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SEC Registration Number

C O A L A S I A H O L D I N G S I N C O R P O R A T E D  
A N D S U B S I D I A R Y

(Company's Full Name)

3 F J T K C C E N T E R 2 1 5 5 C h i n o R o c e s  
A v e n u e , M a k a t i C i t y

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

Johnson A. Sanhi Jr.

(Contact Person)

818-6772

(Company Telephone Number)

1 2 3 1

Month Day  
(Fiscal Year)

1 7 - Q

(Form Type)

0 4 3 0

Month Day  
(Annual Meeting)

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

Amended Articles Number/Section

26

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

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LCU

Document ID

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**COAL ASIA HOLDINGS INCORPORATED**

**SEC FORM 17-Q**

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

1. For the quarterly period ended June 30, 2016
2. Commission identification number CS 201210314
3. BIR TIN: 008-297-271-000
4. Exact name of issuer as specified in its charter COAL ASIA HOLDINGS INCORPORATED
5. Province, country or other jurisdiction of incorporation or organization Philippines
6. Industry Classification Code:  (SEC Use Only)
7. Address of issuer's principal office 3<sup>RD</sup> Floor JTKC Center, 2155 Don Chino Roces Ave., Makati City Postal Code: 1231
8. Issuer's telephone number, including area code (02) 818-6772
9. Former name, former address and former fiscal year, if changed since last report Not Applicable
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
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<b>Common</b>	<b>4,000,000,004</b>
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11. Are any or all of the securities listed on a Stock Exchange?

Yes [  ] No [  ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

**Philippine Stock Exchange** – **Common Shares**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the

Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes  No

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes  No

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**COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**AS OF JUNE 30, 2016**

*(With Comparative Figures for the Year Ended December 31, 2015)*

	Note	Unaudited June 30, 2016	Audited December 30, 2015
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	7	4,129,497	9,795,965
Funds held in escrow	8	64,097,600	87,133,562
Advances to affiliates	18	488,175	1,265,628
Other current assets	9	2,106,218	2,028,993
<b>Total Current Assets</b>		<b>70,821,490</b>	<b>100,224,148</b>
<b>Noncurrent Assets</b>			
Coal reserves	6	3,131,596,101	3,131,596,101
Exploration and evaluation asset	10	450,942,700	413,845,460
Property and equipment	11	283,463,092	305,609,793
Deferred tax assets – net	21	8,538,906	8,538,906
Intangible assets	12	1	193,018
<b>Total Noncurrent Assets</b>		<b>3,874,540,800</b>	<b>3,859,783,278</b>
		<b>3,945,362,290</b>	<b>3,960,007,426</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	13	8,649,887	10,691,381
Advances from an affiliate	18	25,820	25,820
Current portion of loans payable	14	10,078,109	9,081,038
Income tax payable		–	10,387
<b>Total Current Liabilities</b>		<b>18,753,816</b>	<b>19,808,626</b>
<b>Noncurrent Liability</b>			
Loans payable – net of current portion	14	11,009,133	15,757,962
Retirement benefit liability	17	4,621,200	4,621,200
<b>Total Noncurrent Liabilities</b>		<b>15,630,333</b>	<b>20,379,162</b>
<b>Equity</b>			
Capital stock		4,000,000,004	4,000,000,004
Deficit		(89,405,261)	(80,563,764)
Other comprehensive income (loss)	17	383,398	383,398
<b>Total Equity</b>		<b>3,910,978,141</b>	<b>3,919,819,638</b>
		<b>3,945,362,290</b>	<b>3,960,007,426</b>

*See accompanying Notes to Consolidated Financial Statements.*

**COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**FOR THE SIX MONTH ENDED JUNE 30, 2016**  
*(With Comparative Figures for the Six Month June 30, 2015)*

