Segment operating earnings	2,574,373	2,094	–	37,673	2,614,140
General and administrative	(405,494)	(7,686)	(3,420)	–	(416,600)
Finance income	4,486	538	50	–	5,074
Finance costs	(45,153)	–	(1)	–	(45,154)
Share in net income of investment in associates	12,692	–	–	–	12,692
Other income (charges) - net	32,025	–	–	(37,673)	(5,648)
Provision for (benefit from) income tax - net	609,447	(1,679)	–	–	607,768
Net income (loss) attributable to equity holders of GFHI	₱1,563,170	(₱3,375)	(₱1,722)	₱–	₱1,558,073
Segment assets	₱23,322,724	₱370,595	₱458,775	(₱11,716,852)	₱12,435,242
Deferred tax assets - net	153,265	–	–	–	153,265
Total assets	₱23,475,989	₱370,595	₱458,775	(₱11,716,852)	₱12,588,507
Segment liabilities	₱4,231,810	₱2,285	₱390,739	(₱1,199,090)	₱3,425,744
Capital expenditures	₱129,357	₱1,388	₱25,285	₱–	₱156,030
Depreciation and depletion	₱234,931	₱26,290	₱379	₱–	₱261,600

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