



PILLARS OF STRENGTH

ANNUAL REPORT 2016



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Who We Are

In 1977, the operating history of Nickel Asia Corporation (NAC) began with a shipment of ore from our oldest mine in Palawan to Japan. Forty years later, with four operating mines and almost 120 million WMT sold to date, we are the Philippines' largest producer of lateritic nickel ore, and one of the largest in the world.

Our Japanese and Chinese customers use our saprolite and limonite ore to produce ferronickel and nickel pig iron, used to produce stainless steel. Through our Rio Tuba operations in Bataraza, Palawan, we are the exclusive supplier of limonite ore to Coral Bay Nickel Corporation (CBNC). On its 12th year of operations, CBNC is the country's first hydrometallurgical nickel processing plant, currently operating at a capacity of 24,000 tonnes of contained nickel and 1,500 tonnes of contained cobalt per year in the form of a mixed nickel-cobalt sulfide. We have a 10% equity interest in CBNC.

Our Taganito operations in Claver, Surigao del Norte, on the other hand, supply all of the limonite ore requirements to Taganito HPAL Nickel Corporation (THPAL). This is the country's second hydrometallurgical nickel processing plant that was built at a cost of US\$1.7 billion and is on its fourth year of operations. It operates at full capacity of 30,000 tonnes of contained nickel and 1,500 tonnes of contained cobalt per year. NAC has a 10% equity interest in THPAL.

Cagdianao Mining Corporation in Dinagat Island and Hinatuan Mining Corporation in Taganaan, Surigao del Norte are our two other nickel operations. We have other properties in various stages of exploration for nickel, and continue seeking opportunities in copper and gold.

Our diversification into the areas of renewable energy and power generation continues through Emerging Power Inc., (EPI), our renewable energy subsidiary in which we have a 70.92% stake. EPI's 100 MW solar and 50 MW wind service contracts in the Subic Bay Freeport now produces 32 MW of solar energy, while its geothermal project in Biliran is targeting the operation of a 5 MW power plant by 2018. For the Montelago geothermal field near Nauhan, Mindoro Oriental, we are re-evaluating the Northern portion of the resource for further assessment.

With operations in mining and our diversification into renewable energy, our transformation into becoming a total natural resources focused-group continues. At the forefront of this transformation is the commitment to harness our God-given resources for the benefit of our communities and the country in general.

NAC takes pride in the claim of being a responsible corporate citizen. At the heart of this claim is a steadfast commitment to operate in a sustainable manner, protecting the environment, nurturing active communities and ensuring the safety and well-being of everyone involved in our operations.

Our commitment has not gone unnoticed. From the Government, the industry and other award-giving bodies, we have consistently received awards and recognition.

As we continue evolving into a natural resources company, we hold ourselves to the highest standards in everything that we do.

Vision

To be a world-class diversified mineral resource company that has exemplary relationships with all stakeholders.

Mission

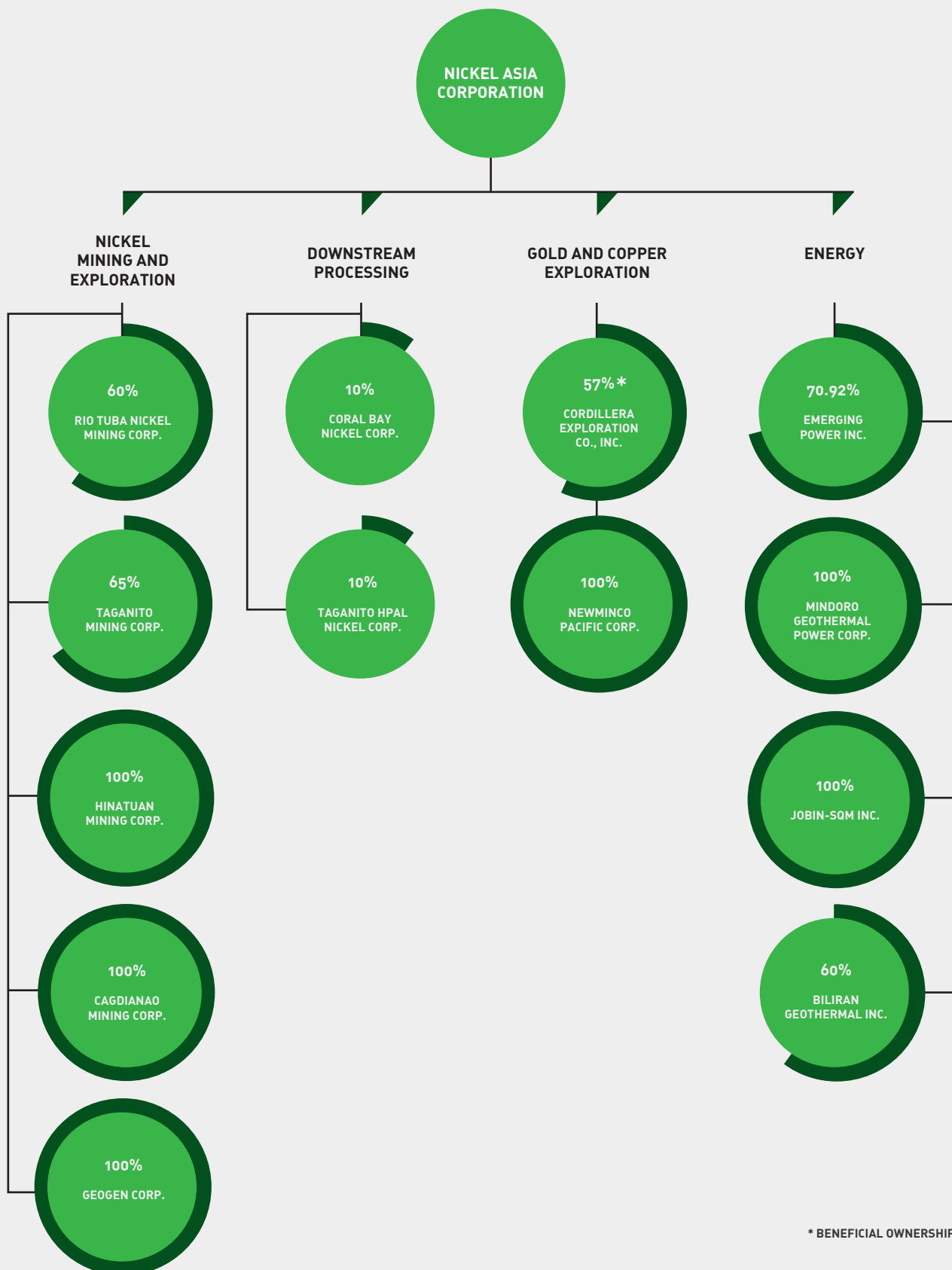
Using best global industry practices, we are committed to:

- › Optimizing our current operations;
- › Exploring and developing additional deposits for nickel and other minerals to sustain our growth;
- › Delivering to our customers quality mineral products in a timely manner;
- › Nurturing our employees and providing a safe and healthy workplace for them to achieve their full potential;
- › Uplifting the quality of life of our host communities;
- › Protecting the environment in all our operations; and
- › Adopting the highest standards of corporate governance.

Core Values

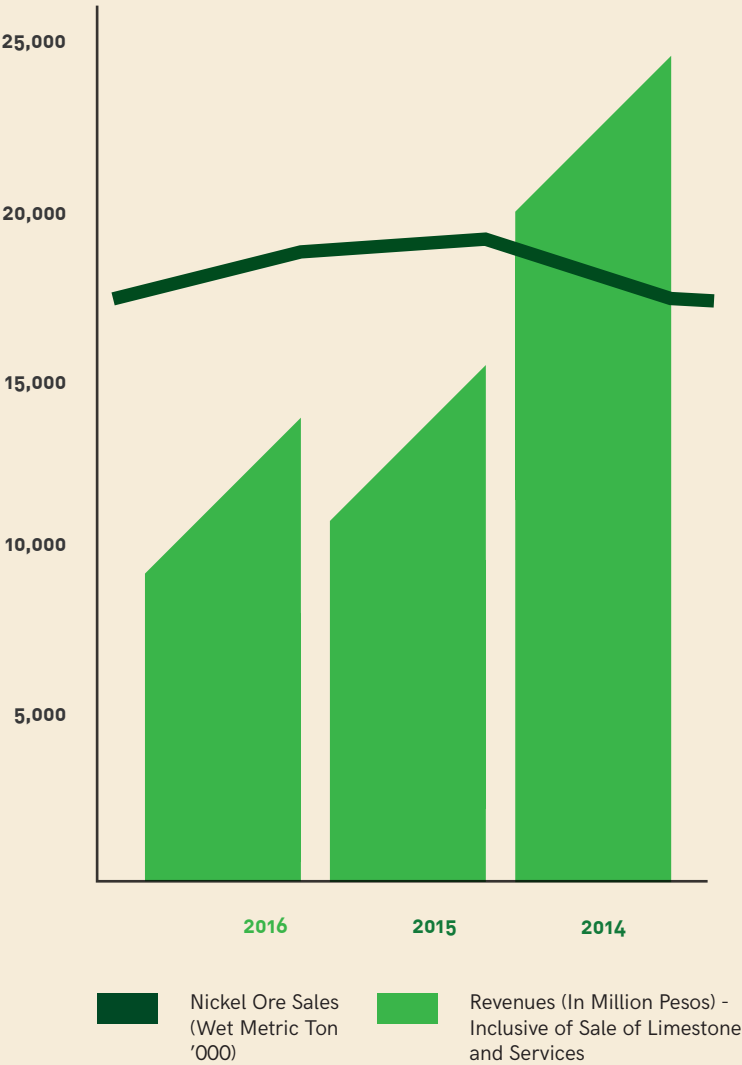
- › Competence
- › Efficiency
- › Responsibility to All Stakeholders
- › Teamwork
- › Integrity and Honesty
- › Financial Growth
- › Dedication

Corporate Structure



Sales and Financial Highlights

Nickel Ore Sales



2016

Total Sales (WMT '000)	19,254
LME-based Sales (WMT '000)	7,562
Realized LME Price (\$/lb.)	4.4
Tonnage-based Sales (WMT '000)	11,692
Average Price (\$/WMT)	20.8
Weighted Average Price (\$/WMT)	14.51

Revenues in PHP Millions



2016

2015

2014

Sales Highlights

Total Sales (WMT '000)	19,254	19,672	17,873
LME-based Sales (WMT '000)	7,562	7,798	7,589
Realized LME Price (\$/lb.)	4.4	5.4	7.7
Tonnage-based Sales (WMT '000)	11,692	11,874	10,284
Average Price (\$/WMT)	20.8	22.6	45.1
Weighted Average Price (\$/WMT)	14.51	16.11	30.17

Financial Highlights

PHP Millions, except Per Share amounts.

REVENUES

Sale of Ore	13,574	14,796	24,053
Services and Others	549	636	693
TOTAL REVENUES	14,123	15,432	24,746

OPERATING COSTS AND EXPENSES

10,050 10,528 10,445

NET INCOME

2,711 3,045 11,008

Attributable to Equity Holders of the Parent	1,966	2,035	8,552
Attributable to Non-Controlling Interests	745	1,010	2,456

BASIC EARNINGS PER SHARE (PHP)

0.26 0.27 1.13

FINANCIAL CONDITION

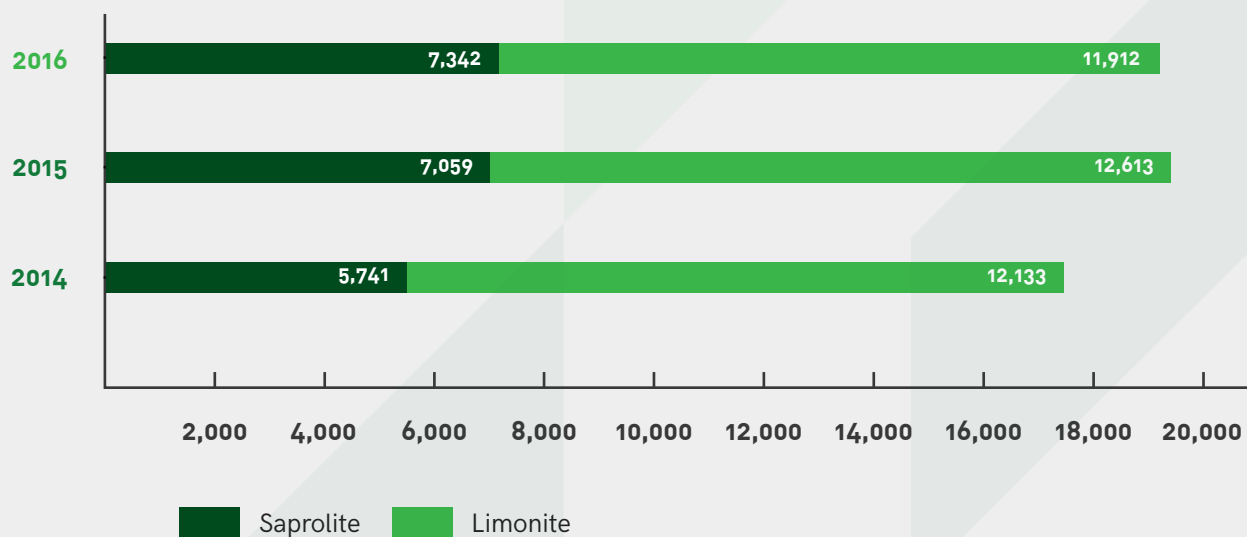
Cash, Cash Equivalents and AFS Investments	15,967	12,904	16,366
Other Current Assets	5,302	4,591	4,768
Non-current Assets	24,082	24,235	14,050
Current Liabilities	7,946	7,713	2,115
Non-current Liabilities	6,206	4,604	2,167
Equity	31,200	29,413	30,902

BOOK VALUE PER SHARE (PHP)

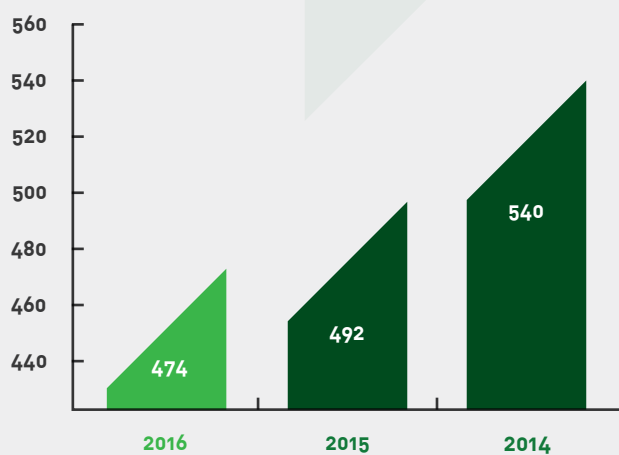
3.55 3.36 3.58

Key Performance Indicators

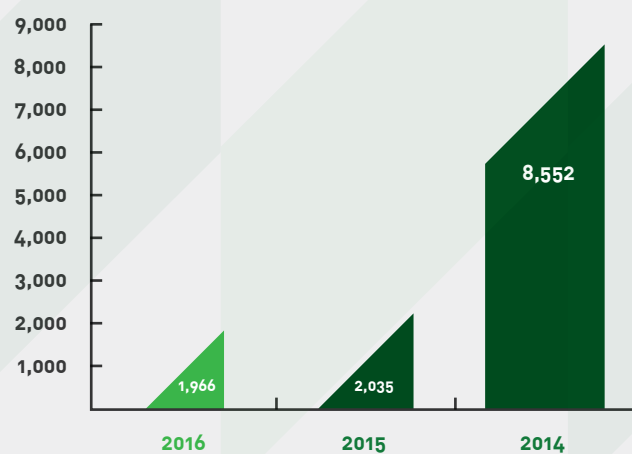
Sales Volume (WMT '000s)



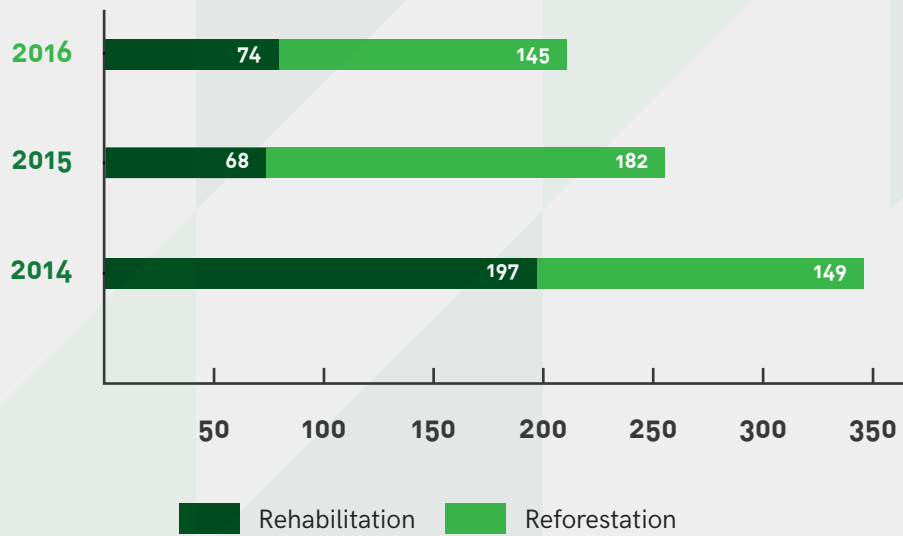
Total Cost WMT (PHP/WMT)



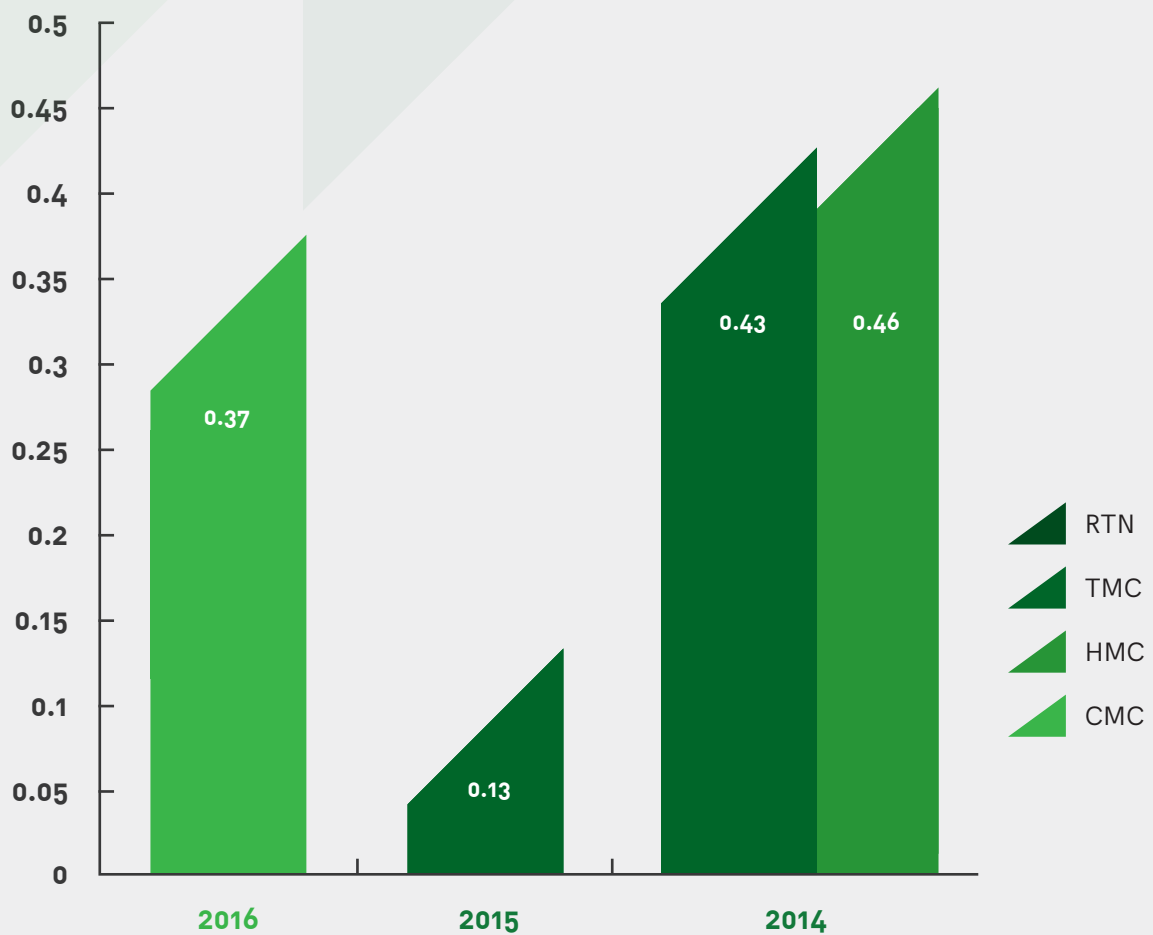
Attributable Net Income (PHP Million)



Hectareage Reforested and Rehabilitated



Frequency Rate (Lost-Time Accidents Per Million Man-hours)



RTN	0	0	0
TMC	0	0.13	0.43
HMC	0	0	0.46
CMC	0.37	0	0

Product Mix

We produce two types of nickel ore, namely saprolite ore and limonite ore. We define saprolite ore as nickel ore with iron content of less than 20% and limonite ore as nickel ore with iron content of 20% or higher.



We ship out two types of saprolite ore: high-grade and mid-grade. High-grade saprolite ore has a nickel content of about 1.8% while mid-grade saprolite ore has a nickel content of between 1.3 to 1.6%.

Most of our high-grade saprolite ore were sold to Pacific Metals Co., Ltd. (PAMCO), who use the material as feed for its ferronickel smelter. Our mid-grade saprolite ore were sold to Japanese and Chinese clients. Our Chinese clients use the material as feed for electric furnaces for production of high and medium grade nickel pig iron (NPI).

We sell three types of limonite ore: mid-grade, high iron, and low-grade. Mid-grade limonite ore has a nickel content of between 1.2 to 1.25% and an iron

content of 37 to 40%. High iron limonite ore has a nickel content of less than 1.0% and an iron content of 48 to 50%. Low-grade limonite ore has a nickel content of 1.0 to 1.2% and an iron content of at least 30%.

Our mid-grade limonite ore were sold to Chinese customers who use the material as feed for blast furnaces for production of medium and low-grade NPI. Our high iron limonite ore were sold to Chinese customers who use the material as feed for blast furnaces for production of low-grade NPI. Finally, low-grade limonite ore from Taganito and Rio Tuba were utilized as feed for the Taganito and Coral Bay HPAL plants, respectively.

	Saprolite		Limonite		
Type of Ore:	High-grade ~1.8% Ni	Mid-grade 1.3% -1.6% Ni	Mid-grade ≥1.2% Ni; 37-40% Fe	High Fe 0.6-0.9% Ni, 48-50% Fe	Low-grade 1.0-1.2% Ni; ≥30% Fe
Supplied by:	Rio Tuba Taganito Cagdianao Hinatuan	Rio Tuba Taganito Cagdianao Hinatuan	Cagdianao	Rio Tuba Taganito Hinatuan	Rio Tuba Taganito
Sold to:	Japan FeNi Smelter/ China NPI Smelter (RKEF)	Japan FeNi Smelter/China NPI Smelter (RKEF)	China NPI Smelter (Blast Furnace)	China NPI Smelter (Blast Furnace)	Philippines CBNC THPAL
Final Products:	Ferronickel	Ferronickel High and Medium Grade NPI: 10-12% Ni	Medium and Low-grade NPI: 6-8% Ni	Low-grade NPI (1-3% Ni)	Ni-Co Sulfide 55% Ni
For Use In:	300 Series Stainless Steel	300 Series Stainless Steel	300 Series Stainless Steel	200 Series Stainless Steel	Ni Smelter
Pricing Method:	Negotiated US\$/WMT	Negotiated US\$/WMT	Negotiated US\$/WMT	Negotiated US\$/WMT	LME Ni Price x Payable Ni
2016 Volume (kWMT)	842	6,500	526	3,823	7,562
2016 % Volume	4%	34%	3%	20%	39%
2016 % of Revenue	12%	56%	2%	17%	13%

LIMONITE ORE READY FOR DELIVERY TO TAGANITO HPAL PLANT

Joint Statement to Shareholders

With respect to social expenditures under our subsidiaries' Social Development Management Programs, PHP157.3 million was spent in 2016 primarily on infrastructure, livelihood projects, health care and educational programs within the host communities of our operations.



Gerard H. Brimo
President and Chief Executive Officer

Manuel B. Zamora, Jr.
Chairman



CONVEYOR BELT SYSTEM IN TAGANITO MINING CORPORATION (TMC)

In 2016, we saw a continued drop in nickel prices in the first half to new multi-year lows and a regulatory environment that decidedly turned hostile against our industry. All our mines, however, remained profitable, while three of our mines, Taganito, Rio Tuba and Cagdianao, the first two being our largest operations, passed stringent government audits, a testament to the resiliency of our operations, our commitment to responsible mining, and the dedication of all of our employees. We are contesting adverse findings and a closure order on our fourth operation, Hinatuan's Taganaan mine, as we believe there is no basis for such actions.

OPERATING RESULTS

Our four operating subsidiaries achieved total sales of 19.3 million wet metric tons (WMT) of nickel ore, marginally lower compared to the prior year's 19.7 million WMT. A prolonged rainy season in the south of the country resulted in a delayed start of mining operations at our Cagdianao and Hinatuan mines, contributing to the reduction in volumes – it will be recalled that our operations are seasonal in nature as we do not mine during rainy seasons.