		Unaudited	
	Note	June 30, 2016	June 30, 2015
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	15	<b>(10,505,894)</b>	(8,564,622)
<b>INTEREST INCOME</b>	7	<b>468,446</b>	647,240
<b>INTEREST EXPENSE</b>	14	<b>(962,514)</b>	–
<b>REALIZED GAIN ON SALE OF AFS FINANCIAL ASSETS</b>		–	–
<b>OTHER INCOME</b>		<b>2,158,465</b>	–
<b>LOSS BEFORE INCOME TAX</b>		<b>(8,841,497)</b>	(7,917,382)
<b>INCOME TAX EXPENSE (BENEFIT)</b>	21		
Current		–	–
Deferred		–	–
		–	–
<b>NET LOSS</b>		<b>(8,841,497)</b>	(7,917,382)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>To be reclassified to profit or loss in subsequent periods</i>			
Reclassification adjustment relating to AFS financial assets sold during the year		–	–
<i>Not to be reclassified to profit or loss in subsequent periods</i>			
Remeasurement gain (loss) on retirement benefit liability (net of deferred tax)	17	–	–
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS)</b>		–	–
<b>TOTAL COMPREHENSIVE LOSS</b>		<b>(8,841,497)</b>	(7,917,382)
<b>BASIC LOSS PER SHARE</b>	22	<b>(0.002)</b>	(0.002)

*See accompanying Notes to Consolidated Financial Statements*

**COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

**FOR THE SECOND QUARTER ENDED JUNE 30, 2016**  
*(With Comparative Figures for the Second Quarter Ended June 30, 2015)*

		Unaudited	
	Note	June 30, 2016	June 30, 2015
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	15	<b>(5,111,100)</b>	(5,152,897)
<b>INTEREST INCOME</b>	7	<b>231,404</b>	272,340
<b>INTEREST EXPENSE</b>	14	<b>(531,947)</b>	—
<b>REALIZED GAIN ON SALE OF AFS FINANCIAL ASSETS</b>		—	—
<b>OTHER INCOME</b>		<b>1,104,131</b>	—
<b>LOSS BEFORE INCOME TAX</b>		<b>(4,307,512)</b>	(4,880,557)
<b>INCOME TAX EXPENSE (BENEFIT)</b>	21		
Current		—	—
Deferred		—	—
		—	—
<b>NET LOSS</b>		<b>(4,307,512)</b>	(4,880,557)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>			
<i>To be reclassified to profit or loss in subsequent periods</i>			
Reclassification adjustment relating to AFS financial assets sold during the year		—	—
<i>Not to be reclassified to profit or loss in subsequent periods</i>			
Remeasurement gain (loss) on retirement benefit liability (net of deferred tax)	17	—	—
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS)</b>		—	—
<b>TOTAL COMPREHENSIVE LOSS</b>		<b>(4,307,512)</b>	(4,880,557)
<b>BASIC LOSS PER SHARE</b>	22	<b>(0.001)</b>	(0.001)

*See accompanying Notes to Consolidated Financial Statements.*

**COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**FOR THE SIX MONTH ENDED JUNE 30, 2016**  
*(With Comparative Figures for the Year Ended December 31, 2015)*

	Unaudited June 30, 2016	Audited December 31, 2015
<b>CAPITAL STOCK</b> – P1 par value		
Authorized – 5,000,000,000 shares		
Issued and outstanding – 4,000,000,004 shares	<b>4,000,000,004</b>	4,000,000,004
<b>DEFICIT</b>		
Balances at beginning of year	<b>(80,563,764)</b>	(64,597,932)
Net loss	<b>(8,841,497)</b>	(15,965,832)
Balances at end of year	<b>(89,405,261)</b>	(80,563,764)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
<i>To be reclassified to profit or loss in subsequent periods</i>		
Net unrealized (realized) gain on AFS financial assets in funds held in escrow		
Balances at beginning of year	–	–
Reclassification adjustment relating to AFS financial assets sold during the year	–	–
Balances at end of year	–	–
<i>Not to be reclassified to profit or loss in subsequent periods</i>		
Remeasurement loss on retirement benefit liability (net of deferred tax)		
Balances at beginning of year	<b>383,398</b>	(198,084)
Remeasurement gain (loss) on retirement benefit liability	–	581,482
Balances at end of year	<b>383,398</b>	383,398
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>383,398</b>	383,398
	<b>3,910,978,141</b>	3,919,819,638

*See accompanying Notes to Consolidated Financial Statements.*

**COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**FOR THE SIX MONTH ENDED JUNE 30, 2016**  
*(With Comparative Figures for the Six Month Ended June 30, 2015)*