Sales of saprolite ore increased to 7.3 million WMT as against 7.1 million WMT in 2015, while sales of limonite ore dropped to 11.9 million WMT compared to 12.6 million WMT in the prior year. The limonite sales volume include 7.6 million WMT of low-grade ore sold to the Coral Bay (10%-owned) and Taganito (10%-owned effective October 2016) plants, which treat the ore using the high pressure acid leach (HPAL) process, compared to 7.8 million WMT in the prior year. The slight drop in tonnage

sold was the result of a one-month shut down of the Taganito plant for remedial work.

The average price of our ore exports in 2016 further declined to \$20.77 per WMT from \$22.64 per WMT in the prior year. The average price of our sales of limonite ore to the two HPAL plants, which are pegged to LME prices, also decreased to \$4.39 per pound of payable nickel from \$5.36 per pound. On a combined per WMT basis, average prices dropped to \$14.51 from \$16.11 in the prior year. This is the lowest price level that we have experienced since our Company became publicly listed in November 2010.

The lower sales volumes and prices affected our revenues, which declined to P14.1 billion from the prior year's P15.4 billion. Included in our revenues are services performed by our Rio Tuba and Taganito subsidiaries to the two HPAL plants as well as other minor items, which amounted to P530.3 million in 2016 compared to P636.0 million in the prior year.

Our attributable net income for the year amounted to P1.97 billion or P0.26 per share, almost at par with attributable income in the prior year of P2.04 billion or P0.27 per share. This is inclusive of our share of the losses of the HPAL plants, booked under the equity accounting method, which amounted to P413.7 million in 2016 compared to P811.4 million in the prior year. The drop in the loss was largely the result of much improved operating efficiencies at the Taganito plant, which in 2016 was on its 4th year of commercial operations.



TREE NURSERY AT TMC

During the year in review, we made a strategic decision to reduce our ownership in the Taganito plant from 22.5% to 10.0%, the same equity level that we have in the Coral Bay plant. While the Taganito and Coral Bay plants are globally recognized to be of the highest quality and operating efficiency, as with most other nickel processing plants worldwide, profitable operations cannot be achieved at current low nickel prices, while the Taganito plant in particular requires further shareholder funding in order to complete a number of capital expenditure projects in the pipeline.

The reduction in our equity was achieved by a sale of shares to the majority owner of the plant and one of our major shareholders, Sumitomo Metal Mining. The sale, concluded in October 2016, resulted in an inflow of P2.0 billion and a gain of P239.6 million.

MINE AUDITS

During the second half of 2016, our four mines underwent an audit by personnel of the Department of Environment and Natural Resources (DENR). This was mandated by the DENR, although in early 2016 all of our mines received their ISO 14001 Certification for Environmental Management Systems, which process already involved audits by accredited third parties. The audit team included representatives of civil society organizations, some of whom do not look favorably on our industry, and covered

a review of permitting requirements and all aspects of the mining operations with emphasis on environmental compliance and social acceptability.

Of a total of about 43 operating mines in the country, reportedly 13 passed the audit, including three of our mines - Rio Tuba, Taganito and Cagdianao. With respect to our Hinatuan mine, certain violations were noted, which we contested. A DENR Technical Committee tasked to review the audits recommended certain penalties. Regrettably, the Secretary ignored such recommendation and instead she issued an order cancelling the MPSA of our Taganaan project.

As we go to press on this report, it is our understanding that the Mineral Industry Coordinating Council will review the results of the mine audits. It is our objective to vigorously contest the adverse findings and the closure order.



ONE OF HINATUAN MINING CORPORATION'S (HMC) SDMP-ASSISTED SCHOOLS

ECONOMIC AND SOCIAL CONTRIBUTION

For 2016, total taxes and fees paid by our Company both to the national and local government units amounted to P3.1 billion, inclusive of consolidated income taxes paid of P1.3 billion. The corresponding figures for the prior year were P3.7 billion and P1.6 billion, respectively. Our mining subsidiaries continue to participate in the Extractive Industries Transparency Initiative (EITI) process by reporting annually on all taxes and fees paid as well as social expenditures and environmental funds. EITI is a global standard to promote transparency in the management of natural resources, particularly in the payment and receipt of taxes and fees from the extractive sector.

With respect to social expenditures under our subsidiaries' Social Development Management Programs, P157.3 million was spent in 2016 primarily on infrastructure, livelihood projects, health care and educational programs within the host communities of our operations. On top of this, we spent P178.6 million on various CSR programs during the year in review. This included a P21 million contribution to the Department of Education for the construction of a new high school in Barangay Taganito, the main host community of our Taganito mine, which was made necessary by the influx of families as a result of employment and business opportunities created by our operations and the adjoining plant.

In 2016, on the average we employed 6,619 individuals, both full-time and through a number of contractors that we use for various aspects of our operations.

Details of our social, environmental, safety and health programs are contained in a **Sustainability Report** that has now been integrated to this Annual Report. The Report has been prepared under global sustainability guidelines – G4.

DIVIDENDS

On the basis of the operating results for the year in review, the Board of Directors on March 15, 2017 approved a regular cash dividend of P0.08 per share, consistent with our policy to declare approximately 30% of our income as dividends. The cash dividends were paid on April 11, 2017 to shareholders of record as of March 29, 2017.

In the prior year, a regular cash dividend of P0.08 per share was declared by the Board of Directors on March 15, 2016 and paid on April 12, 2016 to shareholders of record as of March 31, 2016.



ORE LOADING AT HMC; BRGY. TALAVERA AT THE BACKGROUND

RENEWABLE ENERGY

During the year in review, our percentage ownership in our renewable energy subsidiary, Emerging Power Inc. (EPI), increased to 70.92% by an additional capital infusion of P660 million. EPI has a number of Renewable Energy Service Contracts, principally a 100 MW solar and 50 MW wind service contracts under Jobin-SQM, Inc. (JSI - 100% owned), located in the Subic Bay Freeport; two geothermal service contracts under Biliran Geothermal, Inc. (BGI - 60% owned), in the province of Biliran; and a geothermal service contract under Montelago Geothermal Power Corp. (MGPC - 100% owned) in Mindoro Oriental.

JSI completed 32 MW of solar power early in 2017. In the absence of a new feed-in-tariff by government, a decision has been made to suspend any further development work. With respect to the Biliran geothermal project, where five

wells have been drilled by EPI's 40% partner, Biliran Geothermal Holdings, Inc., fluid management studies have been completed on one particular well, with positive results with respect to acid control. Given this outcome, a decision has been made to proceed with the first 5 MW plant once power sales agreements have been obtained. It is expected that this first plant will be operational in 2018.

In the Montelago project, the two geothermal wells drilled during the year in review have not reached sufficiently high temperatures to warrant moving ahead to development. Various options are currently being considered in order to drill the northern portion of the geothermal field.



EMERGING POWER INCORPORATED'S 32-MW SOLAR PLANT AT SUBIC BAY FREEPORT ZONE



OUTLOOK

After five years of a nickel surplus in the world market, a modest deficit was incurred in 2016 resulting from a strong pick up in demand in China during the second half coupled with producer cutbacks and some closures. While this is of course a positive development that augers well for stronger prices ahead, on January 12, 2017, the Indonesian government announced a partial reversal of its export ban of direct shipping ore, which ban came into effect in January 2014. Although certain conditions were imposed on Indonesian miners, which would essentially place a limit on the volume of ore exports, it is currently still not clear how these will be implemented and what effect this could have on the market.

An uncertain situation also exists in the Philippines. While the mines served with closure orders represent about

50% of the country's total output of nickel ore, operations continue while on appeal. It would therefore appear unlikely that total country output will be significantly affected in 2017.

Faced with such uncertainties, our objective is clear, and that is to operate as efficiently as possible while remaining steadfast to our commitment to the principles of sustainable development and best mining practices. In this respect, for the third consecutive year we have achieved a reduction in our total cash costs and expenses to P395.36 per WMT of ore sold from the prior year's P431.50 per WMT and from P502.46 per WMT in 2014.



PIER FACILITY AT HMC

ACKNOWLEDGEMENT

We are delighted to advise our shareholders that during the 63rd Annual National Mine Safety and Environment Conference in November of last year, our Rio Tuba and Cagdianao operations garnered the Platinum Achievement Award while our Taganito and Hinatuan mines received Titanium Achievement Awards in the surface mining category. These awards are part of the Presidential Mineral Industry Environmental Awards that on a yearly basis recognize best practices in the industry. For the second consecutive year, our Taganito mine also received the Best Mining Forest award in the metallic category.

During the first quarter of 2017, we were advised by the Mines & Geosciences Bureau of the DENR that our Rio Tuba operation was chosen as the Philippines' entry to the first ASEAN Mineral Awards, Category 1 - Best

Practices in Mineral Mining. We consider this a notable achievement for our Company and we look forward to the announcement of the winners in November 2017.

We recognize and are grateful to our management team, our supervisors and rank-and-file for their achievements during a challenging year and their dedication to our Company.

We also thank our Directors for their expertise and guidance throughout the year, and to our shareholders for their continued support and words of encouragement.

Manuel B. Zamora, Jr.
Chairman

Gerard H. Brimo
President & CEO

Board of Directors



Manuel B. Zamora, Jr.

Chairman, Non-Executive Director

Age: 78

Date of First Appointment: July 11, 2008

Manuel B. Zamora, Jr. is the Chairman and founder of the Company and the Chairman of the Nomination and Remuneration (Compensation) Committees of the Board. He is the Chairman of RTN, TMC, CEXCI, and CBNC. He is also a Director of a number of other companies in the Philippines, including CLSA Exchange Capital, Inc. He once served as Chairman of the Chamber of Mines of the Philippines. Mr. Zamora is a lawyer and a member of the Integrated Bar of the Philippines. He received his Bachelor of Science degree from the University of the Philippines. He placed third in the 1961 Bar Examinations after receiving his Bachelor of Laws degree from the University of the Philippines.



Philip T. Ang

Vice-Chairman, Non-Executive Director

Age: 75

Date of First Appointment: July 11, 2008

Philip T. Ang is the Vice Chairman of the Company. He is the Chairman of HMC, CMC and Director of RTN and TMC. He is an Independent Director of Security Bank Corporation and a Director in two of its subsidiaries, namely, SB Capital Investment Corp. and Security Bank Marubeni Leasing, Inc. He was previously involved in the textile business as Chairman and President of Solid Mills, Inc. and Unisol Industries and Manufacturing Corp., and as a Director of Investors Assurance Corp. and International Garments Corp. He received his Bachelor of Science in Business Administration degree from Oregon State University and his Master of Business Administration degree from the University of Denver, USA.



Gerard H. Brimo

Executive Director

President and Chief Executive Officer

Age: 65

Date of First Appointment: August 1, 2009

Gerard H. Brimo is the President and Chief Executive Officer of the Company and a member of the Audit, Risk and Remuneration (Compensation) Committees of the Board. He is the President of RTN, TMC, CMC, HMC, CEXCI, Newminco Nickel Mining Corp. and Newminco Pacific Mining Corp. Prior to his career in mining, he worked for Citibank for a period of eight years, resigning as Vice President in the bank's Capital Markets Group in Hong Kong prior to joining Philex Mining Corporation as Vice President-Finance. Mr. Brimo served as Chairman and Chief Executive Officer of Philex Mining Corporation from 1994 until his retirement in December 2003. He served as President of the Chamber of Mines of the Philippines from 1993 to 1995, as Chairman from 1995 to 2003, and is currently a Director. He received his Bachelor of Science degree in Business Administration from Manhattan College, USA and his Master of Business Management degree from the Asian Institute of Management.



Frederick Y. Dy

Independent Director

Age: 61

Date of First Appointment: Sept. 24, 2010

Frederick Y. Dy is an Independent Director of the Company, Chairman of the Audit and Risk Committees and a member of the Remuneration (Compensation) Committee of the Board. Mr. Dy is also the Chairman-Emeritus of Security Bank Corporation, the Chairman of City Industrial Corp., the Vice Chairman of St. Luke's Medical Center, a Trustee of St. Luke's College of Medicine, a Trustee of JD Foundation, Inc. and a Director of Ponderosa Leather Goods Company, Inc. He received his Bachelor of Science degree in Industrial Engineering from Cornell University, USA.



Fulgencio S. Factoran, Jr.

Independent Director

Age: 75

Date of First Appointment: Sept. 20, 2010

Fulgencio S. Factoran, Jr. is an Independent Director of the Company and a member of the Nomination Committee of the Board. Mr. Factoran is also a Director of Banco de Oro Leasing and Finance, Chairman of GAIA South, Inc., Chairman of Agility, Inc., and a Director of Geo-Surveys & Mapping, Inc. He was previously a Director of Central Azucarera de Tarlac and Business Certification International, Ltd. He previously held several government positions, such as Trustee of the Government Service and Insurance System, Secretary of the Department of Environment and Natural Resources, Chairman of the National Electrification Administration, Chairman of the Philippine Charity Sweepstakes, Director of the National Development Corp., Trustee of the Development Academy of the Philippines and Deputy Executive Secretary under the Corazon Aquino administration. He received his Bachelor of Arts in Humanities and Bachelor of Laws degrees, the latter as Valedictorian, from the University of the Philippines and his Master of Laws degree from Harvard Law School, USA.



Takanori Fujimura

Non-Executive Director

Age: 72

Date of First Appointment: Sept. 20, 2010

Takanori Fujimura is a member of the Audit and Risk Committees of the Board. Mr. Fujimura is also a Director of the following subsidiaries of SMM: SMM Philippines, THPAL, and CBNC. Prior to joining SMM in 2002, Mr. Fujimura was the Director and General Manager of the Overseas Business Department of Pacific Metals Co., Ltd. (PAMCO). He began his professional career in PAMCO in 1970, and was once assigned as the General Manager of PAMCO's New Caledonia and Manila offices. As PAMCO's representative in the Philippines, he was seconded as Vice President of RTN and TMC. He received his Bachelor of Science degree in Mining Engineering from Waseda University, Japan.



Takeshi Kubota

Chairman, Non-Executive Director

Age: 62

Date of First Appointment: Sept. 20, 2010

Takeshi Kubota is a member of the Nomination Committee of the Board. Mr. Kubota is also a qualified executive of SMM and President of SMM Philippines, CBNC and THPAL. He began his career with SMM in 1977 and occupied the following positions prior to assuming his current post: chief representative of the SMM London office, Manager of the Copper & Precious Metal Sales and Raw Materials Department, General Manager of the Nickel Sales and Raw Materials Department, General Manager of the Nickel Business Unit, Managing Executive Officer of the Non-Ferrous Division, and Director and Senior Managing Executive Officer of SMM. He received his Bachelor of Arts degree in Economics from Keio University, Japan.



Luis J. L. Virata

Non-Executive Director

Age: 62

Date of First Appointment: July 11, 2008

Luis J. L. Virata is the Chairman and Chief Executive Officer of CLSA Exchange Capital, Inc. Mr. Virata is also the President and Chief Executive Officer of Coastal Road Corp., Chairman and President of Exchange Properties Resources Corp., founder and Trustee of Asia Society and a Director of Benguet Corporation, Huntsman Foundation and Group 4 Securitas. Mr. Virata previously held positions with Dillon, Read and Co., Crocker National Bank, Bankers Trust Company, Philippine Airlines, NSC Properties, Inc., the Philippine Stock Exchange, the Makati Stock Exchange, and National Steel Corp. He received his Bachelor of Arts and Master of Arts degrees in Economics from Trinity College, Cambridge University and his Master of Business Administration degree from the Wharton School, USA.



Martin Antonio G. Zamora

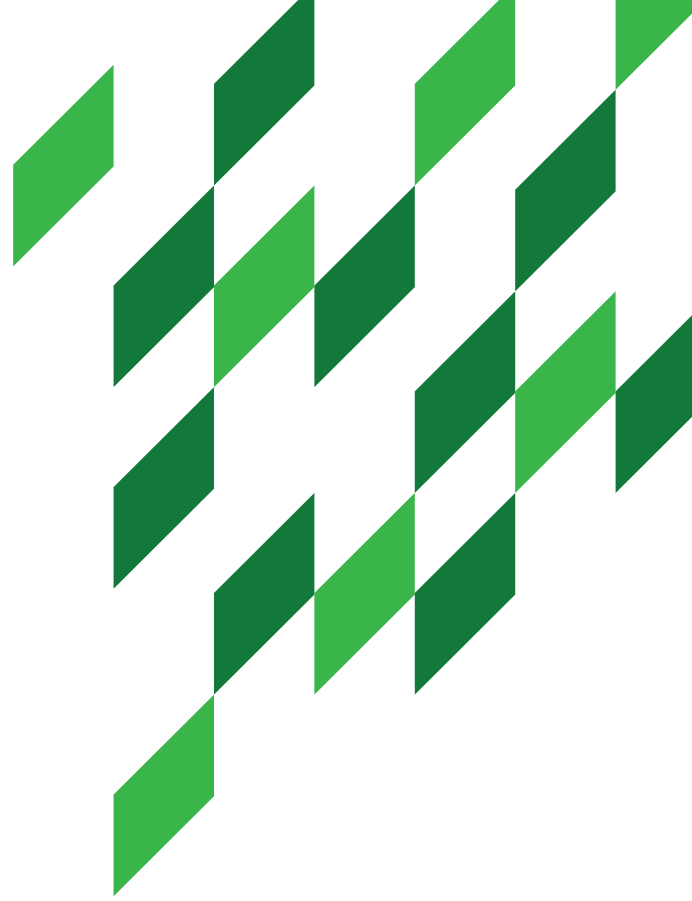
Executive Director

Executive Vice President

Age: 44

Date of First Appointment: July 30, 2013

Martin Antonio G. Zamora serves as Director of all the subsidiaries of the Company. He is the President of Geogen Corp. and Senior Vice President of RTN and HMC. Before joining NAC in 2007, Mr. Zamora was the Philippine Country Manager and a Director of UPC Renewables, a global developer, owner and operator of wind farms and solar facilities. Prior to that, he worked for 10 years for finance and investment banking firms such as CLSA, Robert Fleming & Co. (UK), Jardine Fleming, and SGV and Co. He received his BSC in Management from Ateneo de Manila University (Philippines), his MBA from London Business School (UK), and his Masters in Organizational Psychology from INSEAD.



Corporate Governance

Mission, Vision, and Core Values

The Company's Mission, Vision and Core Values are formulated by the Board of Directors (Board) in line with the Board's responsibility to set the Company's direction and to provide strategic leadership, policies and guidelines.

The Company's Mission, Vision and Core Values are reviewed by the Board annually.

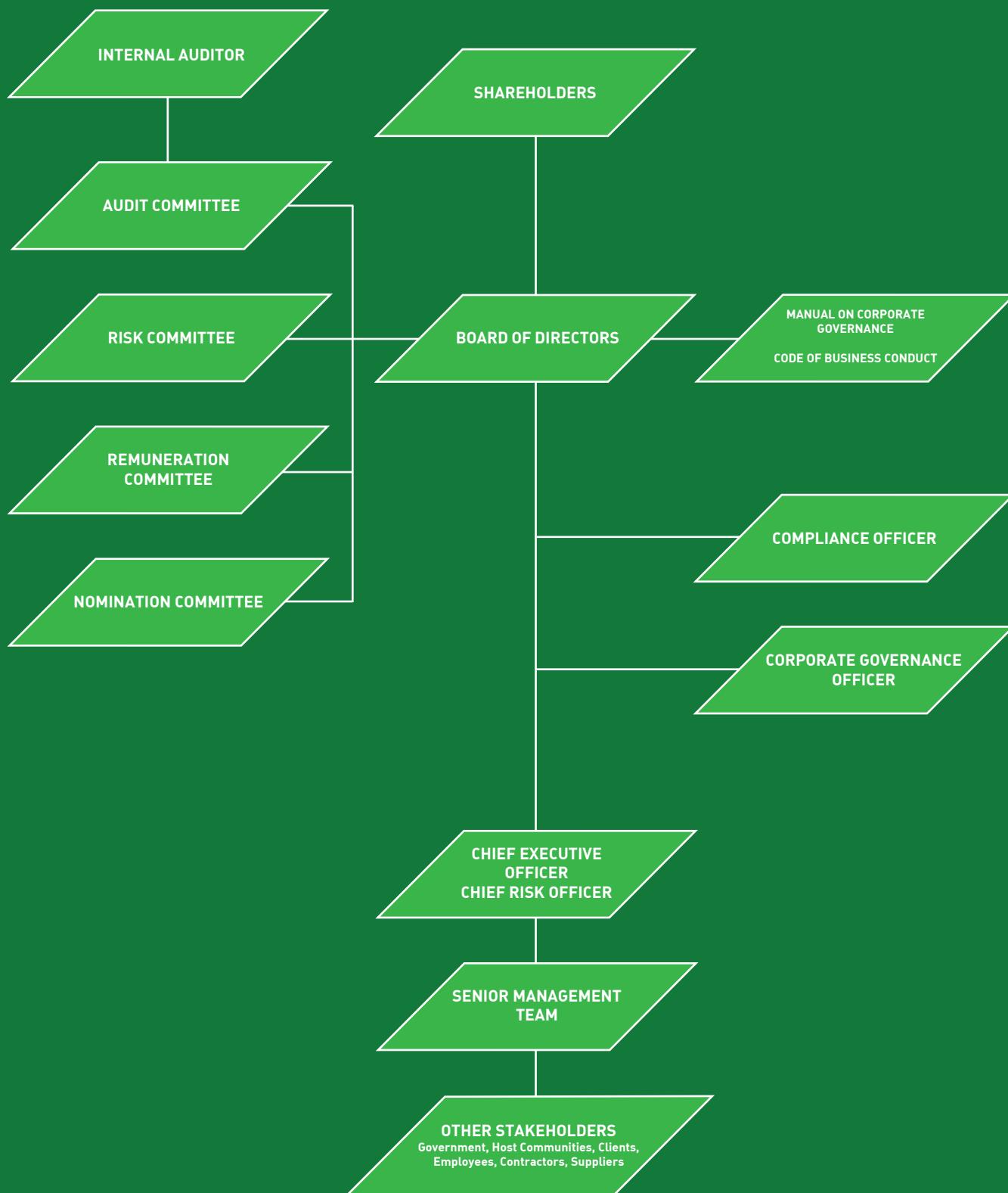
Governance Statement

The Company is committed to the highest standards of corporate governance as articulated in its Articles of Incorporation, By-Laws, Manual on Corporate Governance (CG Manual), Code of Business Conduct and Ethics (Code), and pertinent laws, rules and regulations.

The Board, Officers and employees of the Company commit themselves to the principles of sound corporate governance provided in the CG Manual and acknowledge that the same shall serve as a guide in the attainment of the Company's corporate goals, the creation of value for all its shareholders, and in sustaining the Company's long-term viability.

The Board likewise approved and adopted the Code in furtherance of its commitment to good and effective corporate governance. The Code applies to Directors, Officers and employees of Nickel Asia Corporation and its subsidiaries, who are all expected to maintain high ethical standards of conduct and to comply fully with applicable laws and governmental regulations. It is designed to ensure consistency in how they conduct themselves within and outside of the Company in their dealings with all stakeholders.

Corporate Governance Structure*



* Pursuant to SEC Memorandum Circular No. 19, Series of 2016, the Board approved changes in the various Board Committees in 2017.

Board Directors

The Board is primarily responsible for the governance of the Company and shall provide the policies for the accomplishment of corporate objectives, including the means by which to effectively monitor Management's performance. It is the Board's responsibility to foster the long-term success of the Company and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interest of its stockholders.

The Company's Board is comprised of nine (9) Directors, with two (2) being Independent Directors. The Company's CG Manual provides for qualifications of Directors, which allows shareholders to freely choose or nominate Directors

coming from diverse professional backgrounds.

Every shareholder, regardless of number of stocks held, has the right to nominate candidates for election to the Board of Directors.

All Directors of the Company are required to have a practical understanding of the business of the Company as provided in the Company's CG Manual.

The members of the Board are elected during the Annual Stockholders' Meeting based on the list of nominees prepared by the Nomination Committee and sent to the shareholders through the notice of meeting. A majority vote of the shareholders is required for the election of a Director.

Definition of Independence & Independent Directors

The Company adopts the definition of "independence" under the Securities Regulations Code. An Independent Director is one who, except for his Director's fees and shareholdings, is independent of Management and free from any business or other relationships which could reasonably be perceived to interfere with his exercise of independent judgment in carrying out his responsibilities as an Independent Director.

The Company follows the Term Limits for Independent Directors as provided under SEC Memorandum Circular No. 19, Series of 2016.

Board Attendance, Appraisal & Training

The Company's Board has a predetermined schedule of meetings at the beginning of each calendar year. As necessary, attendance at the Board meetings may be through electronic medium or telecommunications.

BOARD	NAME	DATE OF ELECTION	NO. OF MEETINGS HELD DURING THIS YEAR	NO. OF MEETINGS ATTENDED	%	DIRECTORSHIP IN OTHER PUBLICLY LISTED COMPANIES
Chairman	Manuel B. Zamora, Jr.	06 June 2016	7	7	100%	None
Vice-Chairman	Philip T. Ang	06 June 2016	7	5	71%	Security Bank Corporation
Member	Gerard H. Brimo	06 June 2016	7	7	100%	None
Independent Director	Frederick Y. Dy	06 June 2016	7	5	71%	Security Bank Corporation
Independent Director	Fulgencio S. Factoran, Jr. *	06 June 2016	7	7	100%	BDO Leasing & Finance, Inc. Atlas Consolidated Mining and Development Corp.
Member	Takanori Fujimura	06 June 2016	7	7	100%	None
Member	Takeshi Kubota	06 June 2016	7	6	86%	Sumitomo Metal Mining Co., Ltd.
Member	Luis J. Virata	06 June 2016	7	5	71%	Benguet Corporation
Member	Martin Antonio G. Zamora	06 June 2016	7	6	86%	NiHAO Mineral Resources International, Inc.

On a yearly basis, the Company's Board undertakes a performance self-assessment as a body, and as individual committees, and assesses if it possesses the right mix of experience and backgrounds. It also conducts a performance assessment of the CEO to evaluate performance and overall compliance with laws,

regulations and best practices.

The Board charter and CG Manual includes a policy on the training of Directors, including an orientation program for first-time Directors and relevant annual continuing training for all Directors.

Shareholders' Rights

The Company recognizes that all shareholders of the Company have the right to participate in all scheduled shareholders' meetings of the Company and to exercise their right to vote.

Shareholders' Meeting

During the annual meeting all shareholders are given the opportunity to exercise their right to elect Directors, to replace and remove Directors, and to approve certain corporate acts in accordance with the Corporation Code. The annual meeting also serves as a venue for all shareholders to be updated on the condition of the Company, its plans and programs, and to raise questions or concerns.

Notice and Procedures

The Company sends timely notice of meetings to shareholders. A notice stating the date, time and place of the annual meeting is announced at least twenty eight (28) days prior to the scheduled annual meeting. Materials for the meeting, including the agenda, the rationale and explanation for each of the items on the agenda, the Information Statement, profiles of candidates seeking election to the Board and proxy forms and documents required to enable a shareholder to appoint a proxy to vote on his behalf shall be disseminated to all shareholders within the periods prescribed by the Securities and Exchange Commission.

BOARD COMMITTEES

Audit Committee

The Audit Committee is comprised of Mr. Frederick Y. Dy, an Independent Director, as Chairman, and Mr. Gerard H. Brimo and Takanori Fujimura as members. All of the members of the Audit Committee are financially literate. The Audit Committee reports to the Board and is required to meet at least once every three months.

Aside from overseeing the internal and external auditors of the Company, the Audit Committee is responsible for assisting the Board in its fiduciary responsibilities by providing an independent and objective assurance to the Management and shareholders of the continuous improvement of the risk management system, business operations, and the proper safeguarding and use of Company resources and assets. The Audit Committee provides a general evaluation and assistance in the

overall improvement of the risk management, control and governance processes.

The Board, upon the recommendation of the Audit Committee, appointed Maria Angela G. Villamor as the Company's Internal Auditor and Vice President.

Risk Committee

The Risk Committee is comprised of Mr. Frederick Y. Dy, an Independent Director, as Chairman, and Messrs. Gerard H. Brimo and Takanori Fujimura as members. The Risk Committee assists the Board in its oversight responsibility for the Company's Enterprise Risk Management, and shall review the effectiveness of the risk management system. The Risk Committee reports to the Board and is required to meet at least once every three months.

The table below shows the attendance of the members of the Audit and Risk Committees during meetings:

AUDIT COMMITTEE					RISK COMMITTEE		
BOARD	NAME	NUMBER OF MEETINGS HELD DURING THIS YEAR	NO. OF MEETINGS ATTENDED	%	NUMBER OF MEETINGS HELD DURING THIS YEAR	NO. OF MEETINGS ATTENDED	%
Chairman	Frederick Y. Dy ¹	4	4	100%	4	4	100%
Member	Gerard H. Brimo	4	4	100%	4	4	100%
Member	Takanori Fujimura	4	4	100%	4	4	100%

¹ Mr. Dy has extensive experience in finance as Chairman of Security Bank Corporation from 1991 to 2015.

Remuneration (Compensation) Committee

The Remuneration Committee is comprised of Mr. Manuel B. Zamora, Jr., as Chairman, and Messrs. Gerard H. Brimo and Frederick Y. Dy as members, the latter being an Independent Director. The Remuneration Committee reports to the Board and held two meetings in 2016, wherein all members were present. The Remuneration Committee is responsible for the establishment of a formal and transparent procedure for developing policy on remuneration of Directors and Officers to ensure that their compensation is consistent with the Company's culture, strategy and the business environment in which it operates. The Committee is also responsible for approving bonuses to all employees of the Company and its subsidiaries.

Nomination Committee

The Nomination Committee is comprised of Mr. Manuel B. Zamora, Jr., as Chairman, and Messrs. Takeshi Kubota and Fulgencio S. Factoran, Jr., as members, the latter being an Independent Director. The Nomination Committee reports to the Board and held one meeting during 2016, wherein all members were present. The Nomination Committee is responsible for setting qualification standards to facilitate the selection of potential nominees to Board seats and for providing shareholders with an independent and objective evaluation of, and assurance that, the members of its Board are competent and will foster the Company's long-term success and secure its competitiveness.

Changes in Board Committees

On May 5, 2017, pursuant to SEC Memorandum Circular No. 19, series of 2016, the Board approved changes in the composition of its various committees, renamed the Risk Committee to Board Oversight Risk Committee, and created two new board committees, namely the Related Party Transaction Committee and the Corporate

Governance Committee. The Corporate Governance Committee replaces the Remuneration Committee.

EXECUTIVE IMPLEMENTATION

The Company's Chairman and Chief Executive Officer ("CEO") are held separately by unrelated individuals. The roles of Chairman and the CEO are assigned to Manuel B. Zamora, Jr. and Gerard H. Brimo, respectively.

Chairman

The Chairman is responsible for leadership of the Board. He ensures effective operation of the Board and its committees in conformity with the highest standards of corporate governance. He is accountable to the Board and acts as direct liaison between the Board and Management of the Company, through the CEO. He ensures that the Board works effectively and sets an agenda which is focused on strategy, performance and accountability, while taking into consideration recommendations of the Directors, CEO and Management. He sets the style and tone of Board discussions to promote constructive debate and effective decision making. He assures the availability of training opportunities to all Directors, including an orientation program for first-time Directors. He ensures that the Board performance is evaluated at least once a year.

President and CEO

The President and CEO provides the leadership for Management to develop and implement sound business strategies, plans, budgets and a system of internal controls. He ensures that the overall business and affairs of the Company are managed in a sound and prudent manner and that business risks are identified and properly addressed. As such, he is considered the Chief Risk Officer of the Company. He also ensures that operational,

financial and internal controls are adequate and effective in order to generate sound and reliable financial and operational information, to maximize the effectiveness and efficiency of operations, to safeguard Company assets and resources, and to comply with all laws, rules, regulations and contracts. The President and CEO, with the assistance of the rest of the Company's Management, also has the responsibility to provide the Board with a balanced, understandable and accurate account of the Company's performance, financial condition, results of operations and prospects on a regular basis. The President and CEO is the link between internal operations and external stakeholders.

Corporate Governance Officer

Mr. Emmanuel L. Samson, aside from being designated as the Senior Vice President - Chief Financial Officer, has likewise been appointed by the Board as the Corporate Governance Officer. He is tasked with ensuring that corporate governance policies are disseminated, adopted throughout the organization and become an integral part of the Company's culture. In addition, he also ensures that the necessary systems are in place to monitor compliance.

Compliance Officer

Atty. Jose Roderick F. Fernando, aside from being designated as the Vice President - Legal and Special Projects, has likewise been appointed by the Board as the Chief Compliance Officer. He ensures the Company's strict adherence to all laws, regulations, guidelines and specifications relevant to the business.

CORPORATE SECRETARY

Atty. Barbara Anne C. Migallos is the incumbent and duly qualified Corporate Secretary of the Company. She ensures that all Board procedures, rules and regulations are strictly followed. The Corporate Secretary is a lawyer with years

of experience in corporate law practice, including corporate secretarial work. She is also a professional lecturer in advanced securities regulation.

AUDITORS

Internal Auditor

The Board, upon the recommendation of the Audit Committee, appointed the Company's Internal Auditor, who is primarily tasked with evaluating the adequacy and effectiveness of the Company's governance and operations, the reliability and integrity of financial information, the safeguarding of assets, and compliance with laws, rules and regulations.

External Auditor

The external auditor is appointed by the shareholders upon the recommendation of the Audit Committee, which reviews its qualifications, performance and independence. To ensure objectivity in the performance of its duties, the external auditor is subject to the rules on rotation and change (every five years for the engagement partner); general prohibitions on hiring of staff of the external auditor; and full and appropriate disclosure and prior approval by the Audit Committee of all audit and non-audit services and related fees. Approval of non-audit work by the external auditor is principally tested against the standard of whether such work will conflict with its role as an external auditor or would compromise its objectivity or independence as such.

Enterprise Risk Management

The Company adopts a risk philosophy aimed at enhancing shareholder value by sustaining competitive advantage, managing risks, and enabling the Company to pursue strategic growth opportunities with greater speed, skill and confidence than its competitors.

To put the philosophy into action, the Board, through its Risk Committee, implemented an Enterprise Risk Management (ERM) that shall

ensure that all business risks are identified, measured and managed effectively and continuously within a structured and proactive framework. The Company's ERM is based on the Committee of Sponsoring Organizations of the Treadway Commission-ERM framework. Values and standards of business conduct and ethics are important elements of the internal environment for risk management.

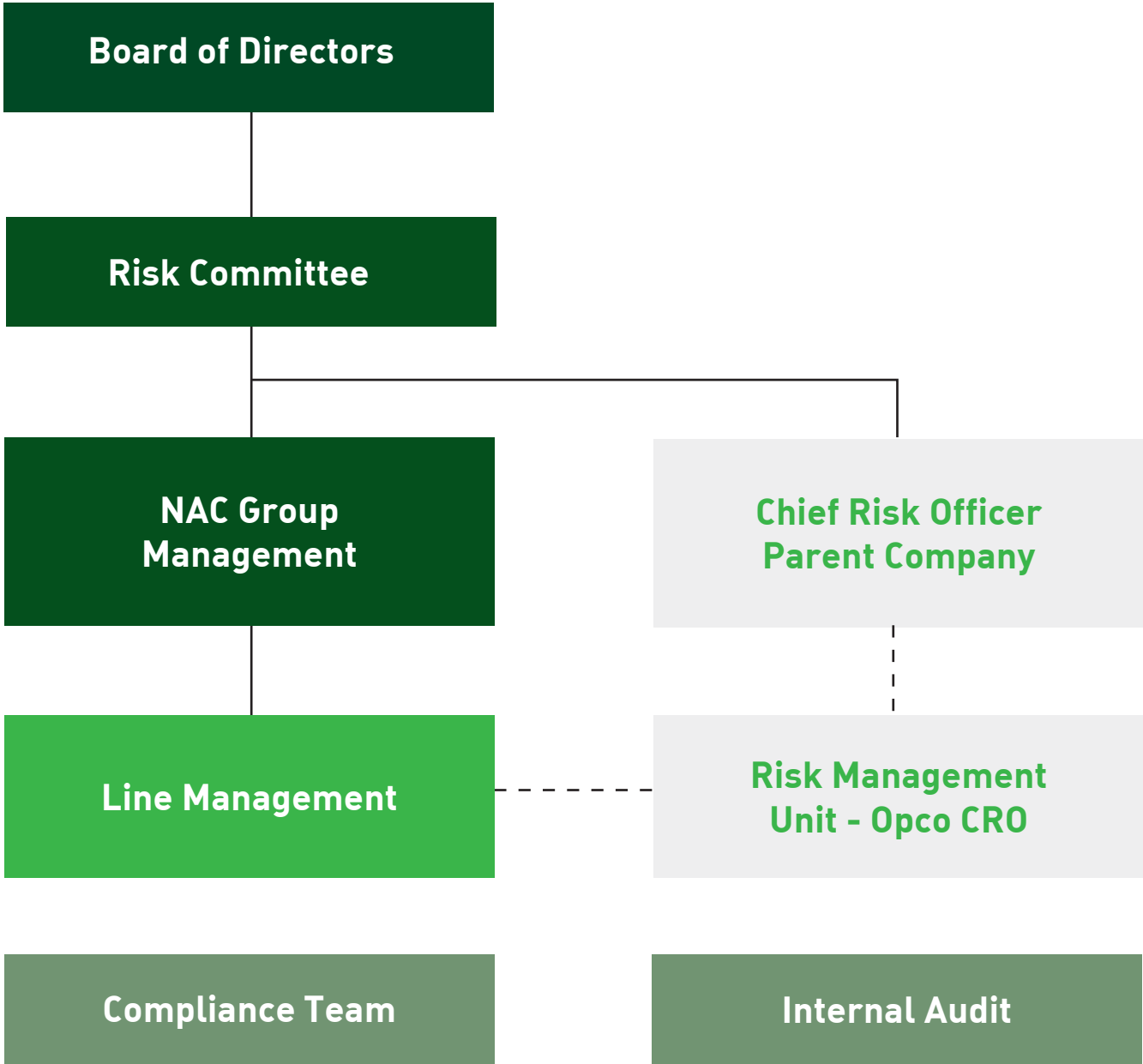
Risk Management Framework

- 1 Establish the risk management framework
- 2 Identify and prioritize risks
- 3 Source and measure risks
- 4 Develop risk mitigation strategies
- 5 Monitor risks

The risk management processes facilitate alignment of the Company's strategy and annual operating plan with the management of key risks. Risk assessment and mitigation strategy is an integral part of the Company's annual business planning and budgeting process. The Company has in place a formal program of risk and control self-assessment whereby line personnel are involved in the ongoing assessment and improvement of risk management and controls. All department and section heads of

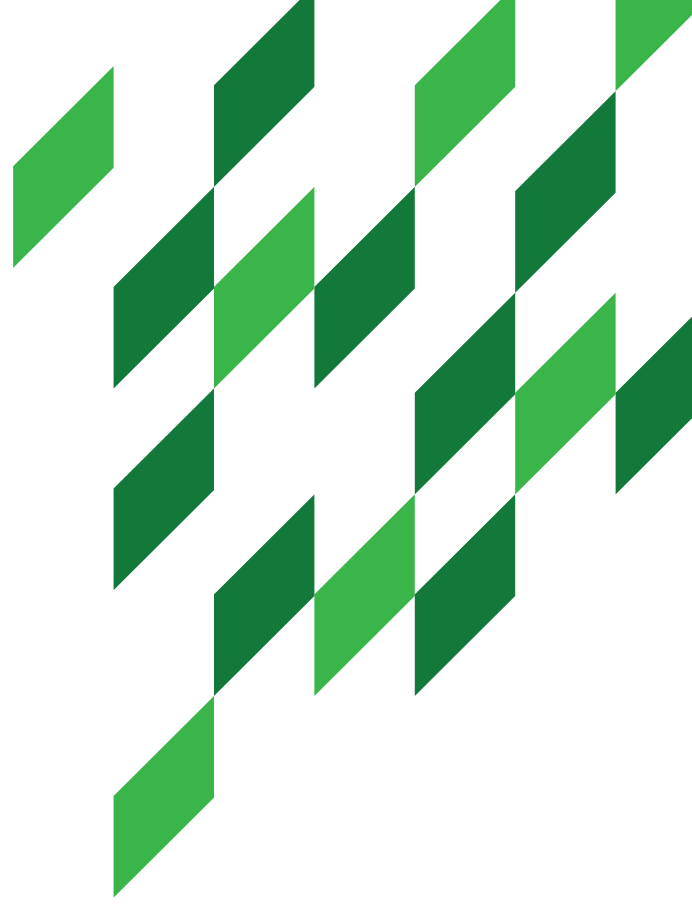
the Company are actively involved in the setting of objectives and the identification of related risks that could prevent the Company from achieving its objectives. Employees are informed of the identified risks and are enjoined to make it their business to actively participate in implementing measures that will mitigate the risks.

Risk Management Oversight Structure



The Board, through its Risk Committee, has the responsibility for overseeing risk management within the Company. Assisting the Board is the Chief Risk Officer (CRO) of the Company, who in turn is supported by the VP-Finance of each operating subsidiary who acts as CRO for his or her respective subsidiaries. The Company CRO reports to the Risk Committee the significant risks and related risk strategies, and the status of the risk management initiatives on a regular basis.

A cross-functional group of personnel with technical, financial, and legal expertise was formed to review compliance with mining laws and regulations. The Internal Auditor reports to the Audit Committee the results of the review of the effectiveness of the risk management initiatives adopted by management.



Sustainability Report

A man wearing a blue hard hat with a logo and a maroon long-sleeved shirt with reflective orange and yellow stripes is watering a field of mangrove seedlings. He is holding an orange watering can with a white nozzle. The background is a lush green field of mangrove plants under a green netting structure.

Responsible mineral resource development adheres to the principles of sustainable development. It is a catalyst for progress in our host communities, uplifting the lives of its residents while contributing to nation building.

Gerard H. Brimo
NAC President and CEO

Environmental Scorecard

Indicator	RTN		TMC
	2016	2015	2016
1. Total Spending for EPEP (PHP)	103,086,760	106,915,000	144,722,152
2. Rehabilitation Efforts			
i. Number of hectares rehabilitated	15	11	37
ii. Number of seedlings planted in rehabilitated areas	25,270	25,713	54,836
3. Reforestation Efforts			
i. Number of hectares reforested (within MPSA area)	0.0	12.0	58.5
ii. Number of hectares reforested outside MPSA area	0.0	0.0	4.3
iii. Number of seedlings planted (within MPSA area)	17,569	132,577	141,448
iv. Number of seedlings planted outside MPSA area	0	0	43,068
4. Pollution Control			
i. Consumption of energy (MWH)	2,749	3,117	5,102
ii. Total fuel consumption (liters)	11,895,448	13,502,140	14,924,700
iii. Total GHG emissions (t CO2)	33,331	42,064	40,811
5. Solid Waste Management			
i. Volume disposed (cu. m.)	22,160 kg	11,238 kg	11,238 kg &11,238 cu. m.
ii. Volume of used oil (liters)	34,000	144,200	91,000
6. Watershed Management			
i. Volume of silt collected (WMT)	37,536	88,125	307,669
ii. Volume of water consumed (cu. m.)	760,547	1,608,097	149,594
iii. Volume of water discharged (cu. m.)	968,0711	1,488,944	48.21 cu. m./sec
7. Land Use			
i. Disturbed (hectares)	1,457	1,457	532
ii. Rehabilitated (hectares)	15	11	37
iii. Reforested (hectares)	0	12	63

	HMC		CMC		Nickel Asia Total	
2015	2016	2015	2016	2015	2016	2015
208,111,447	74,987,466	62,787,714	38,966,681	18,987,998	361,763,059	396,802,159
43	15	12	6	2	74	68
102,822	78,748	58,000	7,022	2,035	164,876	188,570
138.1	12.9	12.4	4.1	4.4	76	167
0.0	65.0	33.4	0.3	2.1	70	36
317,667	60,986	58,000	10,498	4,899	230,501	513,143
0	58,000	37,067	300	2,350	101,368	39,417
1,542	617	438	727	1,302	9,195	6,399
16,001,019	6,978,347	7,010,364	3,056,832	2,209,309	36,855,327	38,722,832
44,047	19,224	18,764	7,869	321	101,235	105,196
22,160 kg	15.8 cu .m.	161 cu. m	360 cu. m.	360 cu. m.	378,171 kg & 116.6 cu. m.	No Total
34,000	133,600	86,800	61,800	35,600	195,400	300,600
631,760	172,077	159,704	42,848	31,425	560,130	911,014
156,425		67,366	34,723	44,521	944,864	1,876,409
0	44.27 cu. m./sec	0	0	26,593	No Total	1,515,537
495	403	337	115	124	2,507	2,413
43	16	12	6	2	74	68
133	78	33	4	4	145	182

Social Scorecard



Indicator	RTN		TMC
	2016	2015	2016
1. Employees			
i. Number of employees*	687	683	551
ii. Number of employees from local communities	596	1,657	993
iii. Percentage employees under CBA	73%	76%	30%
iv. Average training hours per employee	15.5	7.0	18.0
2. Health and Safety			
i. Total Man Hours	7,941,728	8,710,761	6,894,904
ii. Incidence Rate	2.27	4.36	5.37
iii. Total Lost Days	0	0	0
3. Communities			
i. Total SDMP spending (million PHP)	34.4	38.0	70.5
ii. Total CSR spending (million PHP)	122.9	153.5	47.9
4. Social Development Focus Areas			
i. Education			
Number of scholars	913	874	336
ii. Health			
Number of patients/cases treated in hospital	53,146	48,876	25,346
Number of people benefited from medical missions	3,039	3,242	339
iii. Livelihood			
Number of beneficiaries	726	300	548
iv. Infrastructure			
Value of other infrastructure projects (PHP)	587,046	748,998	57,007,550

*Total figures include employees from NAC Head Office

Economic Scorecard



Indicator	RTN		TMC
	2016	2015	2016
1. Shareholding Percentage	60%	60%	65%
2. Financial Highlights (million PHP)			
i. Direct revenue generated	4,267	5,257	5,426
ii. Costs and expenses	2,676	3,264	3,616
iii. Total assets	4,326	3,726	9,353
iv. Taxes, licenses and fees paid	839	1,050	1,208
v. Employee compensation & benefits	402	385	445
3. Amount of Ore Sold ('000 WMT)	6,157	6,552	7,997

* Total includes Financial Highlights of the NAC Head Office

	HMC		CMC		Nickel Asia Total	
2015	2016	2015	2016	2015	2016	2015
536	180	179	195	193	1,687	1,644
1,845	1,112	140	165	457	2,866	4,099
59%	54%	55%	58%	48%		
16.0	8.0	16.0	56.4	40.6	17.6	19.7
7,666,611	4,379,392	4,825,016	2,691,422	2,451,095	21,907,446	23,653,483
1.17	1.60	2.28	29.72	8.98	6.50	3.38
6,000	0	0	12	0	12	6,000
42.0	26.0	22.5	26.4	18.9	157.3	121.4
16.6	5.1	4.8	2.7	1.7	178.6	176.6
281	1,128	1,181	1,777	1,149	4,154	3,485
25,235	43	40	-	-	78,535	74,151
1,411	2,208	2,746	867	669	6,453	8,068
104	324	353	990	416	2,588	1,173
13,194,990	4,253,204	6,368,755	982,755	1,433,663	62,830,555	21,746,406

	HMC		CMC		Nickel Asia Total*	
2015	2016	2015	2016	2015	2016	2015
65%	100%	100%	100%	100%		
5,510	2,282	2,317	2,132	2,350	14,123	15,432
3,577	1,866	1,808	1,637	1,743	10,050	10,527
9,471	1,737	2,080	2,058	2,176	45,352	41,730
1,333	379	512	622	582	3,134	3,710
490	133	136	109	114	1,286	1,309
7,741	3,034	3,209	2,066	2,170	19,254	19,672



COFFEE SEEDLINGS FOR PLANTING AT TMC REHABILITATED AREAS

NAC and Sustainability

Sustainability is rooted in our vision, carried out as a mission and embedded in our policies, processes and practices at NAC. Our Board sets the direction and provides strategic leadership, policies and guidelines to foster long-term success for the best interest of its stakeholders.

In a constant yet evolving loop — guided by the principles of good governance and ethical standards — we benchmark against our own sustainability performance to raise the standard on what we may still accomplish against what we have achieved.

Mining by its very nature is an extractive enterprise that temporarily alters the environment. Operating sustainably and responsibly means that long-term perspective and planning is applied to every facet of our mining operations. This includes progressive rehabilitation of our mined-out

areas and economic development of our host communities. Programs and technological resources by necessity must be provided for either restoration or alternative productive land use in respect of the natural environment.

Throughout our four mine sites, the practice of sustainability is consciously and conscientiously carried out, assessed and improved upon to build on the positive impact we deliver to uplift the economic, environmental and social conditions in our areas of operation.

In 2016, we have begun the alignment of NAC programs and activities to the United Nations Sustainability Development Goals for a more target-specific frame of reference. We anticipate that doing this will help us improve and streamline our approach to sustainability to further mitigate our impacts.

NAC Supports the Achievement of the UN Sustainable Development Goals

The following list of our existing programs are aligned with and support the achievement of the UN Sustainable Development Goals.