	Unaudited	
	June 30, 2016	June 30, 2015
<b>CAPITAL STOCK</b> – P1 par value		
Authorized – 5,000,000,000 shares		
Issued and outstanding – 4,000,000,004 shares	<b>4,000,000,004</b>	4,000,000,004
<b>DEFICIT</b>		
Balances at beginning of year	<b>(80,563,764)</b>	(64,597,932)
Net loss	<b>(8,841,497)</b>	(7,917,382)
Balances at end of year	<b>(89,405,261)</b>	(72,515,314)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
<i>To be reclassified to profit or loss in subsequent periods</i>		
Net unrealized (realized) gain on AFS financial assets in funds held in escrow		
Balances at beginning of year	–	–
Reclassification adjustment relating to AFS financial assets sold during the year	–	–
Balances at end of year	–	–
<i>Not to be reclassified to profit or loss in subsequent periods</i>		
Remeasurement loss on retirement benefit liability (net of deferred tax)		
Balances at beginning of year	<b>383,398</b>	(198,084)
Remeasurement gain (loss) on retirement benefit liability	–	–
Balances at end of year	<b>383,398</b>	(198,084)
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>383,398</b>	(198,084)
	<b>3,910,978,141</b>	3,927,286,606

*See accompanying Notes to Consolidated Financial Statements*



**COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**FOR THE SIX MONTH ENDED JUNE 30, 2016**  
*(With Comparative Figures for the Six Month June 30, 2015)*

		Unaudited	
	Note	June 30, 2016	June 30, 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before income tax		<b>(8,841,497)</b>	(7,917,382)
Adjustments for:			
Provision for unrecoverable input VAT	9	<b>85,765</b>	–
Interest expense	14	<b>962,514</b>	–
Depreciation and amortization	11	<b>348,269</b>	588,328
Interest income	7	<b>(468,446)</b>	(647,240)
Operating loss before working capital changes		<b>(7,913,395)</b>	(7,976,294)
Decrease (increase) in:			
Advances to affiliates		<b>777,453</b>	(121,358)
Funds held in escrow		<b>23,035,962</b>	28,842,375
Other current assets		<b>(162,990)</b>	(953,645)
Increase(decrease) in trade and other payables		<b>(2,041,494)</b>	(1,745,859)
Net cash generated from (used for) operations		<b>13,695,536</b>	18,045,219
Interest paid		<b>(962,514)</b>	–
Income tax paid		<b>(10,387)</b>	(527)
Interest received		<b>468,446</b>	647,240
Net cash provided by (used in) operating activities		<b>13,191,081</b>	18,691,932
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of:			
Additions to exploration and evaluation asset	10	<b>(15,073,546)</b>	(21,996,912)
Property and equipment	11	<b>(32,245)</b>	(1,535,051)
Net cash used in investing activities		<b>(15,105,791)</b>	(1,535,051)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from loan			15,156,000
Payment of loan		<b>(3,751,758)</b>	(842,000)
Payment of advances from an affiliate		–	(25,820)
Net cash provided by (used in) financing activities		<b>(3,751,758)</b>	14,288,180
<b>NET INCREASE (DECREASE) IN CASH</b>		<b>(5,666,468)</b>	31,445,061
<b>CASH AT BEGINNING OF YEAR</b>		<b>9,795,965</b>	105,907,771
<b>CASH AT END OF YEAR</b>		<b>4,129,497</b>	137,352,832
<b>NONCASH FINANCIAL INFORMATION</b>			
Additions to exploration and evaluation asset	10	<b>22,023,695</b>	14,654,613

*See accompanying Notes to Consolidated Financial Statements*

# COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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### 1. Corporate Information

Coal Asia Holdings Incorporated (the Parent Company or CAHI) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on June 11, 2012. The Parent Company was organized primarily to be a holding company of Titan Mining and Energy Corporation (the Subsidiary or TMEC) in which it owns 100%. The Parent Company and TMEC are collectively referred to as “the Group”.

TMEC was incorporated and registered with the SEC on November 11, 2008. TMEC is engaged in the operations of coal mining and energy related business.