DESCRIPTION OF PROGRAMS	UNWV SUSTAINABLE DEVELOPMENT GOAL
<ul style="list-style-type: none"> › Direct and indirect employment for mining and other related activities › SDMP Livelihood and CSR Programs › Royalties to IPs for use of ancestral domain 	<ul style="list-style-type: none"> › Goal 1. No poverty › Goal 10. Reduced inequalities
<ul style="list-style-type: none"> › Feeding programs (SDMP) › Provision of farming equipment and livestock (SDMP) › Construction of Farm to market roads (SDMP) 	<ul style="list-style-type: none"> › Goal 2. Zero Hunger
<ul style="list-style-type: none"> › Access to company hospitals and clinics › Drug-free and alcohol-free workplace policy › Work safety policies › ISO 18001 certification in progress › Disaster awareness and training to employees and communities 	<ul style="list-style-type: none"> › Goal 3. Good Health and Well-Being
<ul style="list-style-type: none"> › Company school › Adopt a school program › Alternative Learning System › Indigenous Learning System › Scholarships › Technical skills training programs (TESDA) › In-house skills training and livelihood programs 	<ul style="list-style-type: none"> › Goal 4. Quality Education
<ul style="list-style-type: none"> › Women in Mining › Membership in Diwata - Women in Resource Development › Women representatives in Labor Unions › Equal work opportunities 	<ul style="list-style-type: none"> › Goal 5. Gender Equality
<ul style="list-style-type: none"> › Provision of water systems to communities › Access to portable water › Provision of free toilets and other sanitation facilities › Materials recovery facilities 	<ul style="list-style-type: none"> › Goal 6. Clean Water and Sanitation
<ul style="list-style-type: none"> › Provision of free electricity and connection infrastructure › Reduction in carbon footprint 	<ul style="list-style-type: none"> › Goal 7. Affordable and Clean Energy
<ul style="list-style-type: none"> › Priority employment to host communities › Superior wages and benefits under CBA and for seasonal employees › Employee and community cooperatives 	<ul style="list-style-type: none"> › Goal 8. Decent Work and Economic Growth
<ul style="list-style-type: none"> › Construction of roads, piers and other infrastructure › Provision of computers to local schools 	<ul style="list-style-type: none"> › Goal 9. Industry, Innovation and Infrastructure
<ul style="list-style-type: none"> › Housing projects for IPs › Participation in Gawad Kalinga programs › Maintenance of peace and order in host communities › Environmental programs (solid waste management, air quality and potable water) 	<ul style="list-style-type: none"> › Goal 11. Sustainable Cities and Communities
<ul style="list-style-type: none"> › Artificial reef programs › Participation in marine sanctuary protection 	<ul style="list-style-type: none"> › Goal 14. Life Below Water
<ul style="list-style-type: none"> › Mine rehabilitation programs › National Greening Program › Adopt a River program › Environmental programs (silt control, water and air quality) 	<ul style="list-style-type: none"> › Goal 12. Responsible Consumption and Production › Goal 13: Climate Action › Goal 15. Life on Land
<ul style="list-style-type: none"> › Participation of community and other stakeholders in SDMP and CSR programs › Participation of community and other stakeholders in Mines Monitoring Teams 	<ul style="list-style-type: none"> › Goal 16. Peace, Justice and Strong Institutions › Goal 17: Partnerships for the Goals

Aspects Material to the Company and Stakeholder Management

Materiality

In order to deliver on our commitment of a sustainable mining enterprise, it is critical for us to identify material aspects for our continued non-financial performance improvement. A company-wide workshop engaging each mine site's sustainability steward was conducted to identify, review and validate identified focus areas.

Relying on the GRI G4 framework as a reporting guideline, we assessed our economic, environmental and social impacts in view of stakeholder needs and interests. We applied a five-stage process to derive levels of criticality and future action plans.

1

Identifying Material Aspects

Using GRI G4 guidelines, we determined all the material aspects that are critical for our operations.

2

Assessing the Level of Criticality

For all the identified material aspects, we conducted workshops for the sustainability representatives from each of the operating minesites to assess the level of criticality for the minesite. The level of criticality was assessed based on the operational, regulatory and legal, environmental and social impacts.

3

Determining the Current Performance

We determined our current and previous years' performance for the highest material aspects and reported these in our 2016 Sustainability Report.

4

Recognizing Stakeholder Needs

We determined our current and previous years' performance for the highest material aspects and reported these in our 2016 Sustainability Report.

5

Setting Up Targets and Objectives

Moving forward, we will set up and re-align as needed — targets and measurable objectives — which relate to our key material aspects. Operational application of our workshop results commence each succeeding year.

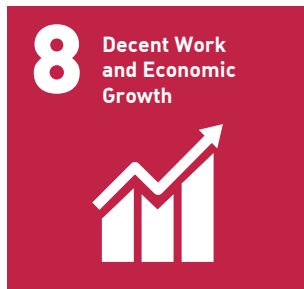
Indicated here are the specific materials aspects relating to the sustainability of the business according to their level of critically. Greater focus in the Report is given to those deemed High according to their Materiality Level.

MATERIAL ASPECTS	RIO TUBA NICKEL MINING CORPORATION	TAGANITO MINING CORPORATION	HINATUAN MINING CORPORATION	CAGDIANAO MINING CORPORATION
ECONOMIC				
Leadership (Corporate Governance)	●	●	●	●
Compliance with Regulatory Requirements	●	●	●	●
Revenue and Payments	●	●	●	●
Local Employment	●	●	●	●
Fluctuation of Metal Prices (World Market	●	●	●	●
Exploration of Mining Operations	●	●	●	●
ENVIRONMENTAL				
Energy Consumption and Management	●	●	●	●
Biodiversity Offsets	●	●	●	●
Geological Risk Assessments	●	●	●	●
Spill Management	●	●	●	●
Water Pollution	●	●	●	●
Siltation Pond Management	●	●	●	●
Dust and Noise Pollution	●	●	●	●
Water Consumption and Discharge	●	●	●	●
Recycling Fresh Water	●	●	●	●
Mining Solid Waste Management	●	●	●	●
GHG Emissions	●	●	●	●
Internal Process Management	●	●	●	●
Life Cycle Assessment	●	●	●	●
SOCIAL				
Maintenance and Safety of Production Sites and Plants	●	●	●	●
Emergency Preparedness	●	●	●	●
Employee Relations	●	●	●	●
Employee Welfare	●	●	●	●
Education and Training on Health and Safety Issues	●	●	●	●
Recruitment and Employment	●	●	●	●
Freedom of Association	●	●	●	●
Community Development and Negative Impact Mitigation	●	●	●	●
Information, Consultation and Participation Mechanisms	●	●	●	●
Local Community Involvement	●	●	●	●
Social License	●	●	●	●
Dust and Noise Issues	●	●	●	●
Corruption	●	●	●	●
Diseases and Illnesses	●	●	●	●
Risks of Accidents to Employees, Contractors and Subcontractors	●	●	●	●
Risks and Conflicts with Local Communities and Indigenous People	●	●	●	●
Probability of Strikes and/or Lock-outs	●	●	●	●

Materiality Level: ● High ● Medium ● Low

Commitment to Sustainability

Good Governance



We strive to act as a responsible corporate citizen and lend our expertise to help engage in constructive public dialogue and informed debate on issues of importance to us as a company, the mining industry and in the communities where we operate.

We focus on:

- › Leadership and Commitment
- › Environmental, Social and Economic Risk Management
- › Governance Policies
- › Stakeholder Management

Safe Workplace

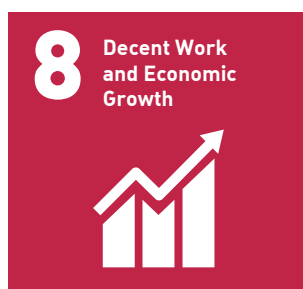


We promote a strong culture of safety embedded in operational excellence and robust risk management. We approach safety with a multi-level focus to empower our personnel to embrace the value of accident prevention and control of loss.

We focus on:

- › Safety and Health Programs and Procedures
- › Education and Training on Health and Safety Topics
- › Emergency Response and Crisis Management
- › Security of Mine Sites and Maintenance of Equipment

Welfare of Our Employees



Each of our employees is respected and valued and we fully observe human rights, occupational safety and non-discrimination in the workplace. We do our utmost to develop employee potential, compensate fairly and commensurately to performance and provide growth opportunities.

We focus on:

- › Employee Relations and Management
- › Collective Bargaining Agreement
- › Skills and Competency Development
- › Human Rights and Equal Opportunities

Protecting the Environment



We acknowledge our responsibility to protect, reclaim and enhance the environment in which we operate through able management and steadfast environmental stewardship. Our companies address environmental impacts through their respective Environmental Protection and Enhancement Program (EPEP).

We focus on:

- > Energy Consumption and Management
- > Rehabilitation and Reforestation
- > Water Consumption and Discharge
- > Waste Management
- > Dust and Noise Control

Empowering Communities



Our Social Development Management Programs (SDMPs), which are mandated social expenditures, and our Corporate Social Responsibility (CSR) programs, which are voluntary and go beyond SDMP requirements, are made in consultation with stakeholders, in consideration of the important social, cultural, environmental, and economic factors affecting our shared communities, and considers as well collaboration and support from local government units/organizations.

Enabling partnerships is the best approach and effective way forward to realize a more sustainable way of life,

which is why our SDMP and CSR programs employ a participatory approach to shared social development goals.

We focus on:

- > Social Development Management Programs
- > Health, Education, Livelihood and Infrastructure Programs
- > Indigenous Peoples Rights
- > Social Impact Assessment

Stakeholder Engagement

Good corporate citizenship and the accountability for it stems from a management leadership that is passionate about best mining practices, with a deep and genuine commitment to care for the environment and to foster social development. To achieve our commitments,

we need to be transparent in what we do in our operations and beyond. In this way stakeholders are made knowledgeable of our financial and non-financial practices and expectations are set right both ways.

STAKEHOLDERS	MODE OF ENGAGEMENT	FREQUENCY	CONCERN / EXPECTATIONS	RESPONSE
Local Communities	<ul style="list-style-type: none"> SDMP and CSR Programs Community engagement to prioritize and implement projects 	●	<ul style="list-style-type: none"> Socio-Economic development of the communities 	<ul style="list-style-type: none"> Implementation of SDMP and CSR Programs by Community Relations Teams (Comm Rel)
LGUs/Regulators	<ul style="list-style-type: none"> Annual/ Quarterly/Monthly Reports Audits of Taxes/Certification Processes 	●	<ul style="list-style-type: none"> Inaccurate disclosures Non-compliance to standards 	<ul style="list-style-type: none"> Timely & accurate release of reports Strict compliance to regulatory norms
Employees	<ul style="list-style-type: none"> Employee Engagement Programs 	●	<ul style="list-style-type: none"> Focus on work life balance 	<ul style="list-style-type: none"> Service Tenure Awards CSR/Environmental voluntary activities
Suppliers	<ul style="list-style-type: none"> Accreditation Process Annual Meetings with Security Agencies 	●	<ul style="list-style-type: none"> Transparency in accreditation Integrity of bids Timeliness of payments 	<ul style="list-style-type: none"> Clear and transparent accreditation criterion Auditable bidding process
Shareholders/Investors	<ul style="list-style-type: none"> Annual Stockholders' Meeting General Board Meetings One on One Investor Meeting 	<ul style="list-style-type: none"> ● ● ● 	<ul style="list-style-type: none"> Higher Financial Returns Minimum Risks related to business and expansion 	<ul style="list-style-type: none"> Stable Dividends Regular disclosure of financial performance
Partners	<ul style="list-style-type: none"> Corporate Events/Forums 	●	<ul style="list-style-type: none"> Transparency in disclosures Alignment of advocacies 	<ul style="list-style-type: none"> Regular disclosure of overall performance
Industry Associates	<ul style="list-style-type: none"> Regular Industry meetings 	●	<ul style="list-style-type: none"> Sharing of industry standards and best practices 	<ul style="list-style-type: none"> Regular update on the industry outlook and standards
Media Frequency	<ul style="list-style-type: none"> Press Release Interviews Official Media Statements Public Advisories Press Conferences Site Tours 	●	<ul style="list-style-type: none"> Product brief/details Transparency Factual Information Timely release of announcements 	<ul style="list-style-type: none"> Availability of spokesperson Media Events Press kits Factsheets Market information

● As Necessary
● Annual
● Quarterly
● On Demand
● As Scheduled

Supply Chain

There are multiple considerations to NAC's procurement process. These pertain to the quality of the supplier and product, availability, provision of parts, consignment arrangements, character and regulatory compliance. Our Procurement Policy is well articulated and should be followed at all times.

Our principal supply needs are diesel fuel, tires and spare parts for our mining equipment. For the most part our suppliers are veteran partners, among whom are:

- › Petron and Phoenix Petroleum for the assured supply of all the operating companies' entire requirements for diesel and lubricants
- › Local distributors of Volvo, Isuzu, Caterpillar, and Komatsu for our heavy mining equipment such as trucks and excavators.

The baseline requirement of our supplier accreditation process is an efficient and sustainable supply, logistics, warranty and after sales support.

Accredited suppliers pass through competitive bidding as is the norm and all have current:

- › Government-approved permits
- › Local/Municipal permits
- › Accredited Treater/Transporter
- › Technical Environmental Safety / Disposal Procedures
- › Complete line of machines / instruments / tools

Compliance

We are environmentally compliant. We adhere to the policies and laws prescribed by the DENR-Mines and Geosciences Bureau (MGB), the Environment Management Bureau (EMB), the Protected Areas and Wildlife Bureau (PAWB), the Department of Labor and Employment (DOLE), the Department of Health (DOH), the National Commission on Indigenous Peoples (NCIP), and the local government units (LGUs).

All NAC subsidiaries abide by commitments stipulated in their Environmental Compliance Certificates (ECC) and specified in their approved Work Programs. We respect and follow all pertinent rules and requirements for responsible mining operations including the following:

Republic Act No. 7942 (Philippine Mining Act of 1995)

- › Section 69 - requires an annual Environmental Protection and Enhancement Plan for the rehabilitation, regeneration, revegetation, and reforestation of mined-out areas, slope stabilization, aquaculture, water and air quality, and socioeconomic development
- › Section 71 - requires Mine Rehabilitation for mined-out areas to the condition of environmental safety, and the creation of a Mine Rehabilitation Fund

Executive Order No. 26 (National Greening Program)

- › Mandatory reforestation activities outside of mining contract/permit/lease/tenement areas

Republic Act 9003 (Ecological Solid Waste Management Program)

- › Requires waste segregation, promotes recycling and sets guidelines for Materials Recovery Facility

Republic Act No. 6969 and DENR Administrative Order 2013-22

- › Guidelines on proper handling and monitoring of toxic and hazardous waste materials

CDAO 2010-21 (Consolidated DENR Administrative Order for IRR of RA No. 7942)

- › Section 171 - requires an Annual Environmental Protection and Enhancement Program (based on the approved EPEP)
- › Section 173 - requires the organization of a Mine Environmental Protection and Enhancement Office (MEPEO) to be incorporated into the organization structure
- › Section 185 - deputizes the Multipartite Monitoring Team (MMT) to serve as monitoring arm, with the team composed of representatives from DENR Regional Office, Department Regional Office, EMB Regional Office, Contractor/Permit Holder, host communities, host Indigenous Peoples, and environmental NGO
- › Section 187 - requires a Final Mine Rehabilitation/Decommissioning Plan, including financial requirements up to post decommissioning

Republic Act No. 8749 (Philippine Clean Air Act of 1999)

- › Framework for air quality management program

Republic Act No. 9275 (Philippine Clean Water Act of 2004)

- › Framework for comprehensive water quality management

Republic Act No. 9371 (Indigenous Peoples' Rights Act)

- › Recognition, protection and promotion of the rights of the Indigenous Cultural Communities/Indigenous Peoples

Republic Act No. 9729 (Climate Change Act of 2009)

- › Comprehensive framework for systematically integrating the concept of climate change, in synergy with disaster risk reduction, in various phases of policy formulation, development plans, poverty reduction strategies and other development tools and techniques

DENR Department Administrative Order 2004-52

- › Tree cutting permit

DENR Department Administrative Order 2015-07

- › Mandating Mining Contractors to Secure ISO 14001 Certification

Administrative Order 2015-07, issued May 15, 2015, mandating all Mining Contractors engaged in metallic operations to secure ISO 14001 Certifications within one year from the date of the order.

- › **ISO 14001** is an international standard on Environmental Management Systems (EMS). It is a framework that provides for an integrated and sustained approach to identify, manage, monitor, and control relevant environmental impact consistent with all environmental rules and regulations.

Pursuant to the Administrative Order, NAC's operating subsidiaries, Taganito Mining Corporation (TMC), Rio Tuba Nickel Mining Corporation (RTN), Cagdianao Mining Corporation (CMC), and Hinatuan Mining Corporation (HMC), underwent a yearlong process to identify all environmental impacts, address such impacts, document an environmental management system that complies with the standards, and cascade down the EMS to all employees for their full appreciation and compliance. Following two audits conducted by the certifying body, TÜV Rheinland, the operating subsidiaries all received their ISO 14001 Certification in 2016.

DENR Administrative Order 2016-1

- › Prescribing for an audit of metallic mining companies by the DENR

Administrative Order 2015-07, issued July 8, 2016, prescribed that all metallic mining companies undergo an audit by the DENR. The audit of NAC's operating subsidiaries, which consisted of an examination of all applicable permits, adherence to the conditions of the Environmental Management Certificates (ECC), observation of actual operations, interviews with the various stakeholders, including representatives of the host communities and local government officials, and an exit conference with the mine site management, were concluded in 2016.

Subsequent to the audit, letters were received from the DENR documenting all observations and findings, which the companies have replied to. TMC, RTN and CMC have passed the audits, while HMC was served a closure order and a revocation of its mining permit due to alleged violations. HMC has filed a Notice of Appeal with the Office of the President.

Awards and Recognitions

The excellence of NAC companies was reflected in the Presidential Mineral Industry Environmental Awards (PMIEA) received during the Annual Mine Safety and Environment Conference in November 2016 (AMSEC).

- › **Platinum Achievement Award for Surface Mining Operation, Rio Tuba Nickel Mining Corporation**
- › **Platinum Achievement Award for Surface Mining Operation, Cagdianao Mining Corporation**
- › **Titanium Achievement Award for Surface Mining Operation, Hinatuan Mining Corporation**
- › **Titanium Achievement Award for Surface Mining Operation, Taganito Mining Corporation**

The special awards are:

- › **BEST Mining Forest, Metallic Category** – Taganito Mining Corporation
- › **BEST Surface Safety Inspector** – Mr. James Paje of Taganito Mining Corporation

The PMIEA was established by Executive Order no. 399, signed by President Fidel V. Ramos on February 3, 1997, to recognize “outstanding levels of dedication, initiative and innovation in the pursuit of excellence in environmental management by exploration, mining and other related entities involved in various aspects of mineral utilization.”

Other awards and commendations received during the year were:

Taganito Mining Corporation

- › **Certificate of Commendation** – Twelve Million Man-Hours Without Lost Time Accident
- › Recognized as **Most Outstanding Fire Brigade**
- › **Champion-Busted Hose Category** during AMSEC
- › **2nd Finish, Fire Extinguishment** during AMSEC
- › **Champion–1st, 2nd & 3rd Regional Fire Brigade Olympics**

Cagdianao Mining Corporation

- › **4th Community Relations Officers Conference, Outstanding Project** – The Tilapia Culture Project-Boa Fisherfolks Association (BFA) partnership project with Cagdianao Mining Corporation

ON-GOING REHABILITATION AT TMC



Protecting the Environment

Using best mining practices in relation to environmental protection conforms to NAC's commitment to the principles of sustainable development. Our environmental management systems are in consonance with our ISO 14001 certification while specific environmental measures are embodied in each mine site's Environmental Protection and Enhancement Programs (EPEPs). The EPEPs are comprehensive and strategic environmental management plans that cover management objectives, criteria and commitments pertaining to the environment, including

protection and rehabilitation. Each of our mine sites carries out its environmental programs through its respective Mine Environment Protection and Enhancement Officer.

Mines Multipartite Monitoring Teams reviews our environmental programs on a quarterly basis. On an annual basis, we submit an accomplishment report based on the objectives outlined in the EPEP.

MINE SITE	2016 TOTAL EPEP SPENDING, IN PHP	2015 TOTAL EPEP SPENDING, IN PHP
RTN	103,086,760	106,915,000
TMC	144,722,152	208,111,447
HMC	76,987,466	62,787,714
CMC	38,966,681	18,967,998
Total	363,763,059	396,802,159

Energy in Use


Power generating sets (gensets, both diesel and gasoline) are the primary source of on-site power. Two of the mine sites, TMC and RTN, use gensets to backup local power supply. To mitigate the impact of energy use, we:

- Do what we can to minimize consumption of energy for the environment and to save on costs.
- Ensure that our procurement process is stringent so we only employ efficient machinery and equipment.
- Keep to a periodic engine maintenance schedule of machinery, equipment and vehicles
- Apply mufflers to majority of our machinery as a means of reducing CO2 emissions
- Consistently explore new technologies and innovations that will enable us to keep our energy consumption at the lowest levels possible

Fuel Consumption

MINE SITE	GENSETS		TRANSPORTATION		TOTAL FUEL CONSUMED (LITERS)	TOTAL GHG EMISSIONS (TONS CO2E)
	DIESEL (LITERS)	ENERGY GENERATED (MWH)	DIESEL (LITERS)	GASOLINE (LITERS)		
2016 Total	1,919,138	6,948	34,856,801	79,388	36,855,327	101,235
RTN	324,292	502	11,519,209	51,947	11,895,448	33,331
TMC	871,023	5,102	14,030,448	23,229	14,924,700	40,811
HMC	403,361	617	6,574,986	0	6,978,347	19,224
CMC	320,462	727	2,732,158	4,212	3,056,832	7,869
2015 Total	1,215,719	3,909	38,077,181	391,680	39,684,580	105,196
RTN	86,013	657	13,449,149	52,991	13,588,153	42,064
TMC	525,682	1,512	15,352,273	32,506	15,910,461	44,047
HMC	341,845	438	6,688,532	0	7,030,377	18,764
CMC	262,179	1,302	2,587,227	306,183	3,155,589	321

Electricity Consumption

2016						2015				
RTN	TMC	HMC	CMC	TOTAL		RTN	TMC	HMC	CMC	TOTAL
502	5,102	617	727	6,948	From Generators	657	1,512	438	1,302	3,909
2,247	-	-	-	2,247	From Local Supply	2,460	30	-	-	2,490
2,749	5,102	617	727	9,195	Total Consumption (MWH)	3,117	1,542	438	1,302	6,399


Land Protection and Rehabilitation

Irrespective of where we are in our mining project life cycle, we are always engaged in minimizing the environmental impact of our operations. In addition, we are legally obligated to rehabilitate our mining areas after mining is terminated.

It must be recognized that the areas where our ore deposits are located are not conducive to agriculture because of the mineralized nature of the soil. Where possible, in the process of rehabilitation, we try and improve the land so that it is restored to a healthy state to be able to sustain productive use unto the future. Land value is not only its

use but includes the value of the whole ecosystem that is projected to inhabit the land and these are combined flora, fauna, and people.

We practice progressive mine rehabilitation. As particular areas of the deposits are mined out, we proceed to rehabilitate the area while moving on to mine other areas of the deposit. Mine rehabilitation begins by re-contouring the land and backfilling or leveling as required. Topsoil is then applied and soil amelioration methods are used so that the area becomes fertile ground for planting.

2016						2015				
RTN	TMC	HMC	CMC	TOTAL		RTN	TMC	HMC	CMC	TOTAL
1,457	532	403	115	2,507	Area Distributed	1,457	495	337	124	2,413
134	413	722	572	1,841	Are used for other purposes	134	372	814	496	1,816
15	37	16	6	74	Area Rehabilitated (Hectares)	11	43	12	2	68
0	63	78	4	145	Area Reforested	12	133	33	4	182

Following the “Sequential Planting Method,” we first plant fast growing, pioneering species. After 12-18 months, a vegetative cover shade becomes available for the planting of indigenous, climax species. When this method is not the best possible option, we plant large saplings that can result in high growth and survival rate of 90%.

Community or indigenous people’s participation comes in for biodiversity improvement, conservation initiative

partnerships or forestry expertise. Post operations monitoring still follows.

As of 31 December 2016, our mines have a combined mini rehabilitation and environmental guarantee fund amounting to P302.9 million in compliance with the Philippine Mining Act.

Waste Management

Mine waste mostly refers to rock and overburden from mining operations and are thus different from the more familiar industrial waste. Responsible management mitigates the impact of these waste products to the environment as well as the health and safety of the employees within and of residents near the mine sites. In all of our operations, we ensure that nearly all mine wastes, sludge, and other solid waste are stockpiled away from water systems.

Action plans/technologies applied relating to waste management:

- Sanitary landfill holding capacity
- Filtration capability
- Odor control technology application
- Two-chamber oil-water separator technology application
- Assay laboratory chemical waste treatment
- Waste segregation
- Material Recovery Facility
- Temporary Hazardous Waste Storage Facility/ Chemical waste storage pit
- DENR accredited transporter hauling and treatment
- Waste repurposing as soil cover in the sanitary landfills
- Waste repurposing of shredded biodegradable materials as vermiculture compost or mulch in mine rehabilitation
- Reporting to the EMB

MINE SITE	BIODEGRADABLE WASTE	RESIDUAL WASTE	RECYCLABLE WASTE	HAZARDOUS WASTE	TOTAL SOLID WASTE	USED OIL
2016						
RTN	59,840 kg	88,208 kg	83,864 kg	140,713 kg	231,912 kg	93,000 liters
TMC		37,253 kg			37,253 kg	77,800 liters
HMC	9.4 cu. m.	2.4 cu. m.	4.0 cu. m.	133.6 cu. m.	15.8 cu. m.	133,600 liters
CMC	169.2 cu. m.	90.0 cu. m.	100.8 cu. m.	Used automotive batteries-353 pcs Busted lamps and bulbs-1,165 pcs	360.0 cu. m.	61,800 liters
2015						
RTN	Not Monitored	11,238 cu.m.	310,000 kg	Busted fluorescent lamps-1,194 Batteries-292 pcs Used oil-91,000 liters Oil contam-32,400 liters	11,238 kg & 11,238 cu. m.	91,000 liters
TMC		22,160 kg			22,160 kg	34,000 liters
HMC					161 cu. m.	
CMC			71,820 kg		360 cu. m.	44,800 liters
Method of Disposal	Composting Facilities	Material Recovery Facility, Sanitary Landfill	Stored in Material Recovery Facility and sold to legitimate scrap buyer	Stored in Hazardous Waste Storage Facility and sold to accredited transporter and treater		Stored in Hazardous Waste Storage Facility and sold to accredited transporter and treater

Water Use and Protection

Throughout the mine cycle, we demonstrate water stewardship in our effective use and reuse of water, quality maintenance and in resource sharing with our host and neighboring communities. Water quality equates to the physical and economic wellbeing of all, including our ability to continue operations and uphold the trust we've earned from the communities' residents.

Within all of our mine sites, silt collector sumps and siltation ponds are strategically placed so that water runoff are optimally collected. Silt materials settle in well-kept catchment areas prior to release of clean water back to the natural environment. The quality of water discharged complies with DENR standards.

MINE SITE	EXTRACTION SOURCE	AMOUNT EXTRACTED (CU. M)	TOTAL WATER CONSUMPTION (CU. M)	LOCATION OF DISCHARGE	AMOUNT DISCHARGED (CU. M)	SILT COLLECTED/ REMOVED (WMT)
2016						
RTN	Water Wells	966,573	760,547*	Lower Kinurong	391,353	37,536
	Tagpisa Pond	237,497		Lower Togpon	576,718	
TMC	Hubasan Creek	149,594	149,594	Taganito River	48.21 cu. m/sec	307,669
HMC	Filtered springs	80,675	80,675		44.27 cu. m/sec	172,077
	Kaskag Creek					
CMC	Baliwan Marsh Land	34,723	34,723	CMC-Dinagat Sounds		42,848
	Maraguig Watershed					
2015						
RTN	Water Wells	1,002,163	425,970**	Lower Kinurong	464,694	88,125
	Tagpisa Pond			Lower Togpon	530,177	
TMC	Hubasan Creek	156,425	156,425	Taganito River		631,760
HMC	Filtered springs	67,366	67,366			159,704
	Kaskag Creek					
CMC	Baliwan Marsh Land	44,521	44,521	CMC-Dinagat Sounds	26,596	31,425
	Maraguig Watershed					

Air Protection

The generation of dust is a particular hazard of our operations, which take place during the dry months. As a sustainable business and responsible mining operator, and in order to comply with the standards prescribed in the Clean Air Act in relation to air quality, the management and mitigation of dust across our mine sites is a key activity. We do this by the following methods:

- Water lorries are used to dampen haul routes and roads
- Consistent use of sprinklers and water sprays as necessary
- Washing of vehicle wheels is required before passing through public/community roads
- Stockpiles are covered with tarpaulins to prevent dust from flying
- Grass are planted in the stockpiles as support cover for long-term stockpiles
- Planting as part of land rehabilitation starts immediately as soon as rehabilitation is feasible
- Training for heavy machinery operations includes understanding of how dust is generated and its impacts
- Maintain good upkeep of mine roads
- Ensure excellent maintenance of mine facilities, equipment, and vehicles
- Monitoring of air quality through the sampling stations within the sites

The Welfare of our Employees

NAC fosters inclusion and diversity, maximizes local hires, and invests in capacity building of its employees to achieve productivity, deliver profitability, and conduct their jobs to the highest standards in a safe and healthy working environment, backed by a supportive management.

Our people are enablers of Company sustainability—integral to operational excellence and long-term success. We make clear to our employees that sustainability is not just an abstract concept, but is a fully understood set of principles and a practice in progress. Our sustainability framework serves to embed its principles into our corporate culture so that (1) it is measurable and (2) our people develop a sustainability consciousness, empowering

them to assess and align their contributions to the business' sustainability goals through their individual Key Ratio Indicators (KRIs).

NAC employees are engaged, positive, and empowered. We invest as necessary in their development, training and capacity building and advocate a culture supportive of personal and social improvement in a nurturing and enabling workplace.

As of year-end 2016, NAC's workforce totaled 1,687 employees and 5,653 contractors. This is up 43 and 1,750, respectively from our numbers in the previous reporting year.



HMC MANAGERS AT WORK


Workforce

Our mining activities are seasonal in nature, as we do not mine during rainy seasons. During such times, we concentrate our activities to maintenance and environmental works. We employ a core group of regular


workers to conduct such activities and augment our workforce as necessary during the dry seasons by seasonal hires and contractors.

2016							2015					
NAC	RTN	TMC	HMC	CMC	TOTAL		NAC	RTN	TMC	HMC	CMC	TOTAL
15	1	2	1	1	20	Senior Management	15	1	2	1	1	20
11	2	2	2	1	18	Managers	9	2	2	2	1	16
19	6	6	5	6	42	Supervisors	14	7	6	5	8	40
29	11	8	6	3	57	Rank and File	15	8	9	6	3	41
74	20	18	14	11	137	Total	53	18	19	14	13	117


Mine Site Employment

2016						2015				
RTN	TMC	HMC	CMC	TOTAL		RTN	TMC	HMC	CMC	TOTAL
1	1	0	1	3	Senior Management	1	1	5	3	10
36	34	14	5	89	Managers	22	26	8	7	63
129	167	62	46	404	Supervisors	120	180	62	40	402
501	331	90	132	1,054	Rank and File	522	310	90	130	1,052
667	533	166	184	1,550	Total	665	517	165	180	1,527

Employment by Gender


2016						2015				
RTN	TMC	HMC	CMC	TOTAL		RTN	TMC	HMC	CMC	TOTAL
63	88	41	35	227	Regular / Probationary	46	75	30	21	172
9	6	138	0	153	Seasonal	1	54	59	0	114
72	94	179	35	380	Total	47	129	89	21	286

Female

2016						2015				
RTN	TMC	HMC	CMC	TOTAL		RTN	TMC	HMC	CMC	TOTAL
624	463	139	160	1,386	Regular / Probationary	619	442	135	158	1,354
36	519	1844	0	2,399	Seasonal	20	1,274	862	1	2,157
660	982	1,983	160	3,785	Total	639	1,716	997	159	3,511

Male

Employment from Local Communities and Indigenous Peoples

2016						2015				
RTN	TMC	HMC	CMC	TOTAL		RTN	TMC	HMC	CMC	TOTAL
558	480	128	162	1,328	Regular	399	479			878
9	6	7	3	25	Probationary	9	38			47
29	507	977	0	1,513	Seasonal	1,249	1,328			2,577
596	993	1,112	165	2,866	Local Community Total	1,657	1,845	140	457	4,099
89	5	0	0	94	Indigenous People Total	506				506

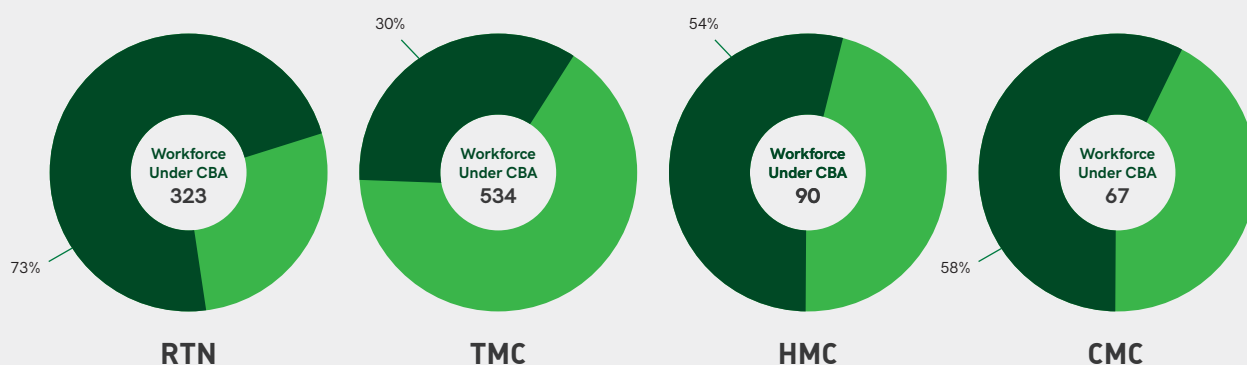
Collective Bargaining Agreements

We have Collective Bargaining Agreements (CBAs) in place at all our mine sites covering all regular members of our workforce. The CBAs provide for salaries and benefits and vary per mine site. The general health and safety benefits include:

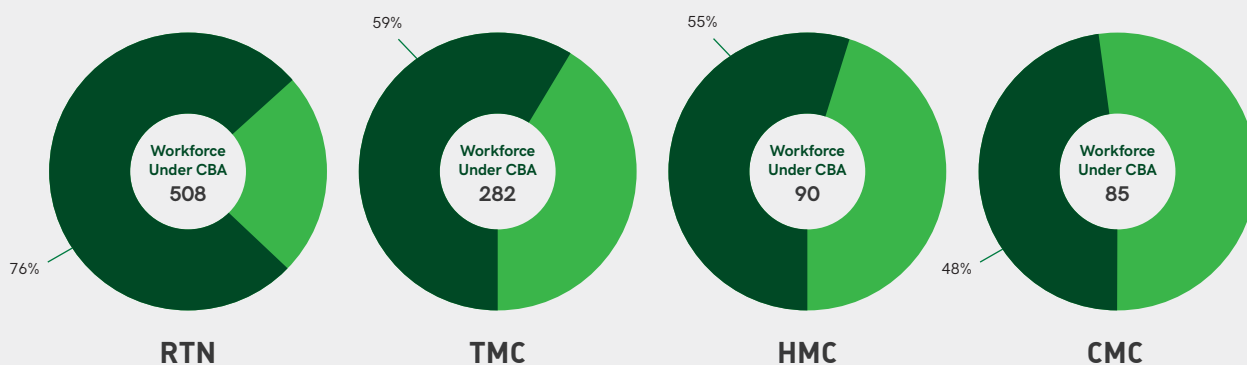
- > Medical, dental and hospitalization benefits
- > Free annual physical exam
- > Use of ambulance
- > Creation and maintenance of a central Safety Committee
- > Grievance mechanism
- > Safety paraphernalia
- > Training and education
- > Identification and prevention of hazardous and unhealthy working conditions
- > Proper labeling of chemical containers

Percent Workforce Under Collective Bargaining Agreements

2016



2015



Training and Development


Total spending on employee training and development was at PHP 22.0 million for the year. Programs vary by mine site and include both development and technical training relating to specific job functions, skills development, or leadership/management tracks. All our regular employees

have undergone training and development in 2016.

Training topics in 2016 included among others:

- > Use of equipment training

- › Environmental protection
- › Livelihood skills
- › Fire and safety
- › Chemical analysis
- › Leadership training
- › Labor laws
- › ISO 45001 and 14001
- › Human resources
- › Health
- › Code of business conduct and ethics
- › Communication skills
- › Problem solving and decision making
- › Balanced Scorecard

2016						2015				
RTN	TMC	HMC	CMC	TOTAL		RTN	TMC	HMC	CMC	TOTAL
23,896	20,026	3,336	10,435	57,693	Total Training Hours	2,280	25,986	25,986	7,312	61,564
1,541	1,130	419	185	3,275	Total Employees Trained	314	1,626	1,626	180	3,746
15.5	18.0	8.0	56.4	17.6	Average Training Hours per Employee	7.0	16.0	16.0	40.6	19.7


Safe Workplace

At NAC, an employee welfare imperative is a safe and healthy work environment at all times. Each of our mine sites has a Central Safety and Health Committee (CSHC), with oversight and responsibility for occupational health and safety programs. The CSHC is composed of the Resident Mine Manager, at least one safety engineer, and representatives across Divisions, Groups, Departments, and Sections as well as Union and Contractors representatives. Monitoring of issues and employee concerns relating to health and safety are conducted regularly. Inspections by Safety Officers at all our mine sites are regularly done to ensure employee compliance with the company safety rules and regulations.

Proper mining and safety equipment are provided at all times to employees and visitors. Standard Personal

Protective Equipment (PPE) include a skull guard, eye goggles/ spectacles, dust/chemical respirator/mask, ear muff, hand gloves, high visibility vest, rainboots, raincoat, and safety shoes.

Representation of employees per mine site in their respective Health and Safety Committees is constant though the actual number of representatives varies per mine site. In RTN, there are 45 employee committee representatives corresponding to 7% of the total number of regular employees. In the other mine sites, the number of employee representatives is 56 in TMC, 19 in HMC and 27 in CMC. These numbers correspond to 10%, 11% and 14% of per site percentage of total regular employees, respectively.

2016						2015				
RTN	TMC	HMC	CMC	TOTAL		RTN	TMC	HMC	CMC	TOTAL
7,941,728	6,894,904	4,379,392	2,691,422	21,907,446	Total Man Hours	8,710,761	7,666,611	4,825,016	2,451,095	23,633,483
0	0	0	1	1	Lost Time Accidents	0	1	0	0	1
2.27	5.37	1.6	29.72	6.48	Incidence Rate	4.36	1.17	2.28	8.98	3.38
0	0	0	4.46	0.55	Severity Rate	0	782.60	0	0	253.66
0	0	0	0	0	Fatalities	0	1	0	0	1
0	0	0	12	12	Lost Days	0	6,000	0	0	6,000

Empowering Communities

The Philippine mining law mandates all mining companies to assist in the development of the host and neighboring communities through the Social Development Management Program (SDMP). These are five-year programs with committed yearly expenditures equivalent to 1.5% of operating costs. Priority projects identification, approval and implementation are done in consultation with host communities. SDMP projects address not only the current needs of the community but will enable them to improve their socio-economic conditions. Health, education, infrastructure, livelihood, electricity and water access, and socio-cultural preservation particularly for IPs are the year-on-year concerns. The MGB handles monitoring, auditing and evaluation of these programs.

We complement our expenditures under the SDMP with our Corporate Social Responsibility (CSR) programs. As such, our yearly social expenditures go beyond what the law prescribes. Our SDMP and CSR programs are anchored on two central elements as detailed below:

Community Partnership and Relationship Building

1. Establishing and maintaining positive relationships

with communities through partnerships for community development and nation building

2. Partnership building with communities (both social and environmental) – community as essential partners and not as mere beneficiaries
3. Community serving as the primary protector of the Company through strong dual partnership and relationship

Leadership

1. Top management strongly supports the company's SDMP and CSR initiatives
2. Social investment – going beyond compliance, CSR as an essential and meaningful investment

With respect to IPs, our TMC subsidiary operates in an Ancestral Domain. Our RTN subsidiary operates in an area where IPs are present but do not have ancestral domain title. Nevertheless, we treat them as if they do have title. In compliance with the Indigenous Peoples Rights Act, we have obtained the Free and Prior Informed Consent from the IPs to operate in their areas. Both TMC and RTN provide for yearly royalty payments, housing and other benefits to the IP communities.



RIO TUBA TOWN SITE

Case Study

Sustainability in Practice: Rio Tuba is a vibrant, dynamic place. Its story is only fractionally told here.

Rio Tuba is a self-developed and self-realized mining town site located in the Southern Palawan municipality of Bataraza. The chart of its growth and the regard shown for its people is a direct reflection of the character, compassion, quiet generosity, and gentle but firm

leadership of its founders Leonides S. Virata and Manuel B. Zamora Jr., and their successors.

From the start, RTN was envisioned to be an employer of choice within the industry. To its founders, the people are the underlying reason for the success that is Rio Tuba and that Rio Tuba's history is a history of people whose treatment and consideration of one another is as Family.

RTN continues to have a near perfect safety record, a close to zero resignation rate and is into the 3rd generation of workers. Its presence has redounded to enterprises, industries and jobs for the people in its area of operations.

From a make-shift camp with no roads, no power and no running water, the town site of Rio Tuba is now a bustling community with access to water and power, semi-furnished housing, a private school (kindergarten to high school), a hospital, a church, a co-op, parks, a clubhouse, a gym, a sports oval, a swimming pool, tennis courts, and internet connection.

The RTN Special Projects Office runs poultry and piggery farms, a cattle dispersal project, and an ice plant for the continued supply of produce at the best possible prices in all of Palawan. For its host IPs, it pays royalties and provides free of charge an Indigenous Learning System that educates more than 1,000 of them up to high school

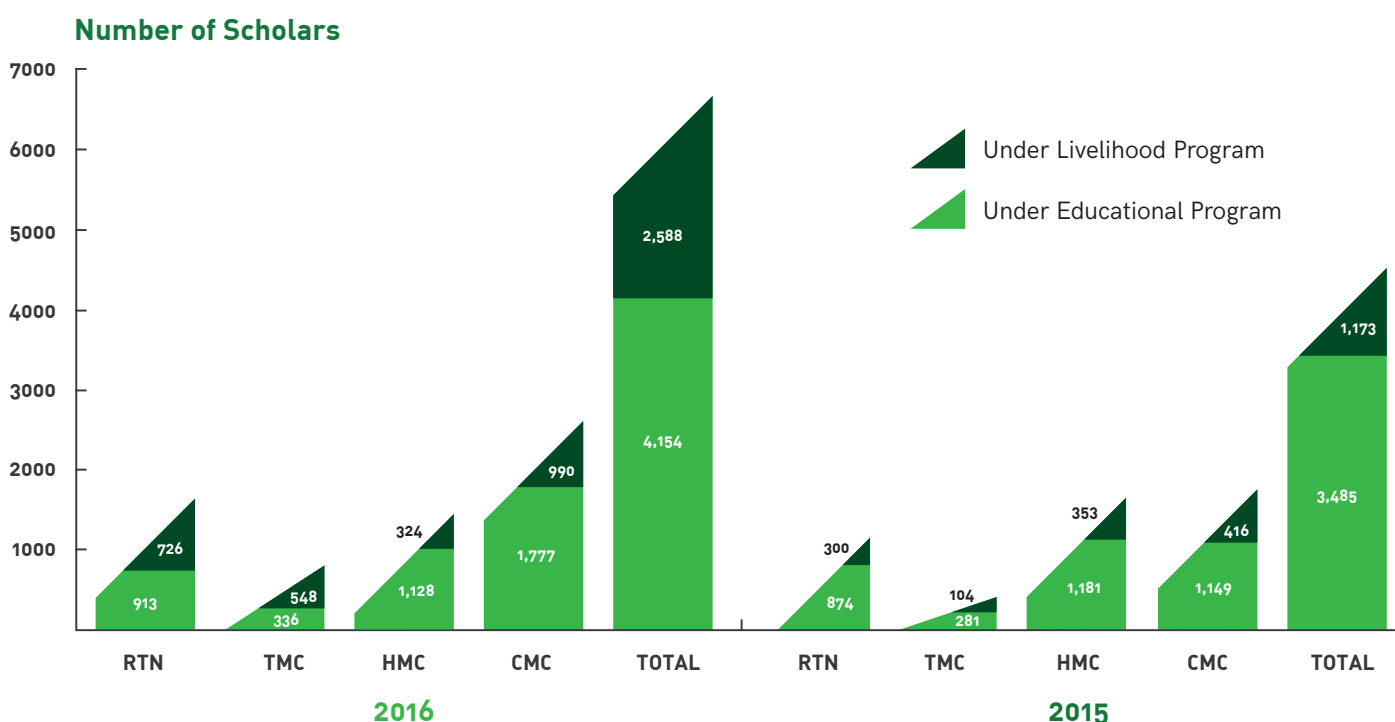
equivalent, housing and health care.

RTN has become well known for its progressive mine rehabilitation program. It has fully rehabilitated over 200 hectares of mined-out areas, planting over two million trees of endemic species, including the National Greening Program. In the process, it has created a forested area interspersed with fruit trees, rice fields and tilapia ponds - an agro-industrial complex that will be turned over to the communities post-mining.

The operations of RTN, the adjacent nickel processing plant under NAC's affiliate, Coral Bay Nickel Corporation (CBNC), and the various enterprises that have grown to support the combined operations and the town site have contributed to making the municipality of Bataraza number one-ranked amongst all Palawan municipalities in terms of income, assets and cash balances.

SDMP and CSR Spending, Million PHP

MINE SITES	SDMP SPENDING		CSR SPENDING		
	REQUIRED SPENDING (1.5% OF OPERATING COSTS)	ACTUAL SPENDING	NON-IP	IP COMMUNITIES	TOTAL
2016 Total	143.1	157.3	116.6	13.5	178.6
RTN	45.2	34.4	116.6	6.3	122.9
TMC	49.8	70.5	40.7	7.2	47.9
HMC	23.6	26.0	5.1		5.1
CMC	24.5	26.4	2.7		2.7
2015 Total	146.5	121.4	163.1	13.5	176.6
RTN	45.2	38.0	147.0	6.5	153.5
TMC	54.6	42.0	9.6	7.0	16.6
HMC	27.2	22.5	4.8		4.8
CMC	19.5	18.9	1.7		1.7



2016 NAC—RTN, TMC, HMC, CMC Story Highlights

Here, we share with you story highlights of our programs in 2016.

RTN aiming for a cleft free Palawan

In a bid to make Palawan the first cleft lip/palate free province in the country, RTN and CNBC partnered with Operation Smile Philippines (OSP) to address afflicted indigents. Operation Smile is the pioneer in cleft care in the Philippines. Since its founding in 1982, following a mission in Naga City, it has held 302 missions in 79 cities and municipalities across the country, operating on more than 29,000 Filipino children and young adults.

Two medical missions were conducted, one in August 9 at the Northern Palawan Provincial Hospital in Roxas town, and the second from November 7-12 at the Southern Palawan Provincial Hospital (at Brooke's Point. Out of the 155 target beneficiaries, 114 qualified patients underwent free surgeries.

A majority of the patients had to travel 10 hours or more to sign up for the operations. They came from the northern towns of Agutaya, Roxas, San Vicente, El Nido and Dumarán, as well as the southern towns of Aborlan, Narra, Espanola, Brooke's Point, Bataraza, Quezon, Rizal and even Balabac.

The free cleft surgery initiative was part of the CSR engagements of RTN and CNBC. Medical costs to correct cleft lip/palate ranges from P70,000 to P100,000, placing corrective surgery beyond the reach of residents who mainly rely on subsistence farming and fishing that educates more than 1,000 of them up to high school equivalent, housing and health care.

HMC funds first Philhealth Ward in the Country

The first Philhealth Ward in the country was opened recently at the Philippine General Hospital (PGH) made possible with the help of a P3M donation from HMC.

This ward provides better access for paying patients who could not afford the cost of a private hospital. It has 28 compartmentalized beds designed for more privacy and to help reduce communicable infections. Just as important, it generates income to subsidize the charity wards.

It was two years ago when NAC officials noticed a vacant ward at the PGH, caused by the move of the Ophthalmology Department to the newly built Jose Rizal Eye Center. The funding from HMC jumpstarted the conversion of the empty ward into what it is today, serving the needs of over 1,500 indigent Filipinos who flock to PGH every day.



CMC helps bring potable water to island communities

Access to potable water is a major concern for people living in island communities, such as in the host and neighboring communities of CMC. The nearest and only source of water entails a grueling 3-kilometer trek to the river whose water quality is not safe to use for direct drinking.

To change this reality, CMC launched various water system projects for its host and neighboring communities including the building of reservoirs, as well as maintaining and enhancing existing sources.

Barangay Legaspi is one recipient of CMC's water system initiatives. The company built an additional reservoir to respond to the rising water needs of the residents. Now that the barangay has two water reservoirs, the community's water supply has vastly improved. Residents no longer need to worry about the possibility of water scarcity in their barangay even during the dry season.

CMC Tilapia Culture named "Outstanding Project"

The Tilapia Culture Project of CMC for the residents of Barangay Boa was recognized as one of the most outstanding mining-assisted livelihood projects by the PMSEA and the National Community Relations Practitioners (NCRP) in the Philippines. Managed by the Boa Fisherfolks Association (BFA), the community's tilapia business has grown over the years, providing annual income to BFA members while delivering a constant supply of an inexpensive but reliable, low-fat protein source for the community.

The project was cited for its innovativeness and sustainability during the 4th Community Relations Officers Conference held in conjunction with the 63rd Annual National Mine Safety and Environment Conference in Baguio City last November 2016. On this occasion, every year, exceptional community development projects funded under the SDMP are recognized.



TILAPIA CULTURE PROJECT OF CMC



CONSTRUCTION OF NEW BUILDING FOR TAGANITO NATIONAL HIGH SCHOOL, PARTIALLY FUNDED BY TMC AND THPAL

TMC funds new high school building

TMC recently joined hands with NAC's affiliate, Taganito HPAL Nickel Corporation (THPAL), in raising P42 Million for the construction of a new high school building for the Taganito National High School in Claver, Surigao del Norte.

TMC through NAC CEO Gerard Brimo handed over a check for P21 Million to DepED Sec. Bro Armin Luistro on the occasion of the 2016 Teachers Congress in Surigao City last February for the new building project. This would house modern facilities such as a library, a computer

center, science laboratories, conference room, a gymnasium, canteen and other modern equipment THPAL matched the TMC donation.

The new building is an important addition to the existing facilities of the high school, which caters to the youth coming from the 14 barangays of Claver. It currently has an expanded enrolment of 852 due to the influx of families of the work force and various enterprises that have been created as a result of the combined operations of TMC and THPAL.

Independent Assurance Statement



Introduction

ECC International (ECCI) has been engaged by the management of Nickel Asia Corporation (Company) to provide an independent assurance of its Sustainability disclosures in the 2016 Annual Financial & Sustainability Report. The intended users of this assurance statement are the management and all other key stakeholders of the company.

Scope of Work

The assurance was planned and conducted in line with the requirements of the international standard AA 1000 AS. We performed a Type II, Moderate Level of Assurance and evaluated the Company's Sustainability Performance and other information/data made available by the company for the reporting period from January 01st, 2016 to December 31st 2016 with respect to:

- AA 1000 APS Standard– Principles of Materiality, Inclusivity and Responsiveness
- Global Reporting Initiative (GRI) G4 Guideline

The performance data in scope included economic, environmental and social data, however the financial information from the annual report was excluded as an independent 3rd party accounting firm had independently audited this disclosures. Financial data reported is taken directly from the independently audited financial statements and the same has not been checked against its source as part of this assurance process.

Assurance Procedure

We performed assurance based on our methodology which is built on our professional experience and international standards for assurance. We planned and performed our work to obtain the evidence we considered necessary to provide a basis for our assurance conclusions.