On October 23, 2012, the Parent Company became a publicly listed company. As at December 31, 2015 and 2014, 4,000,000,004 common shares of the Parent Company at P1 par value are listed in the PSE. Of those shares, 20% are publicly-owned in 2015 and 2014.

The registered office address of the Parent Company is 3rd Floor, JTKC Center, 2155 Chino Roces Ave., Makati City.

The consolidated financial statements of the Group as at December 31, 2015 and 2014 were approved and authorized for issuance by the Board of Directors (BOD) on April 04, 2016.

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

The consolidated financial statements have been prepared on a historical cost basis, except for the available-for-sale (AFS) financial assets included in funds held in escrow which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso, which is the Group’s functional and presentation currency. All values represent absolute amounts unless otherwise indicated.

Moreover, the consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

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### 3. Summary of Changes in PFRS

#### Adoption of New and Revised PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and revised PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2015:

- Amendments to PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions* – The amendments clarify the requirements on how contributions from employees or third parties that are linked to service should be attributed to periods of service. In particular,

contributions that are independent of the number of years of service can be recognized as a reduction in the service cost in the period in which the related service is rendered (instead of attributing them to the periods of service).

- Amendment to PAS 24, *Related Party Disclosures – Key Management Personnel* – The amendment clarifies how payments to entities providing key management personnel services are to be disclosed.
- Amendment to PFRS 13, *Fair Value Measurement – Short-term Receivables and Payables and Portfolio Exception* – The amendment clarifies that the portfolio exception in PFRS 13 – allowing an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis – applies to all contracts (including non-financial) within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* or PFRS 9, *Financial Instruments*.

The adoption of the foregoing new and revised PFRS did not have any material effect on the consolidated financial statements. Additional disclosures have been included in the notes to the consolidated financial statements, as applicable.

#### New and Revised PFRS Not Yet Adopted

Relevant new and revised PFRS which are not yet effective for the year ended December 31, 2015 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2016:

- Amendments to PAS 1, *Presentation of Financial Statements* – The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.
- Amendments to PAS 16, *Property, Plant and Equipment – Clarification of Acceptable Methods of Depreciation*, and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Amortization* – The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.
- Amendment to PAS 19, *Employee Benefit* – The amendment clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.
- Amendment to PFRS 7, *Financial Instruments: Disclosures* – The amendment adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.
- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its*

*Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that the gain or loss from sale or contribution of assets between an investor and its associate or joint venture should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business.

Effective for annual periods beginning on or after 1 January 2018 –

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39 (and all the previous versions of PFRS 9). It provides requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition.

PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss (FVPL) that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, PFRS 9 introduces an “expected credit loss” model based on the concept of providing for expected losses at inception of a contract; it will be no longer necessary for objective evidence of impairment before a credit loss is recognized.

For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from PAS 39.

Under prevailing circumstances, the adoption of the foregoing new and revised PFRS is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the consolidated financial statements, as applicable.

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#### 4. Summary of Significant Accounting Policies

The significant accounting policies that have been used in the preparation of the consolidated financial statements are summarized below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### Basis of Consolidation

*Subsidiary.* Subsidiary is an entity controlled by the Parent Company. The consolidated financial statements include the accounts of the Parent Company and its subsidiary, TMEC. The Parent Company has control when it is exposed, or has right, to variable returns from its involvement with the investee and it has the ability to affect those returns through its powers over the investee.

A subsidiary is consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control, and continues to be consolidated until the date such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

*Transactions Eliminated on Consolidation.* All intra-group balances, transactions, income and expenses and unrealized gains and losses are eliminated in full.

*Accounting Policies of Subsidiaries.* The financial statements of the subsidiary is prepared for the same reporting year using uniform accounting policies as that of the Parent Company.

#### Financial Assets and Financial Liabilities

Financial assets and financial liabilities are accounted for as follows:

##### a. Recognition

Financial instruments are recognized in the consolidated statements of financial position when the Group becomes a party to the contractual provision of the instruments. Financial instruments are initially recognized at fair value. Transaction costs directly attributable to its acquisition or issuance are included as part of its fair value except for those classified at FVPL. The Group uses trade date accounting to account for financial instruments.