We used the GRI Quality of Information Principles to evaluate the performance data together with the company's data protocols for how the sustainability performance data is measured, recorded and reported. This formed the basis of the Reporting Criteria for undertaking our assurance work. In doing so, we have:

- Reviewed the company's approach to stakeholder engagement
- Review of the company's Environment, Economic & Social (EES) policies, plans and practices
- Reviewed the consistency of data/information within the report as well between the report and the original source
- Validated the figures with the compliance reports submitted to government agencies
- Performed sample audits on certain data streams to validate the accuracy, completeness and reliability of the data collection, compilation and reporting system

Adherence to AA1000 Principles

Inclusivity:

Nickel Asia Corporation was found to have a variety of well-managed mechanisms to regularly engage with all their stakeholders frequently. The company considers stakeholder concerns and addresses them through proper channels. This report clearly indicates the various stakeholders the company is involved with and their method of engagement with them.

Materiality:

We reviewed and analyzed the process of defining the material aspects for all its mine sites addressed in this report. Nickel Asia Corporation determined its critical area of focus in 2014 initially with support from the mine sites and has reviewed and validated the aspects in 2016 to report on the identified critical concerns. Identification of critical concerns is based on the company's operations, stakeholder feedback, regulatory requirements, financial viability and social development of the communities and employees. List of critical concerns are reported under the materiality section of the report.

Responsiveness:

The company has adequate set of policies and guidelines in place to respond to the stakeholder concerns. Some of the key process has been defined in the stakeholder management section of the report. It was also evident that company responds to their stakeholders on a timely basis.

Key Observations & Recommendations

- Nickel Asia Corporation determines its Social programs in consultation with local government and host communities. The Company shall consider now measuring the impact of its social programs conducted in past. This will be beneficial for the company to prioritize the programs based on impact assessment.
- Nickel Asia Corporation measures its sustainability performance individually for each mine site. We suggest making the social and environmental initiatives standard across all the sites.
- The Company has adopted Sustainable Development Goals (SDGs) as a part of its sustainability strategy. We recommend to determine and set up measurable targets it intend to achieve in future and align its disclosures to show progress for each of the goals.
- The company shall look for innovative solution for its environmental initiatives more aligned and supporting the social development program-providing livelihood for the neighboring communities.
- The Company can set up measurable performance indicators and targets for each of the material aspects identified and show its progress against those disclosures.

Conclusion

In our opinion, the company has represented its Sustainability Performance in the report for the year 2016 in a fair and balanced manner and meets the requirement of **Type-2, Moderate level** of assurance. Nothing has come to our attention which is different to what is disclosed in this report. The Company follows the regulatory requirements of the Philippines and the disclosures in this sustainability report are verified from such regulatory reports. This report adheres to the AA1000 principles of Materiality, Inclusiveness and Responsiveness.

The reporting principles for defining the report content and quality are followed and are in line with the GRI G4 Guidelines. The sustainability report is **"in accordance with Core"** level of the guidelines.

All the Standard disclosure and Performance Indicators related to the SDMP & EPEP have been externally assured and the credibility of the data disclosed has been verified.

Responsibilities

The Preparation, Presentation and Content of the Nickel Asia Corporation's 2016 Annual Financial & Sustainability Report is the sole responsibility of the company. The company is responsible for determining the Sustainability goals & objectives, performance and for establishing and maintaining appropriate data management systems and internal control systems from which the reported information is derived.

Our responsibility is to express an independent conclusion on the company's Sustainability performance disclosed and defined within the scope of work as mentioned above. Our statements represent our independent opinion and intended to all stakeholders of the company including its management.



Kama Neson Ganeson
Lead Assurer
ECC International Corp.
Philippines

Date – May 02, 2017
Makati City



AA1000
Licensed Assurance Provider
000-155

Financial Review

Revenues

	FOR THE YEARS ENDED DECEMBER 31			%CHANGE	
	2016	2015	2014	2016 VS 2015	2015 VS 2014
Sales of Nickel Ore					
Revenue (In Million Pesos)	13,233	14,382	23,737	-8	-39
Volume (WMT '000)	19,254	19,672	17,873	-1	10
Average Price - LME-based (\$/lb.)	4.4	5.4	7.7	-19	-30
Average Price - tonnage based- (WMT/lb.)	20.8	22.6	45.1	-8	-50
Sale of Limestone, Services and Others	890	1,050	1,009	-15	4
Total Revenue	14,123	15,432	24,746	-8	-38

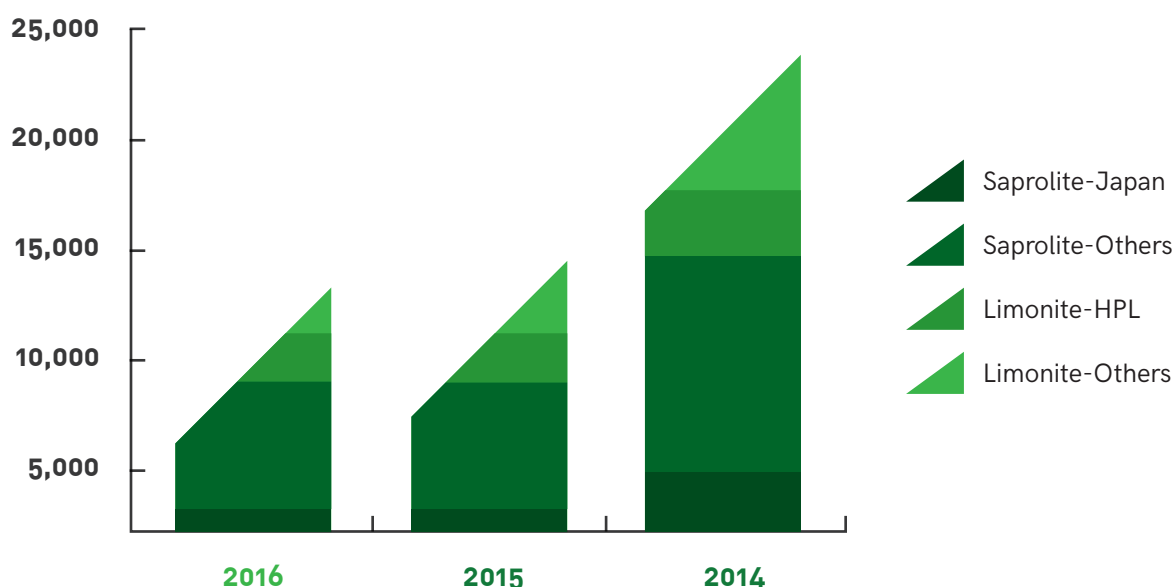
Nickel ore shipments in 2016 of 19.3 million WMT was marginally lower compared to the 19.7 million WMT of shipments achieved in 2015. The drop in ore shipments was mainly due to the unfavorable weather conditions and sea swells during the first half of the year, which resulted in a delay in the start of mining operations at the Hinatuan and Cagdianao mines. Ore deliveries to the HPAL plants likewise decreased to 7.6 million WMT in 2016 compared to 7.8 million WMT in 2015 due to remedial work conducted over a one-month period at the Taganito HPAL plant, which reduced ore deliveries from the Taganito mine.

The work was completed in May 2016 and the plant has since resumed operations at full capacity. Lower shipment

volumes coupled with the overall weakness in nickel ore prices led to a drop in the Company's total revenue from P15.4 billion in 2015 to P14.1 billion in 2016.

The Company realized an average price of \$4.39 per pound of payable nickel on its shipments of ore to the two HPAL plants in 2016, the pricing of which is linked to quoted prices in the London Metal Exchange (LME). This compares to an average price of \$5.36 per pound of payable nickel sold in 2015 and \$7.69 in 2014. With respect to export sales, the Company achieved an average price of \$20.77 per WMT in 2016 compared to \$22.64 in 2015 and \$45.10 in 2014.

Revenue Breakdown Per Product (In Million Pesos)



Please refer to Pages 68 to 71 for the detailed breakdown of sales and production per operating mine.

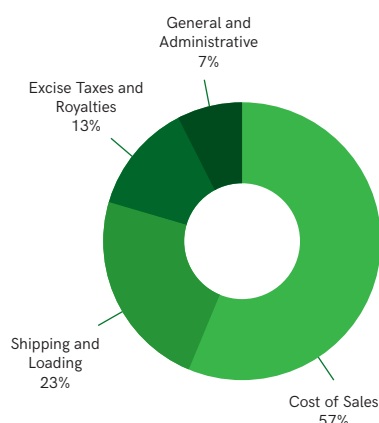
Operating Costs and Expenses

(IN MILLION PESOS)	FOR THE YEARS ENDED DECEMBER 31			%CHANGE	
	2016	2015	2014	2016 VS 2015	2015 VS 2014
Costs of Sales and Services	6,387	6,762	5,878	-6	15
General and Administrative	737	788	806	-6	-2
Excise Tax and Royalties	1,007	1,090	1,755	-8	-38
Total Operating Costs and Expenses	10,050	10,528	10,445	-5	1
Total Cash Operating Costs and Expenses	7,612	8,488	8,981	-10	-5

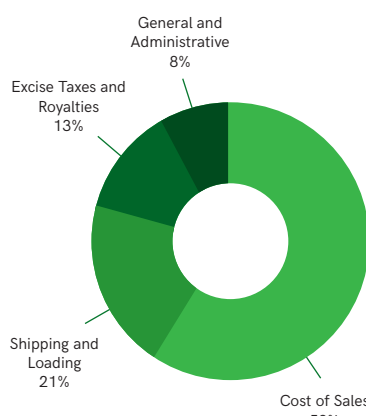
Total cash operating costs and expenses decreased from P8.49 billion in 2015 to P7.61 billion in 2016, as a result of stringent cost cutting measures implemented at the mine sites. The cash operating cost per volume of ore sold provides a cost profile for each operating mine and allows us to measure and compare operating performance as well as changes in per unit costs from year to year.

The cash operating cost includes production, shipping and loading costs, excise taxes and royalties, and general and administrative expenses incurred by the Group. On a per WMT of ore sold, total cash costs and expenses decreased to P395.36 per WMT in 2016 as against P431.50 per WMT in 2015 and P502.46 per WMT in 2014.

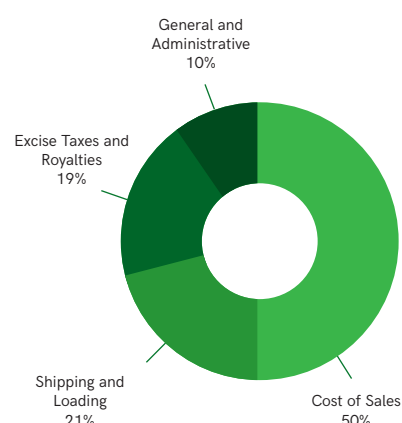
Cash Costs 2016



Cash Costs 2015



Cash Costs 2014



Net Income

(IN MILLION PESOS)	FOR THE YEARS ENDED DECEMBER 31			%CHANGE	
	2016	2015	2014	2016 VS 2015	2015 VS 2014
Net Income	2,711	3,045	11,008	-11	-72
Net Income attributable to equity holders	1,966	2,035	8,552	-3	-75

The net income for 2016 is inclusive of a P414 million equity loss from the Company's 10% investments in Taganito HPAL Nickel Corporation (THPAL) and in Coral Bay Nickel Corporation due to much lower nickel prices. The equity loss, however, decreased from P811 million in 2015 since the

Company partially divested 12.5% interest in THPAL at a gain of P239.6 million, as well as lower operating costs at THPAL. This compares to P522 million equity income reported in 2014.

The following are the relevant profitability ratios as of the end of 2016, 2015 and 2014.

	FOR THE YEARS ENDED DECEMBER 31		
	2016	2015	2014
Return on assets	6%	7%	31%
Return on equity	9%	10%	36%
Net profit margin	19%	20%	44%

Financial Condition, Liquidity and Capital Resources Cash Flows

	FOR THE YEARS ENDED DECEMBER 31		
IN MILLION PESOS (PHP)	2016	2015	2014
Net cash flows from operating activities	4,513	4,858	11,155
Net cash flows used in investing activities	-1,840	-9,285	-2,336
Net cash flows used in financing activities	-347	-2,195	-5,588

As mentioned earlier, the Company partially divested its interest in THPAL, which reduced its equity interest from 22.5% to the current 10%. The proceeds from the divestment amounted to P2.0 billion.

The Company continued with the annual upgrade of its mining fleet and facilities at its four operating mines, with total capital expenditures in 2016 of P822 million compared to P1.8 billion in 2015. The bulk of the expenditures in 2016 were for acquisition of mining equipment, while in 2015, a substantial portion of the expenditures were earmarked for the completion of two conveyor systems at Taganito. The capital expenditures were financed by available cash resources.

In 2016, the Company, through its 70.92% owned subsidiary, Emerging Power, Inc. (EPI), increased the

capacity of the solar plant in the Subic Bay Freeport from 7.14 MWp to 32.14 MWp. The expansion amounted to P2.3 billion. An additional P228 million was incurred for EPI's geothermal projects. The expenditures were financed by commercial bank loans of P1.2 billion, a loan from the Company amounting to P1.15 billion, and by an equity infusion from EPI shareholders amounting to P886.9 million.

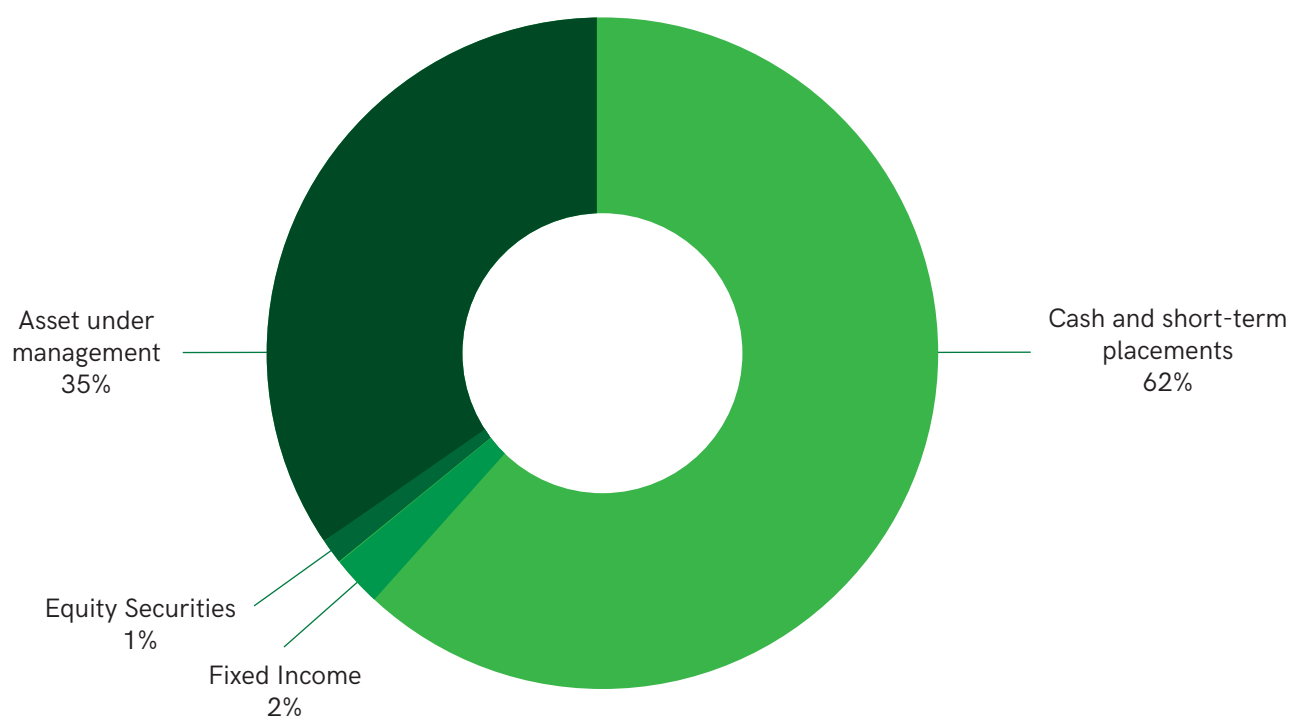
The Company has consistently paid cash dividends to its shareholders totaling P607.8 million in 2016, P3,795.9 million in 2015 and P2,021.7 million in 2014. As at yearend, the Company's financial position reflected total assets of P45,351 million, a 9% increase from 2015.

Below is a summary of the financial position for 2016 and 2015.

IN MILLION PESOS (PHP)	DECEMBER 31, 2016	DECEMBER 31, 2015
Cash, cash equivalents and AFS investments	15,967	12,904
Other current Assets	5,302	4,591
Noncurrent Assets	24,082	24,235
Total Assets	45,351	41,730
Current Liabilities	7,946	7,713
Noncurrent Liabilities	6,206	4,604
Equity Attributable to Equity Holders of the Parent Company	27,020	25,512
Non-controlling Interests	4,179	3,901
Total Equity	31,199	29,413

The composition of the consolidated Company's cash, cash equivalents and AFS investments at end of 2016 follows:

Cash, Cash Equivalents and AFS Investments
PHP 15,967 Million



The following are the relevant liquidity and debt-equity ratios as of end of calendar year 2016 and 2015:

	DECEMBER 31, 2016	DECEMBER 31, 2015
Current ratio	2.58	2.16
Quick ratio	2.06	1.69
Debt-to- equity ratio	0.45	0.42

Map of Mineral Properties and Energy Projects



Legend

- Operating Mines
- Exploration Projects - Nickel
- Exploration Projects - Gold
- Development Project - Nickel
- Energy Projects
- Major Cities

Summary of Ore Reserves and Resources

Total Ore Reserves⁽¹⁾

As of December 31, 2016.

OPERATION	MINERAL	CLASSIFICATION	TONNES (KWT)	TONNES (KDMT)	%NI	%FE	CONTAINED NI (KT)
Rio Tuba	Saprolite	Proved and Probable	19,757	13,215	1.51	13.90	200
	Limonite	Proved and Probable	48,136	33,708	1.08	35.71	364
Taganito	Saprolite	Proved and Probable	57,185	39,914	1.49	9.84	595
	Limonite	Proved and Probable	129,391	86,710	1.06	46.14	919
Cagdianao	Saprolite	Proved and Probable	24,330	16,220	1.50	14.07	243
	Limonite	Proved and Probable	27,009	18,005	1.19	32.76	214
Hinatuan	Saprolite	Proved and Probable	6,108	4,072	1.50	14.78	61
	Limonite	Proved and Probable	8,666	5,777	1.07	36.04	62
Geogen	Saprolite	Proved and Probable	4,337	2,819	1.85	28.74	52
	Limonite	Proved and Probable	50,576	32,875	1.32	40.00	434
Total Reserves	Saprolite	Proved and Probable	111,717	76,240	1.51	12.41	1,151
	Limonite	Proved and Probable	263,778	177,075	1.13	41.32	1,993

This summary was prepared by Engr. Rolando R. Cruz, who is the current Vice President for Operations of Nickel Asia Corporation. Engr. Cruz is a Competent Person under the definition of the Philippine Mineral Reporting Code (PMRC) and has sufficient experience as to the type of deposit and mineralization. He has given his consent to the Public Reporting of this statement concerning Ore Reserve Estimation.

Total Mineral Resources⁽¹⁾⁽²⁾

As of December 31, 2016.

OPERATION	MINERAL TYPE	CLASSIFICATION	TONNES (KWT)	TONNES (KDMT)	%NI	%FE	CONTAINED NI (KT)
Rio Tuba	Saprolite	Measured and Indicated	23,554	14,796	1.64	13.57	243
	Limonite	Measured and Indicated	50,789	35,427	1.10	35.70	390
	Saprolite	Inferred	17,170	10,777	1.57	11.76	169
	Limonite	Inferred	6,045	4,201	1.18	36.10	50
Taganito	Saprolite	Measured and Indicated	57,185	39,915	1.67	9.84	667
	Limonite	Measured and Indicated	129,391	86,711	1.06	46.14	919
	Saprolite	Inferred	3,697	2,558	1.57	11.85	40
	Limonite	Inferred	-	-	-	-	-
Cagdianao	Saprolite	Measured and Indicated	26,588	17,725	1.37	12.35	243
	Limonite	Measured and Indicated	27,366	18,244	1.09	34.08	199
	Saprolite	Inferred	5,595	3,730	1.22	13.59	46
	Limonite	Inferred	3,127	2,084	1.11	28.24	23
Hinatuan	Saprolite	Measured and Indicated	10,085	6,723	1.27	12.10	85
	Limonite	Measured and Indicated	9,538	6,359	0.89	33.26	57
	Saprolite	Inferred	3,862	2,575	1.21	11.67	31
	Limonite	Inferred	4,493	2,996	0.83	31.24	25
Geogen	Saprolite	Measured and Indicated	43,615	28,350	1.20	13.78	340
	Limonite	Measured and Indicated	60,830	39,540	1.23	43.32	486
	Saprolite	Inferred	25,046	16,280	1.14	13.95	186
	Limonite	Inferred	8,800	5,720	1.06	42.33	61
Total Resources	Saprolite	Measured and Indicated	161,027	107,509	1.47	11.95	1,578
	Limonite	Measured and Indicated	277,914	186,281	1.10	41.94	2,051
	Saprolite	Inferred	55,370	35,920	1.31	12.94	472
	Limonite	Inferred	22,465	15,001	1.05	36.41	159

This summary was prepared by Radegundo S. de Luna, who is a Consultant Geologist for Nickel Asia Corporation. Mr. de Luna is a Competent Person for Exploration and Mineral Resource Estimation under the PMRC. He has sufficient experience which is relevant to the type of deposit and mineralization.

¹ Ore Reserves and Mineral Resource tonnages are shown in full. Nickel Asia Corporation owns 60% of Rio Tuba, 65% of Taganito, and 100% of the Cagdianao, Hinatuan and Geogen.

² Inclusive of Mineral Resources converted to Ore Reserves

Note: Cut-off grades used to estimate Mineral Resources are as follows:

Riotuba	Saprolite: $\geq 1.0\% \text{ Ni}$, $< 20.00\% \text{ Fe}$;	Limonite HPAL: $\geq 20.00\% \text{ Fe}$;	
Taganito	Saprolite: $\geq 1.22\% \text{ Ni}$, $< 20.00\% \text{ Fe}$;	Limonite High Fe: $0.01\% \text{ Ni} < x < 0.80\% \text{ Ni}$, $\geq 48.00\% \text{ Fe}$	Limonite HPAL: $\geq 0.80\% \text{ Ni}$, $\geq 20.00\% \text{ Fe}$;
Cagdianao	Saprolite: $\geq 0.90\% \text{ Ni}$, $\leq 20\% \text{ Fe}$;	Limonite High Fe: <i>regardless of %Ni</i> , $> 20.00\% \text{ Fe}$	
Taganaan	Saprolite: $\geq 0.95\% \text{ Ni}$, $\leq 20\% \text{ Fe}$;	Limonite High Fe: <i>regardless of %Ni</i> , $> 20.00\% \text{ Fe}$	
Geogen	Saprolite: $\geq 1.00\% \text{ Ni}$, $\leq 20\% \text{ Fe}$;	Limonite High Fe: <i>regardless of %Ni</i> , $> 20.00\% \text{ Fe}$	

Review of Operations

RIO TUBA NICKEL MINING CORPORATION

(RTN – 60% Owned)

The RTN operation was honored with the PMIEA Platinum Achievement award during the 63rd Annual Mine Safety and Environment Conference in November 2016. RTN received its ISO 14001:2004 Certification on 17 May 2016.

Mining Volume

The volume of ore mined for the year amounted to 3,244,322 WMT, consisting of 1,921,351 WMT of saprolite ore and 1,322,971 WMT of limonite ore. Stripping volume for the year amounted to 129,316 WMT.

RTN also retrieved 862,487 WMT of saprolite ore and 3,585,157 WMT of limonite ore from stockpiles to meet the budgeted annual saprolite shipment volume and to provide limonite ore feed to the Coral Bay HPAL facility, respectively. Consequently, RTN's year-end limonite ore stockpile inventory amounted to 5,224,545 WMT. Furthermore, 839,313 WMT of oversized materials were recovered from ore delivered to the plant, which can be utilized for 1.3-1.4%Ni saprolite ore shipment.

Shipments

RTN sold a total of 6,157,471 WMT of nickel ore in 2016. High-grade and medium-grade saprolite ore totaling 553,793 WMT were sold to Pacific Metals Co., Ltd. (PAMCO) at an average price of US\$ 31.28 per WMT.

In addition, medium-grade saprolite ore totaling 1,719,682 WMT were sold to Chinese customers at an average price of US\$22.82 per WMT.

HPAL-grade limonite ore (approximately 1.07% nickel grade) totaling 3,449,229 WMT was delivered to the Coral Bay HPAL facility. The realized LME nickel price for this tonnage averaged US\$ 4.34 per pound. In addition, 306,040 WMT of crushed limestone was sold to Coral Bay while 176,048 WMT was sold to Unichamp Mineral Philippines Inc. (UMPI). RTN also provided a variety of services such as handling and hauling of materials and supplies for the Coral Bay plant.

	2016	2015	2014
TONNAGE MINED (WMT)			
Saprolite	1,921,351	2,367,548	2,190,463
Limonite	1,322,971	1,094,426	1,170,703
SALES DATA			
Saprolite – Japan (WMT)	553,793	756,565	917,257
Average nickel grade	1.59%	1.57%	1.59%
Average price (per WMT)	US\$ 31.28	US\$ 36.67	US\$ 51.12
Saprolite – China (WMT)	1,719,682	2,312,220	1,353,255
Average nickel grade	1.48%	1.41%	1.48%
Average price (per WMT)	US\$ 22.82	US\$ 21.23	US\$ 45.11
Saprolite – Australia (WMT)	-	111,460	-
Average nickel grade	-	1.36%	-
Average price (per WMT)	-	US\$21.80	-
Limonite – CBNC (WMT)	3,449,229	3,371,643	3,382,826
Average nickel grade	1.07%	1.17%	1.20%
Average payable nickel	5.05%	7.01%	10.25%
Average realized LME price (per pound)	\$ 4.34	US\$ 5.35	US\$ 7.67
Limonite – China (WMT)	321,617	-	319,050
Average nickel grade	0.87%	-	0.85%
Average price (per WMT)	US\$ 11.61	-	US\$ 21.46
Limonite – Australia (WMT)	113,150	-	-
Average nickel grade	0.85%	-	-
Average price (per WMT)	US\$ 12.75	-	-

TAGANITO MINING CORPORATION

(TMC - 65% Owned)

TMC operation was awarded, for the second year, as the Best Mining Forest for its reforestation efforts within and beyond its mining operations. In addition, it also received the PMIEA Titanium Achievement award during the 63rd Annual Mine Safety and Environment Conference in November 2016. TMC received its ISO 14001:2004 Certification on 18 July 2016.

Mining Volume

The volume of ore mined for the year amounted to 7,857,386 WMT, consisting of 3,251,780 WMT of saprolite ore and 4,605,606 WMT of limonite ore. As the ore was exposed on surface, no stripping was required. In addition, 1,204,482 WMT of limonite ore allocated to the Taganito HPAL facility was retrieved from stockpiles to augment ore deliveries to the plant.

To compensate for the lower nickel price compared to the previous year, the operations focused on mining of the higher grade nickel ore. Production activities were also extended until year-end whenever weather conditions permitted in order to maximize tonnage.

In early 2016, a revamp of the discharge end of the Taga-3 conveyor and a second (Taga-1) conveyor were completed and became operational. The two conveyor systems are designed to convey about 80% of the limonite ore requirement to the Taganito HPAL plant on

a year-round basis and in a more cost effective manner than conventional trucking. TMC is the first lateritic nickel operation in the country to use conveyors for delivery of ore. The Conveyor System, also reduced the number of trucks delivering ore to THPAL by 50 truckloads per hour. This reduced greenhouse gas emission by 436.07 m3/hr.

Shipments

TMC sold a total of 7,996,682 WMT of nickel ore in 2016, an increase of 3% compared to last year's volume of 7,740,668 WMT. High-grade and medium-grade saprolite ore totaling 601,870 WMT were sold to PAMCO at an average price of US\$ 37.32 per WMT. Medium-grade saprolite ore totaling 1,735,821 WMT and 1,545,824 WMT of limonite ore were sold to Chinese customers at an average price of US\$ 25.93 per WMT and US\$ 13.09 per WMT, respectively.

Low-grade limonite ore totaling 4,113,167 WMT was delivered to the Taganito HPAL plant, which was on its third year of commercial operations. The realized LME nickel price for this tonnage averaged US\$ 4.43 per pound of payable nickel. In addition, TMC provided a variety of services such as handling and hauling of materials and supplies for the Taganito HPAL plant.

The lower volumes of ore deliveries to Taganito HPAL plant compared to the prior year was due to remedial work conducted over a one month period at the Taganito HPAL plant. The work was completed in May 2016 and the plant has since resumed operations at full capacity.

	2016	2015	2014
TONNAGE MINED (WMT)			
Saprolite ore	3,251,780	2,656,788	2,268,154
Limonite ore	4,605,606	4,369,754	3,750,545
SALES DATA			
Saprolite - Japan (WMT)	601,870	647,191	655,919
Average nickel grade	1.72%	1.70%	1.69%
Average price (per WMT)	US\$ 37.32	US\$ 48.35	US\$ 63.83
Saprolite - China (WMT)	1,735,821	1,853,716	1,610,412
Average nickel grade	1.54%	1.50%	1.54%
Average price (per WMT)	US\$ 25.93	US\$ 24.66	US\$ 60.46
Limonite - China (WMT)	1,545,824	813,473	797,996
Average nickel grade	0.96%	0.96%	0.98%
Average price (per WMT)	US\$ 13.09	US\$ 12.56	US\$ 26.73
Limonite - THPAL (WMT)	4,113,167	4,426,288	4,023,354
Average nickel grade	1.12%	1.09%	1.00%
Average payable nickel	6.00%	6.01%	6.17%
Average realized LME price (per pound)	US\$ 4.43	US\$ 5.36	US\$ 7.71

HINATUAN MINING CORPORATION

(HMC - 100% Owned)

HMC received its ISO 14001:2004 Certification on 23 June 2016. It also received the PMIEA - Titanium Achievement award during the 63rd Annual Mine Safety and Environment Conference in November 2016.

Mining Volume

The volume of ore mined for the year amounted to 2,951,579 WMT, consisting of 1,209,050 WMT of saprolite ore and 1,742,530 WMT of limonite ore. The stripping volume amounted to 1,153,294 WMT.

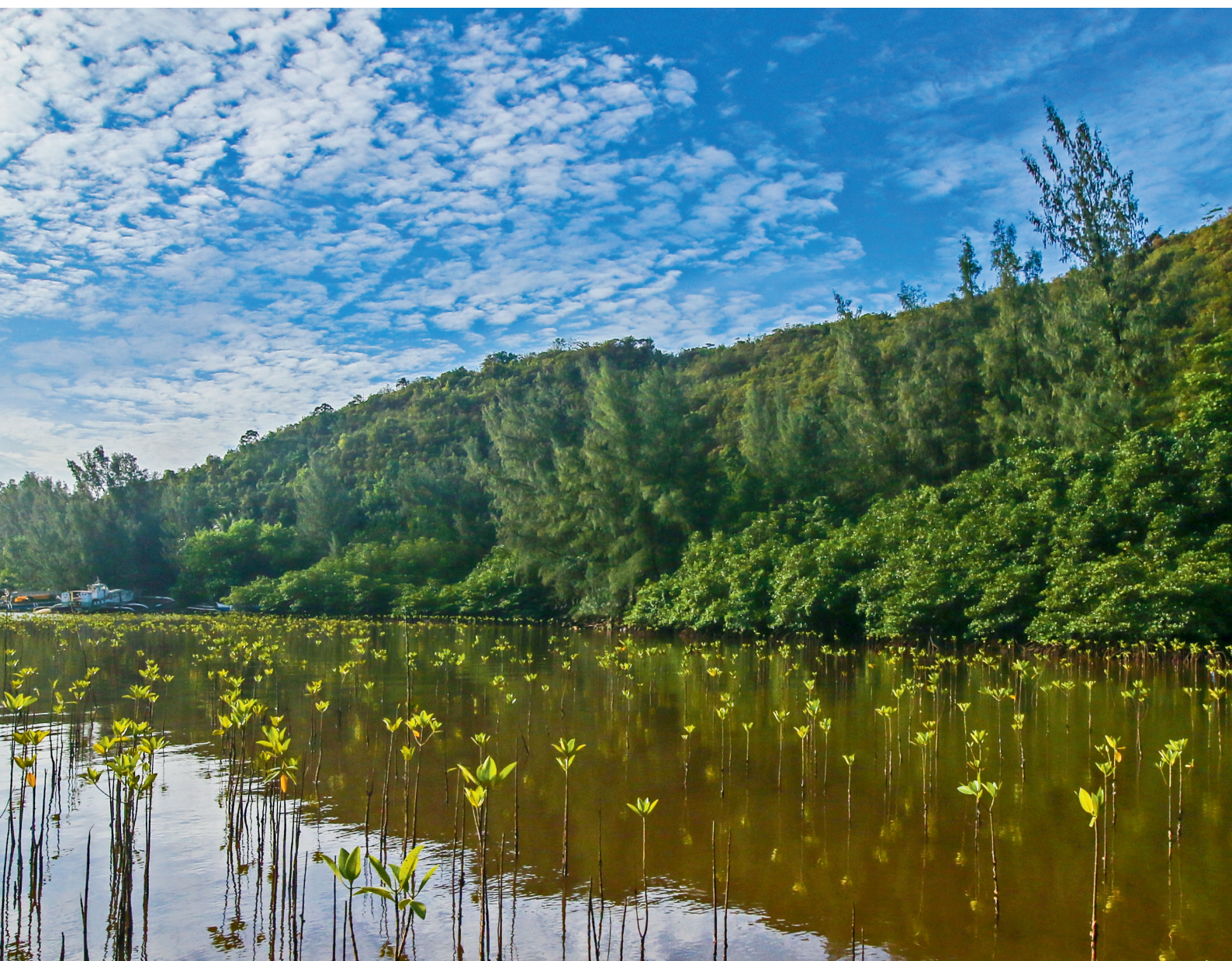
Shipments

HMC sold a total of 3,034,325 WMT of nickel ore in 2016. High-grade ore totaling 90,873 WMT, medium-grade saprolite ore totaling 1,100,558 WMT and 1,842,894 WMT of limonite ore were sold to Chinese customers at an average price of US\$ 33.33 per WMT, US\$ 21.13 per WMT and US \$11.94 per WMT, respectively.

Production activities for the year were focused on mining the already exposed saprolitic areas, thus resulting to a 83% increase in sales volume of saprolite sold for our Chinese customers.

	2016	2015	2014
TONNAGE MINED (WMT)			
Saprolite	1,209,050	781,465	255,521
Limonite	1,742,529	2,581,085	3,056,056
SALES DATA			
Saprolite - China (WMT)	1,191,431	649,662	314,083
Average nickel grade	1.49%	1.53%	1.58%
Average price (per WMT)	US\$ 22.06	US\$ 26.53	US\$ 71.95
Limonite - China (WMT)	1,842,894	2,559,815	3,148,861
Average nickel grade	0.91%	0.87%	0.88%
Average price (per WMT)	US\$ 11.94	US\$ 13.10	US\$ 29.30

MANGROVE PLANTATION AT HMC



CAGDIANAO MINING CORPORATION

(CMC - 100% Owned)

CMC received its ISO 14001:2004 Certification on 14 July 2016. It also received the PMIEA Platinum Achievement during the 63rd Annual Mine Safety and Environment Conference in November 2016.

Mining Volume

The volume of ore mined for the year amounted to 1,985,566 WMT, consisting of 1,360,722 WMT of saprolite ore and 624,844 WMT of limonite ore. The stripping volume amounted to 1,708,031 WMT.

Shipments

CMC sold a total volume of 2,065,597 WMT of ore in 2016. High-grade saprolite ore totaling 251,678 WMT was sold to PAMCO at an average price of US\$ 37.18 per WMT. Medium-grade saprolite ore totaling 1,287,824 WMT and 526,095 WMT of medium-grade limonite ore were sold to Chinese customers at an average price of US\$ 22.95 per WMT and US\$ 11.71 per WMT, respectively.

Production activities for the year were focused on mining the already exposed saprolitic areas, thus resulting to a 167% increase in sales volume of saprolite sold for our Chinese customers.



TOOLBOX MEETING AT CAGDIANAO MINING CORPORATION (CMC)

	2016	2015	2014
TONNAGE MINED (WMT)			
Saprolite	1,360,722	1,212,388	966,559
Limonite	624,844	880,126	127,425
SALES DATA			
Saprolite - Japan (WMT)	251,678	245,522	249,605
Average nickel grade	1.72%	1.76%	1.80%
Average price (per WMT)	US\$ 37.18	US\$ 54.06	US\$ 98.60
Saprolite - China (WMT)	1,287,824	482,512	640,000
Average nickel grade	1.48%	1.50%	1.55%
Average price (per WMT)	US\$ 22.95	US\$ 27.11	US\$ 64.91
Limonite - China (WMT)	526,095	1,177,815	302,297
Average nickel grade	1.21%	1.35%	1.22%
Average price (per WMT)	US\$ 11.71	US\$ 18.37	US\$ 37.09
Limonite - THPAL (WMT)	-	263,674	158,397
Average nickel grade	-	1.15%	1.25%
Average price (per WMT)	-	US\$ 13.63	US\$ 28.45

Review of Exploration



Nickel

RTN

Drilling within the mining tenement was focused on the confirmation and development of ore reserves in Mangingidong, Guintalunan, and Umawi areas. The drilling program, which started in October 2015 and is expected to end by May 2017, targets to accomplish 394 holes equivalent to approximately 7,000 meters.

RTN is in the process of converting its Mining Lease Contracts (MLC) on the Bulanjao Range, which is adjacent to the current existing mining claim, into a Mineral Production Sharing Agreement. The Strategic Environmental Plan (SEP) clearance was issued by the Palawan Council for Sustainable Development on September 1, 2015. An Environmental Impact Assessment (EIA) has already been submitted to the Environmental

Management Bureau (EMB) in order to secure the Environmental Compliance Certificate (ECC). It is expected to undergo the second round of technical screening in the near future. Partial drilling conducted in the past has resulted in measured and indicated mineral resources of 22 million WMT of limonite ore with average grades of 1.17% Ni and 34% Fe and 10 million WMT of saprolite ore with an average grade of 1.80% Ni. Further drilling will be undertaken once the MPSA is received.

TMC

TMC drilling activities for 2016 was limited to Mine Pit 304 located at Urbiztondo ridge. Condemnation drilling was done to ascertain the remaining ore reserve and prepare the way for the eventual rehabilitation of the pit. Exploration activities for 2016 at the adjoining Kepha exploration project are still under negotiations with the Mamanwa IP group. Drilling activities in the said area



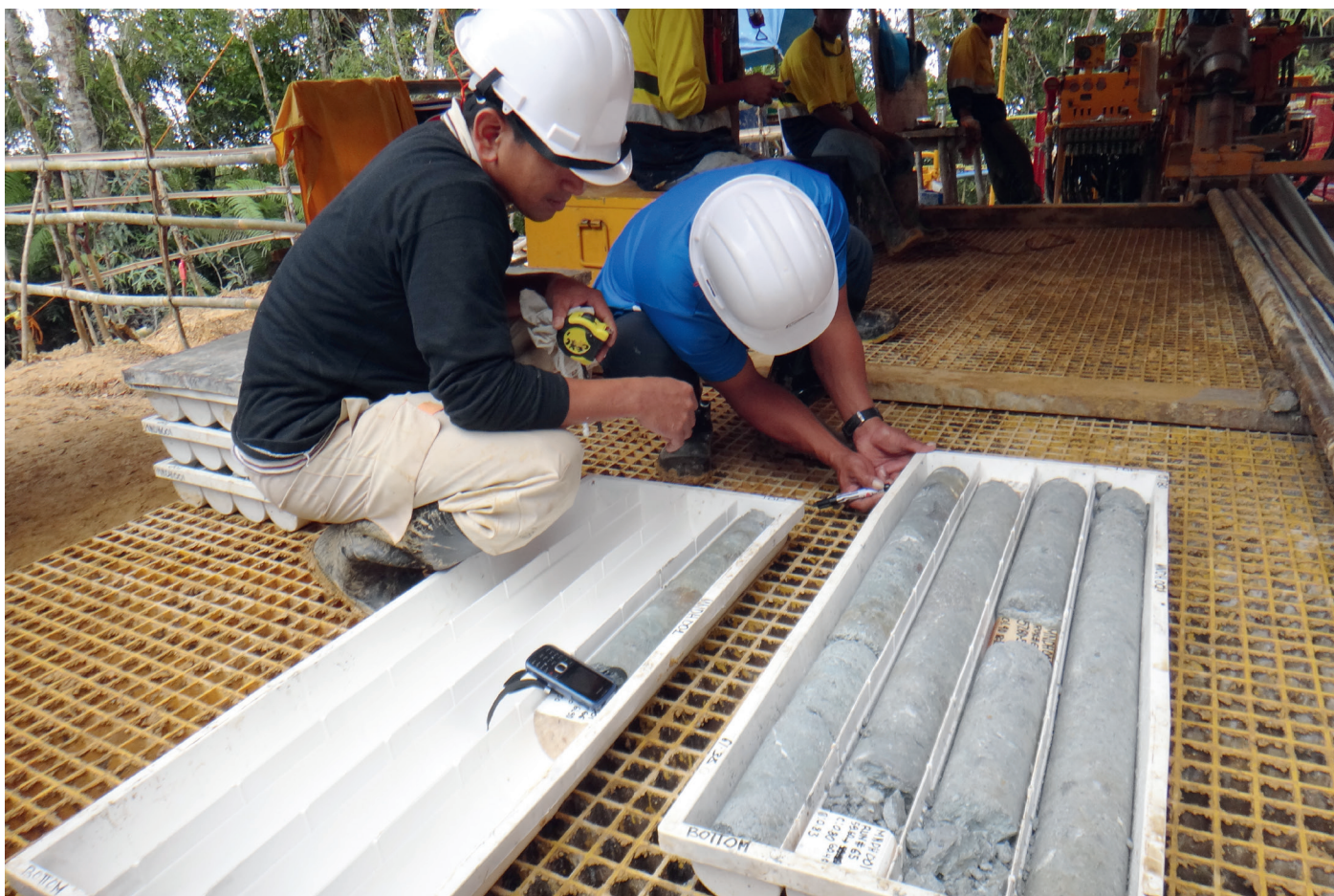
EXPLORATION – MAPPING

will resume after the favorable outcome of the said negotiations, which is expected in the first half of 2017.

Geogen Corporation

NAC acquired Geogen on 04 August 2015, which holds a mineral property under MPSA No. 258-2007-II. The property is located in the northeastern portion of Luzon, near the coast in Brgy. Dimaluade, municipality of Dinapigue, province of Isabela. The project is known as the Isabela Nickel Mining Project, which covers an area of 2,392 hectares. Exploration drilling was performed in the northernmost part of the MPSA contract area to confirm the accuracy of previous drilling results and to block additional resources. A total of 192 holes with an aggregate length of 3,146.82 meters were completed during the year. Drilling works will be continued in March 2017 with target additional holes of 560 by the end of 2017.

While the construction of a permanent causeway was deferred pending the necessary permits and additional engineering and design considerations, other development works within the tenement was undertaken. These include repair & maintenance of access roads, construction of offices and staff accommodation, topographic surveys of priority areas for development, and establishment of environmental control measures and nursery facilities.



EXPLORATION - CORE CHECKING

Gold and Copper

Cordillera Exploration Co., Inc. (CEXCI)

CEXCI has an Exploration Permit (EP) over the Manmanok Property in Apayao Province, an application for EP over the Kutop Property in the province of Abra, and an application for Financial and Technical Assistance Agreement (FTAA) over the Mankayan Property, within the adjoining provinces of Benguet, Ilocos Sur and Mountain Province, part of which is in the process of conversion to EPs.

In December 2015, CEXCI purchased 100% of Newminco Pacific Mining Corporation (Newminco), which has an EP in the province of Zambales over an area that is prospective for gold-copper mineralization. As a result of such purchase, CEXCI's 25% shareholder, Sumitomo Metal Mining, Inc. (SMM), has made an additional equity contribution of \$2.8 million in December 2015 to increase its equity to 40%. The transaction is pending approval by the Securities and Exchange Commission. Once approved, NAC's equity in CEXCI will be reduced to 57%.

Newminco Pacific Mining Corporation

Newminco holds an EP for copper, gold, and related base and precious metals over an area located in Cabangan, San Felipe, and San Marcelino in the province of Zambales. The decision to acquire the company was made following the discovery of outcropping quartz veins, the sampling of which in part returned good assays for gold.

In 2016, Newminco proceeded to implement its exploration program in the tenement. Roughly 25 kilometers of old farm to market and logging roads were rehabilitated and maintained to gain access to the property. Six hundred and sixty meters (660m) of exploratory trenches were dug, logged, sampled and rehabilitated. Diamond core drilling was conducted with a total meterage of 3,799.5 m. A total of 401 samples were sent to the laboratory for multi-element geochemical analysis.

The results of the drilling program verified gold mineralization in a portion of the area drilled, but not in sufficient quantities to warrant further drilling. The exploration program for 2017 will cover other areas of the tenement.

Mankayan

The Mankayan property is located within two regions, the Cordillera Administrative Region (CAR) and Region I, and originally consisted of a FTAA application designated as AFTA-008. A decision was made to partially convert the AFTA to an application for EP. Since the area to be converted to an EP straddles two regions and involves ancestral lands belonging to separate tribes, in order to facilitate the required "Free and Prior Informed Consent" (FPIC), two applications for EP were filed: EXPA 116-Mankayan, covering an area of approximately 5,157 hectares; and EXPA 116-Cervantes, covering an area of approximately 6,012 hectares. The remaining portion of AFTA-008, within the provinces of Benguet and Mt.

Province, consists of approximately 43,320 hectares.

Mankayan/Cervantes

The process to obtain the FPIC over the Mankayan area was started in late 2015, but was suspended before the general elections in May, 2016. In Cervantes, the process has advanced to consensus building, and as of year-end, the consensus of 6 out of 9 barangays have been achieved. The 3rd General Assembly, which is the final assembly to officially proclaim the acceptance of the exploration work by CEXCI, will be conducted within the first quarter of 2017.

The Mankayan-Cervantes area is underlain by the same lithological units, and subjected to the same tectonic regimes that have rendered the district highly faulted and fractured. Three mineralization types can be found in the Mankayan sector: a) gold-rich porphyry copper mineralization, with the Far South East and Guinaoang deposits as examples; b) high-sulphidation copper and gold mineralization, as typified by the Lepanto Consolidated enargite ore body; and c) intermediate-sulphidation gold and base metals mineralization, examples of which are the Victoria and Suyoc ore bodies of Lepanto. Because of the similarities in lithological and structural controls, it could reasonably be expected that the same controls and styles of mineralization in the Mankayan sector are also present in the Cervantes sector.

Manmanok

The Manmanok property is located within the Municipality of Conner, Apayao Province. Following geophysical and geochemical work in an area that was deemed to be prospective for gold mineralization, drilling activities were conducted from June 2012 to March 2013, with poor results. Given this outcome and the difficulties experienced in operating in such a remote area, a decision has been made to terminate all work and relinquish the EP.

Kutop

The Kutop property is located within the municipalities of Malibcong and Daguioman in the Province of Abra, and the municipality of Balbalan in the Province of Kalinga. The property, with a total area of 13,268 hectares, is covered by an application for EP designated as EXPA-014-CAR.

As the area is ancestral land, CEXCI is required to obtain a FPIC from the tribal group prior to the grant of the EP. Considerable delays have been experienced with the National Commission on Indigenous Peoples in moving this process forward. In the meantime, a deadline imposed by the Mines & Geosciences Bureau to complete this process has not been met. A letter requesting for the extension of the deadline remains pending.

DIAMOND DRILLING IN ZAMBALES



Audit Committee's Statement

In Compliance with the Charter of the Company's Audit Committee, we confirm that:

- The Audit Committee is composed of three (3) members one of whom is an Independent Director who is also the Chairman of the Committee;
- The Audit Committee had four (4) meetings for the year 2016;
- The Audit Committee, for the year 2016, performed its oversight functions over the Company's financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations through the review of the various reports submitted by the internal and external auditors;
- The Internal Auditor functionally reports directly to the Audit Committee and is free and independent from interference by outside parties;
- Prior to the commencement of the 2016 audit, the Audit Committee discussed with the Company's external auditor, SyCip Gorres Velayo & Co. (SGV & Co.), the nature, scope and expenses of the audit, including non-audit work and confirmed that the non-audit work did not conflict with the duties of the external auditor nor pose threat to their independence;
- The Audit Committee reviewed the quarterly, half-year, and, together with SGV & Co., the annual financial statements of the Company for the year 2016 before their submission to the Board. The Audit Committee further recommended the inclusion of the Company's Consolidated Financial Statements as of 31 December 2016 in the Company's Annual Report and the Company's SEC Form 17-A Report;
- The Audit Committee evaluated the performance of SGV & Co. and recommended to the Board the reappointment of SGV & Co. as external auditor of the Company.

Respectfully submitted.



Frederick Y. Dy
Audit Committee Chairman



Gerard B. Brimo
Member



Takanori Fujimura
Member

Statement of Management's Responsibility for Financial Statements

The management of Nickel Asia Corporation and Subsidiaries (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2016 and 2015, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to stockholders or members of the Group.

SyCip Gorres Velayo & Co., the independent auditor, appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.



Manuel B. Zamora, Jr.
Chairman of the Board



Gerard H. Briso
President and Chief Executive Officer



Emmanuel L. Samson
Senior Vice President / Chief Financial Officer

Signed this 15th day of March 2016

Note: For a complete set of the audited financial statements, including the notes, refer to the compact disk in the inside back cover of the Annual Report.

Independent Auditor's Report



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Philippines

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Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Nickel Asia Corporation and Subsidiaries

Opinion

We have audited the consolidated financial statements of Nickel Asia Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



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Estimation of ore reserves

The estimation of ore reserves involves significant management estimates and assumptions. Reserves are key inputs to depletion, depreciation, amortization and decommissioning provisions. As discussed in Note 9 to the consolidated financial statements, the Group's mining properties and development costs amounting to Php524.0 million as of December 31, 2016, are amortized using the units of production method. The land improvements, machinery and equipment, and buildings and improvements are depreciated and amortized using the straight line method, where the estimated useful life is based on the mineable ore reserves. This matter is significant to our audit because the estimation of the mineable ore reserves for mining projects located in Palawan and Surigao del Norte, for the remaining life of the mines, requires significant estimation from the management.