*“Day 1” Difference.* The best evidence of fair value of a financial instrument at initial recognition is its transaction price, unless the fair value can be evidenced by comparison with other current market transactions in the same instrument or is based on a valuation technique whose variables include only data from observable markets. The Group recognizes the difference between the transaction price and the fair value (a “Day 1” difference) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where the valuation uses unobservable data, the difference between the transaction price and the model value is only recognized in profit or loss when the inputs become observable, or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” difference.

##### b. Classification

The Group classifies its financial assets as of initial recognition into the following categories: (a) financial assets at FVPL, (b) held-to-maturity (HTM) investments, (c) loans and receivables and (d) AFS financial assets. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities at amortized cost. The classification depends on the purpose for which the financial instruments were acquired or incurred and whether or not the instruments are quoted in an active market.

As at June 30, 2016, the Group does not have financial assets and liabilities at FVPL, AFS financial assets and HTM investments.

*Loans and Receivables.* Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market, other than those held for trading or classified as available for sale. After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by

taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in profit or loss.

The Group has classified its cash and cash equivalents, advances to affiliates, certificates of time deposits included in funds held in escrow (excluding investments in government securities classified as AFS financial assets) and restricted cash and other receivables presented under "Other current assets" account under this category.

*AFS Financial Assets.* AFS financial assets are those nonderivative financial assets that are not designated as another category of financial assets. AFS financial assets are initially measured at fair value plus incremental direct transaction costs. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses recognized as other comprehensive income (OCI). These changes in fair value are recognized as other comprehensive income until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously recognized in OCI is reclassified to profit or loss. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost.

In 2012, the Group has classified its investments in government securities included in funds held in escrow account under this category. All AFS financial assets were sold in 2013.

*Other Financial Liabilities at Amortized Cost.* Financial liabilities which are not held for trading or are not designated at FVPL are classified as financial liabilities carried at amortized cost where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Other financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or impaired, or through the amortization process.

The Group has classified its trade and other payables (excluding statutory payables), advances from an affiliate and loans payable under this category.

c. Reclassifications

A financial instrument cannot be reclassified into or out of the FVPL category after initial recognition.

For a financial asset reclassified out of the AFS category to loans and receivables or HTM investments, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or otherwise disposed of.

d. Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is an objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

*Financial Assets Carried at Amortized Cost.* For financial assets carried at amortized cost, such as loans and receivables, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial assets, whether significant or not, it includes the financial assets in a portfolio with similar credit risk characteristics and collectively assesses them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective assessment for impairment. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as to type of borrower, collateral type, credit and payment status and term.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the excess of financial asset’s carrying amount over its net realizable value, normally based on the present value of the estimated future cash flows from the financial asset. The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate. Time value is generally not considered when the effect of discounting is not material. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. Any impairment loss determined is recognized in profit or loss.

The carrying amount of an impaired financial asset is reduced to its net realizable value through the use of an allowance account. For an impaired financial asset, interest income continues to be recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an

impairment loss is recognized in profit or loss, to the extent that the carrying amount of the financial asset does not exceed its amortized cost at the reversal date.

*AFS Financial Assets.* In the case of financial instruments classified as AFS financial assets, an objective evidence of impairment is determined to exist if there is a significant and prolonged decline in the fair value of the instrument below its acquisition cost. Where there is evidence of impairment, the cumulative losses previously recognized in OCI is reclassified to profit or loss. For equity investments, increase in fair value after impairment is recognized directly in equity as other comprehensive income. On the other hand, for debt instruments classified as AFS, increase in fair value after impairment is reversed to profit or loss to the extent that the resulting carrying amount of the asset does not exceed its carrying amount had no impairment loss been recognized.

e. Derecognition

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized by the Group when:

- the right to the cash flows from the financial asset expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Group has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the assets, or (b) has neither transferred nor retained substantially all the risk and rewards of the asset, but has transferred control over the asset.

Where the Group has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control over the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset, if any, is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing financial liability are substantially modified, such an exchange or modification shall be accounted for as an extinguishment of the original financial liability and the recognition of the new financial liability, and the difference in the respective carrying amount is recognized in profit or loss.

f. Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements such that the assets and liabilities are presented gross in the consolidated statements of financial position.



### Fair Value Measurement

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### Coal Inventory

Coal inventory is valued at the lower of cost and net realizable value (NRV). Cost is determined using the first-in, first-out method. The net realizable value of inventories is the estimated selling price in the ordinary course of business, less the estimated cost of marketing and distribution. In determining the net realizable value, the Group considers any adjustment necessary for obsolescence.

### Other Current Assets

Other current assets include input value-added tax (VAT) and prepayments.

VAT. Revenue, expenses and assets are recognized net of the amount of VAT except:

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; or
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from the taxation authority is classified as “Other current assets”.

*Prepayments.* Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and charged to profit or loss when incurred. Prepayments that are expected to be realized for not more than 12 months after the financial reporting period are classified as other current assets. Otherwise these are classified as other noncurrent assets.

### Coal Reserves

Coal reserves are proven and probable coal reserves, which are defined as the estimated quantities of coal which geological data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible.

Coal reserves are amortized from the commencement of production on a unit of production basis, which is the ratio of coal production in the period to the estimated quantities of commercial reserves at the end of the period plus the production in the period. Costs used in the unit of production calculation comprise the net book value of capitalized costs plus the estimated future development costs. Changes in the estimates of coal reserves or future development costs are accounted for prospectively.

### Exploration and Evaluation Asset

Exploration and evaluation asset is carried at cost less accumulated impairment losses.

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of the coal resource.

Exploration and evaluation activity includes:

- Gathering exploration data through geological studies;
- Exploratory drilling and sampling; and
- Evaluating the technical feasibility and commercial viability of extracting the coal resource.

Exploration and evaluation asset is no longer classified as such when the technical feasibility and commercial viability of extracting the coal reserve are demonstrable. Exploration and evaluation asset is assessed for impairment, and any impairment loss recognized, before reclassification.

### Property and Equipment

Property and equipment, except land, are carried at cost less accumulated depreciation and any impairment losses. Land is carried at cost less any impairment losses.

The initial cost of property and equipment consists of its purchase price, including import duties, and other costs directly attributable to bring the asset to its working condition and location for its intended use. Cost also includes the cost of replacing parts such as property and equipment when the asset recognition criteria are met and the present value of the estimated cost of dismantling and removing the asset and restoring the site where the asset is located.

Expenditures incurred after the property and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally charged to current operations. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment. The cost of replacing a component of an item of property and equipment is recognized if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

Depreciation is calculated on the straight-line basis over the estimated useful lives of the property and equipment as shown below:

	Number of Years
Drilling equipment	10
Land improvements	10
Laboratory and camp buildings	10
Laboratory and testing equipment	5
Transportation equipment	5
Survey equipment and machineries	3
Office furniture and equipment	3

The estimated useful lives and depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized to profit or loss.

Construction in progress represents properties under construction and is stated at cost, including cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property and equipment are capitalized during the construction period. Construction in progress is not depreciated until such time that the relevant assets are completed and ready for operational use.

#### Intangibles

Intangible assets are stated at cost, which includes purchase price and other direct costs, less accumulated amortization and any impairment in value. Intangible assets with finite lives are amortized over their useful lives on a straight-line basis and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible assets with finite useful lives are recognized as part of current and future operations.

The useful life of an intangible asset arising from contractual or other legal rights should not exceed the period of those rights, but may be shorter depending on the period over which the intangible asset is expected to be used by the Group. The computer software is amortized on a straight-line basis over three years.

#### Impairment of Nonfinancial Assets

The carrying amounts of the Group's nonfinancial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets of the Group. Impairment losses are recognized in profit or loss in the period incurred.

The recoverable amount of a nonfinancial asset is the greater of its value in use or its fair value less costs to sell. Value in use is the present value of future cash flows expected to be derived from an asset while the fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less cost of

disposal. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized.

#### Capital Stock

Capital stock is measured at par value for all shares issued.

#### Deficit

Deficit represents the cumulative balance of net loss.