Audit response

We obtained an understanding of management's processes and controls in the estimation of mineable ore reserves. We evaluated the competence, capabilities and objectivity of the internal specialist engaged by the Group to perform an independent assessment of its ore reserves. We reviewed the specialist's report and obtained an understanding of the nature, scope and objectives of their work, and basis of the estimates including any changes in the reserves during the year. In addition, we tested the reserves estimates applied to the relevant areas of the consolidated financial statements including depletion, depreciation, amortization and decommissioning provisions.

Recoverability of geothermal exploration and evaluation assets and deferred mine exploration costs

The ability of the Group to recover its geothermal exploration and evaluation assets and deferred mine exploration costs would depend on the commercial viability of the reserves. The carrying values of geothermal exploration and evaluation assets and deferred mine exploration costs as of December 31, 2016 are disclosed in Notes 11 and 13 to the consolidated financial statements. The substantial amount of this account, the level of additions during the year, and the significant management judgment required in assessing whether there is any indication of impairment are key areas of focus in our audit.

Audit response

We obtained an understanding of the Group's capitalization policy and tested whether the policy has been applied consistently. We obtained management's assessment on whether there are impairment indicators affecting the recoverability of the geothermal exploration and evaluation assets and deferred mine exploration costs. We inquired into the status of these projects and their plans on operations. We reviewed contracts and agreements, and budgets for exploration and development costs. We inspected the licenses, permits and correspondences with regulatory agencies of each exploration project, to determine that the period for which the Group has the right to explore in the specific area, has not been cancelled or has not expired, will not expire in the near future, and will be renewed accordingly. We also inquired about the existing concession areas that are expected to be abandoned or any exploration activities that are planned to be discontinued in those areas.

Recoverability of solar project and construction in-progress

The Group is adversely affected by the continued decline in wholesale electricity prices. In the event that an impairment indicator is identified, the assessment of the recoverable amount of the solar project and construction in-progress related to solar farms and geothermal projects, requires significant judgment and



is based on assumptions. The carrying values of the Group's solar project and construction in-progress recorded as part of property and equipment as of December 31, 2016 are disclosed in Note 9 to the consolidated financial statements. The assessment of the recoverable amounts of the Sta. Rita Solar Power and the Biliran Geothermal Power Projects, which require estimation and assumptions about future production levels and costs, as well as external inputs such as commodity prices, discount rate, and foreign currency exchange rates, is a key audit matter in our audit.

Audit response

We obtained an understanding of the Group's impairment assessment process and the related controls. We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include the expected life of the plant, forecasted annual energy output, forecasted average price of wholesale electricity, forecasted contributions to the government based on current regulations, inflation rate, planned debt ratio, and interest rate. We compared the key assumptions used against the industry benchmark plant life, production reports from operations department, average market price of electricity on Wholesale Electric Spot Market (WESM), current tax laws and Department of Energy regulations, Bangko Sentral ng Pilipinas (BSP) forecasted inflation rate, industry debt ratio and discount rate based on industry weighted average capital cost. We tested the parameters used in the determination of the discount rate against the market data.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.



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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Eleanore A. Layug.

SYCIP GORRES VELAYO & CO.



Eleanore A. Layug

Partner

CPA Certificate No. 0100794

SEC Accreditation No. 1250-A-1 (Group A),

January 7, 2016, valid until January 6, 2019

Tax Identification No. 163-069-453

BIR Accreditation No. 08-001998-97-2015

January 5, 2015, valid until January 4, 2018

PTR No. 5908708, January 3, 2017, Makati City

March 15, 2017



A member firm of Ernst & Young Global Limited

Consolidated Statements of Financial Position

(Amounts in Thousands)

NICKEL ASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱9,647,943	₱7,073,171
Trade and other receivables (Note 5)	1,145,271	962,151
Inventories (Note 6)	3,210,838	3,211,269
Available-for-sale (AFS) financial assets (Note 7)	5,572,285	5,013,919
Prepayments and other current assets (Note 8)	946,431	417,432
Total Current Assets	20,522,768	16,677,942
Noncurrent Assets		
Property and equipment (Note 9)	15,566,425	13,909,595
Investments in associates (Note 10)	2,582,087	4,764,087
Geothermal exploration and evaluation assets (Note 11)	1,775,799	1,290,603
AFS financial assets - net of current portion (Note 7)	746,793	817,118
Deferred income tax assets (Note 36)	370,052	237,407
Long-term stockpile inventory - net of current portion (Note 12)	367,244	584,740
Other noncurrent assets (Note 13)	3,420,348	3,448,863
Total Noncurrent Assets	24,828,748	25,052,413
TOTAL ASSETS	₱45,351,516	₱41,730,355
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 14)	₱7,016,683	₱7,125,713
Short-term debt (Note 15)	180,000	180,000
Income tax payable	426,802	113,939
Other current liability (Note 39k)	169,079	169,058
Current portion of:		
Long-term debt (Note 15)	148,274	124,521
Long-term payable (Note 17)	5,000	—
Total Current Liabilities	7,945,838	7,713,231
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 15)	4,468,059	3,357,733
Deferred income tax liabilities - net (Note 36)	876,467	731,518
Provision for mine rehabilitation and decommissioning (Note 16)	442,484	169,926
Pension liability (Note 35)	332,320	250,079
Deferred income - net of current portion	62,849	67,039
Long-term payable - net of current portion (Note 17)	23,846	27,641
Total Noncurrent Liabilities	6,206,025	4,603,936
Total Liabilities	14,151,863	12,317,167
Equity Attributable to Equity Holders of the Parent		
Capital stock (Note 18)	3,808,665	3,805,670
Additional paid-in capital (Note 18)	8,300,002	8,284,767
Other components of equity:		
Share in cumulative translation adjustment (Note 10)	409,286	406,609
Cost of share-based payment plan (Note 19)	126,622	104,824
Asset revaluation surplus	32,480	32,863
Net valuation gains (losses) on AFS financial assets (Note 7)	12,954	(134,467)
Retained earnings:		
Unappropriated	13,221,526	11,300,347
Appropriated (Note 18)	1,108,956	1,711,260
Total Equity	27,020,491	25,511,873
Non-controlling Interests (NCI)	4,179,162	3,901,315
Total Equity	31,199,653	29,413,188
TOTAL LIABILITIES AND EQUITY	₱45,351,516	₱41,730,355

See accompanying Notes to Consolidated Financial Statements.



Consolidated Statements of Income

(Amounts in Thousands, Except Earnings per Share)

NICKEL ASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Earnings per Share)

	Years Ended December 31		
	2016	2015	2014
REVENUES (Note 34)			
Sale of ore	₱13,574,382	₱14,795,649	₱24,052,734
Services and others	530,275	635,997	692,970
Sale of power	18,010	—	—
	14,122,667	15,431,646	24,745,704
COSTS			
Sale of ore (Note 21)	5,907,249	6,279,248	5,356,411
Services (Note 22)	441,501	482,882	521,306
Power generation (Note 23)	38,295	—	—
	6,387,045	6,762,130	5,877,717
OPERATING EXPENSES			
Shipping and loading costs (Note 24)	1,823,549	1,757,943	1,837,568
Excise taxes and royalties (Note 25)	1,006,712	1,089,603	1,754,834
General and administrative (Note 26)	737,207	787,889	806,306
Marketing (Notes 39e and 39l)	95,869	130,166	168,943
	3,663,337	3,765,601	4,567,651
FINANCE INCOME (Note 29)	228,430	305,112	172,104
FINANCE EXPENSES (Note 30)	(219,933)	(179,125)	(164,369)
EQUITY IN NET INCOME (LOSSES) OF ASSOCIATES (Note 10)	(413,702)	(811,369)	522,380
OTHER INCOME - net (Note 31)	493,540	493,544	470,495
INCOME BEFORE INCOME TAX	4,160,620	4,712,077	15,300,946
PROVISION FOR INCOME TAX (Note 36)			
Current	1,441,526	1,605,750	4,265,468
Deferred	7,952	61,536	27,359
	1,449,478	1,667,286	4,292,827
NET INCOME	₱2,711,142	₱3,044,791	₱11,008,119
Net income attributable to:			
Equity holders of the parent	₱1,966,107	₱2,035,143	₱8,551,627
NCI	745,035	1,009,648	2,456,492
	₱2,711,142	₱3,044,791	₱11,008,119
Basic/Diluted Earnings Per Share (EPS; Note 20)	₱0.26	₱0.27	₱1.13

See accompanying Notes to Consolidated Financial Statements.



Consolidated Statements of Comprehensive Income

(Amounts in Thousands)

NICKEL ASIA CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Amounts in Thousands)

	Years Ended December 31		
	2016	2015	2014
NET INCOME	₱2,711,142	₱3,044,791	₱11,008,119
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Other comprehensive income (loss) to be reclassified to consolidated statements of income in subsequent periods:</i>			
Share in translation adjustment of associates (Note 10)	29,270	360,506	(54,876)
Income tax effect	(26,593)	(36,051)	(3,171)
	2,677	324,455	(58,047)
Net valuation gains (losses) on AFS financial assets (Note 7)	153,124	(369,761)	96,806
Income tax effect (Note 7)	(3,035)	65,435	(22,649)
	150,089	(304,326)	74,157
Net other comprehensive income to be reclassified to consolidated statements of income in subsequent periods	152,766	20,129	16,110
<i>Other comprehensive income (loss) not to be reclassified to consolidated statements of income in subsequent periods:</i>			
Remeasurement gain (loss) on pension liability (Note 35)	(83,731)	(9,047)	62,960
Income tax effect	25,119	2,715	(18,888)
	(58,612)	(6,332)	44,072
Asset revaluation surplus	(547)	(547)	(547)
Income tax effect	164	164	164
	(383)	(383)	(383)
Net other comprehensive income (loss) not to be reclassified to consolidated statements of income in subsequent periods	(58,995)	(6,715)	43,689
TOTAL OTHER COMPREHENSIVE INCOME - NET OF TAX	93,771	13,414	59,799
TOTAL COMPREHENSIVE INCOME - NET OF TAX	₱2,804,913	₱3,058,205	₱11,067,918
Total comprehensive income attributable to:			
Equity holders of the parent	₱2,076,466	₱2,052,080	₱8,592,028
NCI	728,447	1,006,125	2,475,890
	₱2,804,913	₱3,058,205	₱11,067,918

See accompanying Notes to Consolidated Financial Statements.



Consolidated Statements of Changes in Equity

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

(Amounts in Thousands)

NICKEL ASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2016, 2015 AND 2014

(Amounts in Thousands)

	Equity Attributable to Equity Holders of the Parent									
	Net Valuation			Share in		Cost of		Retained Earnings		Total
	Capital Stock (Note 18)	Stock Dividends Distributable (Note 18)	Additional Paid-in Capital (Note 18)	Cumulative Translation Adjustment (Note 10)	Gains (Losses) on AFS Financial Assets (Note 7)	Share-based Payment Plan (Note 19)	Asset Revaluation Surplus	Unappropriated	Appropriated (Note 18)	
Balances at December 31, 2015	₱3,805,670	₱—	₱8,384,767	₱406,609	(₱134,467)	₱104,824	₱32,863	₱11,300,347	₱1,711,260	₱29,413,188
Net income	—	—	—	—	—	—	—	1,966,107	—	2,711,142
Other comprehensive income (loss)	—	—	—	2,677	147,421	—	(383)	(39,356)	—	93,771
Total comprehensive income (loss)	—	—	—	2,677	147,421	—	(383)	1,936,751	—	2,804,913
Exercise of stock options (Note 19)	2,995	—	15,235	—	—	(3,855)	—	—	—	14,375
Cost of share-based payment plan (Note 19)	—	—	—	—	—	25,653	—	—	—	25,653
Cash dividends (Note 18)	—	—	—	—	—	—	—	(607,755)	—	(607,755)
7% Cash dividends - Preferred share (Note 34)	—	—	—	—	—	—	—	(504)	—	(504)
Cash dividends to NCI	—	—	—	—	—	—	—	—	(677,500)	(677,500)
Reversal of appropriation (Note 18)	—	—	—	—	—	—	—	711,260	(711,260)	—
Appropriation of retained earnings (Note 18)	—	—	—	—	—	—	—	(108,956)	108,956	—
Asset revaluation surplus transferred to retained earnings	—	—	—	—	—	—	—	383	—	383
Investments from non-controlling shareholders	—	—	—	—	—	—	—	—	—	226,900
Balances at December 31, 2016	₱3,808,665	₱—	₱8,300,002	₱409,286	₱12,954	₱126,622	₱32,480	₱13,221,526	₱1,108,956	₱31,199,653

See accompanying Notes to Consolidated Financial Statements.



Equity Attributable to Equity Holders of the Parent										
	Capital Stock (Note 18)	Stock Dividends Distributable (Note 18)	Additional Paid-in Capital (Note 18)	Share in Cumulative Translation Adjustment (Note 10)	Net Valuation Gains (Losses) on AFS Financial Assets (Note 7)	Cost of Share-based Payment Plan (Note 19)	Asset Revaluation Surplus	Retained Earnings		Total
								Unappropriated	Appropriated (Note 18)	
Balances at December 31, 2014	₱1,272,495	₱632,648	₱8,273,655	₱82,154	₱171,322	₱47,060	₱33,246	₱15,098,051	₱1,575,000	₱27,185,631
Net income	—	—	—	—	—	—	—	2,035,143	—	2,035,143
Other comprehensive income (loss)	—	—	—	324,455	(305,789)	—	(383)	(1,346)	—	16,937
Total comprehensive income (loss)	—	—	—	324,455	(305,789)	—	(383)	2,033,797	—	2,052,080
Exercise of stock options (Note 19)	1,292	—	11,112	—	—	—	—	—	—	12,404
Stock dividends (Note 18)	2,531,883	(632,648)	—	—	—	—	—	(1,899,235)	—	—
Cost of share-based payment plan (Note 19)	—	—	—	—	—	57,764	—	—	—	57,764
Cash dividends (Note 18)	—	—	—	—	—	—	—	(3,795,885)	—	(3,795,885)
7% Cash dividends - Preferred share (Note 34)	—	—	—	—	—	—	—	(504)	—	(504)
Cash dividends to NCI	—	—	—	—	—	—	—	—	(1,055,000)	(1,055,000)
Appropriation of retained earnings (Note 18)	—	—	—	—	—	—	—	(136,260)	136,260	—
Asset revaluation surplus transferred to retained earnings	—	—	—	—	—	—	—	383	—	383
Investments from non-controlling shareholders	—	—	—	—	—	—	—	—	—	233,475
Balances at December 31, 2015	₱3,805,670	₱—	₱8,284,767	₱406,609	(₱134,467)	₱104,824	₱32,863	₱11,300,347	₱1,711,260	₱25,511,873
										₱3,901,315
										₱29,413,188

See accompanying Notes to Consolidated Financial Statements.



	Equity Attributable to Equity Holders of the Parent										Total	
	Net Valuation					Retained Earnings						
	Capital Stock (Note 18)	Stock Dividends Distributable (Note 18)	Additional Paid-in Capital (Note 18)	Share in Cumulative Translation Adjustment (Note 10)	Gains on AFS Financial Assets (Note 7)	Share-based Payment Plan (Note 19)	Asset Revaluation Surplus	Unappropriated	Appropriated (Note 18)	Total		
Balances at December 31, 2013	₱1,266,780	₱—	₱8,151,603	₱140,201	₱99,306	₱49,524	₱33,629	₱8,158,905	₱2,590,000	₱20,490,148	₱4,721,640	₱25,211,788
Net income	—	—	—	—	—	—	—	8,551,627	—	8,551,627	2,456,492	11,008,119
Other comprehensive income (loss)	—	—	—	(58,047)	71,816	—	(383)	27,015	—	40,401	19,398	59,799
Total comprehensive income (loss)	—	—	—	(58,047)	71,816	—	(383)	8,578,642	—	8,592,028	2,475,890	11,067,918
Exercise of stock options (Note 19)	5,715	—	122,052	—	—	(45,464)	—	—	—	82,303	—	82,303
Stock dividends (Note 18)	—	632,648	—	—	—	—	—	(632,648)	—	—	—	—
Cost of share-based payment plan (Note 19)	—	—	—	—	—	43,000	—	—	—	43,000	—	43,000
Cash dividends (Note 18)	—	—	—	—	—	—	—	(2,021,727)	—	(2,021,727)	—	(2,021,727)
7% Cash dividends - Preferred share (Note 34)	—	—	—	—	—	—	—	(504)	—	(504)	—	(504)
Cash dividends to NCI	—	—	—	—	—	—	—	—	—	—	(3,480,815)	(3,480,815)
Reversal of appropriation (Note 18)	—	—	—	—	—	—	—	1,590,000	(1,590,000)	—	—	—
Appropriation of retained earnings (Note 18)	—	—	—	—	—	—	—	(575,000)	575,000	—	—	—
Asset revaluation surplus transferred to retained earnings	—	—	—	—	—	—	—	383	—	383	—	383
Balances at December 31, 2014	₱1,272,495	₱632,648	₱8,273,655	₱82,154	₱171,322	₱47,060	₱33,246	₱15,098,051	₱1,575,000	₱27,185,631	₱3,716,715	₱30,902,346

See accompanying Notes to Consolidated Financial Statements.



Consolidated Statements of Cash Flows

(Amounts in Thousands)

NICKEL ASIA CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱4,160,620	₱4,712,077	₱15,300,946
Adjustments for:			
Depreciation, amortization and depletion (Notes 9 and 28)	1,475,139	1,439,872	1,373,334
Equity in net losses (income) of associates (Note 10)	413,702	811,369	(522,380)
Unrealized foreign exchange gains - net (Note 31)	(300,086)	(157,954)	(91,147)
Interest income (Note 29)	(228,430)	(212,806)	(160,847)
Loss (gain) on:			
Sale of interest in an associate (Notes 10 and 31)	(239,620)	—	—
Sale of AFS financial assets (Notes 7, 29 and 30)	11,715	(86,250)	(8,479)
Sale of property and equipment (Note 31)	(6,644)	(6,919)	(9,693)
Write-off of advances to claimowners (Note 31)	5,350	—	—
Write-off of AFS financial assets (Notes 7 and 31)	3,000	—	—
Write-off of deferred mine exploration costs (Note 31)	2,278	5,461	1,941
Bargain purchase (Notes 31 and 32)	—	(59,921)	—
Provisions for (reversals of allowance for) impairment losses on:			
AFS financial assets (Notes 7 and 31)	119,220	—	—
Property and equipment (Notes 9 and 31)	12,825	—	98,487
Deferred mine exploration costs (Notes 13 and 31)	460	1,233	1,520
Interest expense (Notes 22 and 30)	135,741	77,530	47,717
Dividend income (Notes 7 and 31)	(35,117)	(25,827)	(6,473)
Cost of share-based payment plan (Note 19)	25,653	57,764	43,000
Movements in pension liability	(17,119)	5,851	(14,341)
Accretion interest on provision for mine rehabilitation and decommissioning (Notes 16 and 30)	8,942	8,520	8,893
Accretion income (Note 29)	—	(3,933)	(573)
Casualty losses (Note 31)	—	2,516	—
Day 1 loss (gain) (Notes 29 and 30)	—	(2,123)	2,123
Effect of change in estimate on provision for mine rehabilitation and decommissioning (Note 16)	—	(88)	756
Operating income before working capital changes	5,547,629	6,566,372	16,064,784
Decrease (increase) in:			
Trade and other receivables	(235,789)	406,673	(574,383)
Inventories	217,927	(120,068)	(650,009)
Prepayments and other current assets	(7,108)	214,586	(242,854)
Increase (decrease) in trade and other payables	119,395	(203,958)	572,792
Net cash generated from operations	5,642,054	6,863,605	15,170,330
Income taxes paid	(1,128,663)	(2,005,409)	(4,015,251)
Net cash flows from operating activities	4,513,391	4,858,196	11,155,079

(Forward)



	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
AFS financial assets (Note 7)	(P8,641,008)	(P13,392,836)	(P1,397,019)
Property and equipment (Note 9)	(3,349,750)	(3,922,099)	(1,557,072)
Proceeds from:			
Sale of interest in an associate (Note 10)	2,037,188	—	—
Sale of AFS financial assets (Note 7)	8,296,174	10,163,700	415,713
Sale of property and equipment (Note 9)	12,794	8,538	70,485
Insurance claims	—	1,010	—
Decrease (increase) in:			
Geothermal exploration and evaluation assets (Note 11)	(463,184)	(470,720)	—
Other noncurrent assets	10,861	(184,163)	(22,202)
Interest received	221,560	197,080	147,758
Dividends received (Notes 7 and 10)	35,138	114,817	6,473
Issuance of loans (Note 39a)	—	(1,000,000)	—
Acquisition of subsidiaries, net of cash acquired (Note 32)	—	(800,792)	—
Net cash flows used in investing activities	(1,840,227)	(9,285,465)	(2,335,864)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Cash dividends (Notes 18 and 34)	(1,473,259)	(4,303,909)	(5,502,542)
Long-term debt	(114,827)	(114,827)	(115,321)
Rehabilitation cost (Note 16)	—	(670)	(10,401)
Proceeds from:			
Availment of long-term debt (Note 15)	1,182,846	2,099,449	—
Exercise of stock options (Note 19)	14,375	12,404	82,303
Investments from non-controlling shareholders	226,900	—	—
Interest paid	(178,460)	(52,472)	(37,692)
Decrease in deferred income	(4,190)	(4,190)	(4,190)
Increase in other current liability (Note 39k)	21	169,058	—
Net cash flows used in financing activities	(346,594)	(2,195,157)	(5,587,843)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,326,570	(6,622,426)	3,231,372
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7,073,171	13,561,803	10,234,336
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS (Note 31)	248,202	133,794	96,095
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	P9,647,943	P7,073,171	P13,561,803

See accompanying Notes to Consolidated Financial Statements.



Officers and Subsidiaries

OFFICERS — NICKEL ASIA CORPORATION

Gerard H. Brimo

PRESIDENT &
CHIEF EXECUTIVE OFFICER

Jose Roderick F. Fernando

VICE PRESIDENT
LEGAL AND SPECIAL PROJECTS
ASSISTANT CORPORATE SECRETARY

Martin Antonio G. Zamora¹

EXECUTIVE VICE PRESIDENT

Koichi Ishihara

VICE PRESIDENT
MARKETING & PROCUREMENT

Jose B. Anievas

SENIOR VICE PRESIDENT &
CHIEF OPERATING OFFICER

Gerardo Ignacio B. Ongkingko

VICE PRESIDENT
HUMAN RESOURCES

Raymundo B. Ferrer

SENIOR VICE PRESIDENT
SECURITY & ADMINISTRATION

Augusto C. Villaluna

VICE PRESIDENT
OPERATIONS

Emmanuel L. Samson

SENIOR VICE PRESIDENT &
CHIEF FINANCIAL OFFICER

Maria Angela G. Villamor

VICE PRESIDENT
INTERNAL AUDITOR

Jose Bayani D. Baylon

VICE PRESIDENT
CORPORATE COMMUNICATIONS

Marnelle A. Jalandoon

ASSISTANT VICE PRESIDENT
MANAGEMENT INFORMATION
SYSTEM & ADMINISTRATION

Rolando R. Cruz

VICE PRESIDENT
OPERATIONS

Barbara Anne C. Migallos

CORPORATE SECRETARY

Rio Tuba Nickel Mining Corporation

Norberto R. Reyes

VICE PRESIDENT
FINANCE

Taganito Mining Corporation

Michio Iwai

VICE PRESIDENT

Cagdianao Mining Corporation

Patrick S. Garcia

ASSISTANT VICE PRESIDENT
FINANCE

Hinatuan Mining Corporation

Fernando P. Cruz

ASSISTANT VICE PRESIDENT
FINANCE & ADMINISTRATION

Philipp D. Ines

RESIDENT MINE MANAGER

Lennie A. Terre

VICE PRESIDENT
FINANCE & ADMINISTRATION

Arnilo C. Milaor²

RESIDENT MINE MANAGER

Francisco J. Arañes³

RESIDENT MINE MANAGER

Aloysius C. Diaz

RESIDENT MINE MANAGER

Geogen Corporation

Patrick S. Garcia

ASSISTANT VICE PRESIDENT
FINANCE

Emerging Power, Inc.

Guido Alfredo A. Delgado

PRESIDENT & CHIEF EXECUTIVE OFFICER

Ronaldo D. Ibasco

EXECUTIVE VICE PRESIDENT & CHIEF FINANCIAL OFFICER

Jasmin Josefa P. Agbon

SENIOR VICE PRESIDENT FOR CONTROLLERSHIP

Georgina Carolina Y. Martinez

SENIOR VICE PRESIDENT FOR LEGAL, HUMAN RESOURCES AND ADMINISTRATION

¹ Effective 15 March 2017

² Effective 01 November 2016

³ Effective 06 March 2017

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Mine Sites

Rio Tuba Mine
Barangay Rio Tuba, Bataraza, Palawan

Taganito Mine
Barangay Taganito, Claver, Surigao del Norte

Cagdianao Mine
Barangay Valencia, Cagdianao, Dinagat Islands

Hinatuan Mine
Barangay Talavera, Taganaan, Surigao del Norte

Geogen
Dimaluade, Dinapigue, Isabela

Corporate Website

<http://www.nickelasia.com>

Independent Public Accountant

Sycip, Gorres Velayo & Co.

Bankers

Banco de Oro
Bank of the Philippine Islands
BNP Paribas
Credit Suisse AG
DBS Private Bank
Hongkong and Shanghai Banking Corporation
Maybank Philippines, Inc.
Metropolitan Bank & Trust Co.
Rizal Commercial Banking Corporation
Security Bank Corporation
Union Bank of the Philippines
United Coconut Planters Bank

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