#### Revenue Recognition

Revenue is recognized to the extent that the revenue can be reliably measured and it is probable that the economic benefits will flow to the Group. In addition, the following specific recognition criteria must also be met before revenue is recognized.

*Sale of Coal.* Revenue from coal sales is recognized when the goods are delivered, the title to the goods has passed to the buyer and the amount of revenue can be measured reliably.

*Interest Income.* Interest income is recognized as the interest accrues taking into account the effective yield on the asset.

*Other Income.* Income from other sources is recognized when earned during the period.

#### Cost and Expense Recognition

Cost and expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

*Cost of Sales.* Cost of sales are recognized as expenses when the related goods are sold and includes expenses directly related to sale of coal such as cost of fuel and lubricants, materials and supplies which are recognized as incurred.

*General and Administrative.* General and administrative expenses constitute cost of administering the business. These are expensed as incurred.

*Interest Expense.* Interest expense is recognized in profit or loss using the effective interest method.

#### Operating Leases

Leases, which do not transfer to the Group substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized in profit or loss on a straight-line basis over the lease term.

## Employee Benefits

*Short-term Benefits.* The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

*Retirement Benefit Cost.* The retirement benefit cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Group recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and non-routine settlements; and net interest expense or income in profit or loss. Net interest is calculated by applying the discount rate to the net retirement liability or asset.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment; and the date that the Group recognizes restructuring-related costs.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on retirement liability or asset) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The retirement benefit liability is the present value of the retirement liability. The present value of the defined benefit obligation (DBO) is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement benefit liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

## Income Taxes

*Current Tax.* Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and tax laws used to compute the amount are those that have been enacted or substantively enacted at the reporting date.

*Deferred Tax.* Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized. Deferred

tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rate and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Transactions between related parties are accounted for at arm's-length prices or on terms similar to those offered to non-related parties in an economically comparable market.

#### Earnings (Loss) per Share

Basic earnings (loss) is computed by dividing earnings (loss) applicable to common stock by the weighted average number of common shares outstanding after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year.

#### Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

#### Events After the Reporting Date

Post year-end events that provide additional information about the Group's financial position at the end of reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

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## 5. Significant Accounting Judgments and Estimates

The preparation of the Group's consolidated financial statements in compliance with PFRS requires management to make judgments and estimates that affect amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. Actual results may ultimately differ from these estimates.

The following are the significant judgments and estimates made by the Group.

*Operating Lease Commitment – Group as a Lessee.* The Group has operating lease agreement for its office space. The Group has determined that the risk and rewards of ownership related to the leased property are retained by the lessor. Accordingly, the lease is accounted as operating lease.

Rent expense incurred for the period ended June 30, 2016 and June 30, 2015 amounted to P2.3 million and P2.1 million, respectively (see Note 23).

*Estimation of Coal Reserves.* The Group estimates its coal reserves based on information compiled by competent persons on geological and technical data on the size, depth, shape and grade of the mineral body and suitable production techniques and recovery rates. The analysis requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the mineral body.

Management assumes conservative forecasted sales prices, based on current and long-term historical average price trends. Conservative forecasted sales price assumptions generally result in lower estimates of reserves.

As the economic assumptions used may change and as additional geological information is obtained during the exploration and evaluation of the mine properties, estimates of reserves may change. The changes may impact the Group's reported financial position and results which include:

- The carrying amount of exploration and evaluation asset and property and equipment may be affected due to changes in estimated future cash flows; and
- The recognition and carrying amount of deferred tax assets may change due to changes in the judgments regarding the existence of such assets and in estimates of the likely recovery of such assets.

The carrying amount of coal reserves amounted to P3.1 billion as at June 30, 2016 and December 31, 2015, respectively. (see Note 6).

*Capitalization of Exploration and Evaluation Expenditure.* The capitalization of exploration and evaluation expenditure requires judgment in determining whether there are future economic benefits from future exploitation or sale of coal reserves. The capitalization requires management to make certain estimates and assumptions about future events or circumstances, in particular, whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is

unlikely, the amount capitalized is written off in profit or loss in the period when the new information becomes available.

As at June 30, 2016 and December 31, 2015, exploration and evaluation asset amounted to P450.9 million and P413.8 million, respectively (see Note 10).

*Estimation of Useful Lives of Property and Equipment.* The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Based on management's assessment as at June 30, 2016, there is no change in estimated useful lives of property and equipment during the period. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

As at June 30, 2016 and December 31, 2015, property and equipment, net of accumulated depreciation, amounted to P283.5 million and P305.6 million, respectively (see Note 11).

*Impairment of Nonfinancial Assets.* The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

The Group's nonfinancial assets are consists of:

	Note	June 30, 2016	December 31, 2015
Coal reserves	6	<b>3,131,596,101</b>	3,131,596,101
Exploration and evaluation asset	10	<b>450,942,700</b>	413,845,460
Property and equipment	11	<b>283,463,092</b>	305,609,793
Intangible assets	12	<b>1</b>	193,018
		<b>3,866,001,894</b>	3,851,244,372

No impairment losses were recognized on nonfinancial assets in 2016 and 2015.

*Estimation of Retirement Benefit Costs.* The determination of the obligation and cost of retirement and other long-term employee benefits is dependent on the assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 17 to the consolidated financial statements and include, among others, discount rates, expected rates of return on plan assets and salary increase rates. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.



The retirement benefit liability as at June 30, 2016 amounted to P4.6 million.

*Recognition of Deferred Tax Assets.* The Group reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

As at June 30, 2016, the Group has deferred tax assets amounting to P10.1 million. (see Note 21).

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## 6. Coal Reserves

The Parent Company acquired TMEC in 2012 (see Note 1) in exchange for Parent Company common shares valued at P3.2 billion. The acquisition resulted in the recognition of TMEC's coal reserves of P3.1 billion representing the excess of the consideration over the net assets acquired. The expected net present value of the coal reserve is P12.5 billion, based on an independent valuation report in 2012 using an undiscounted cash flow approach to estimate the value of the coal reserves (Level 3).

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## 7. Cash

This account consists of:

	Note	June 30, 2016	December 31, 2015
Cash on hand		307,805	422,042
Cash in bank		3,821,692	9,373,923
		<b>4,129,497</b>	9,795,965

Cash in bank earns interest at the prevailing market interest rates. Cash equivalents refer to a two-month time deposit in a local bank which earns interest at 2% annually. Interest income consists of:

	Note	June 30, 2016	June 30, 2015
Cash in bank		4,408	5,594
Cash equivalents		–	484,797
Funds held in escrow	8	464,038	157,625
		<b>468,446</b>	648,016

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## 8. Funds Held in Escrow

The Group appointed Sterling Bank of Asia, Inc. as custodian bank (the Custodian Bank) to manage and administer the proceeds of the IPO.

The proceeds of the IPO are kept separate and distinct from all other funds in the custody of the Custodian Bank. The Custodian Bank maintains independent books of records for all transaction of the escrow account and shall release the proceeds to the Parent Company, subject to the issuance of a letter of instructions or a sworn statement of the Parent Company's Corporate Secretary in accordance with the work program approved by the SEC and PSE.

The funds held in escrow consist of the following:

	June 30, 2016	December 31, 2015
<b>Assets:</b>		
Time certificates of deposit – other bank	63,557,570	86,596,870
Time certificates of deposit – own bank	540,025	536,687
Other assets	5	5
	<b>64,097,600</b>	<b>87,133,562</b>
<b>Equity:</b>		
Principal	51,261,420	74,761,420
Net accumulated income	12,836,180	12,372,142
	<b>64,097,600</b>	<b>87,133,562</b>

Net withdrawals of principal from the fund held in escrow amounted to P23.5million and P29.0 million in June 30, 2016 and June 30, 2015, respectively.

Interest income earned amounted to P0.5 million and P.4 million in June 30, 2016 and June 30, 2015, respectively (see Note 7).

The balance of the trust fund was certified by the Custodian Bank.

#### 9. Other Current Assets

This account consists of:

	June 30, 2016	December 31, 2015
Input VAT	1,650,858	1,565,102
Restricted cash	1,051,370	1,051,370
Prepayments	190,350	495,670
Advances to officers and employees	141,269	182,466
Other receivables	723,229	299,487
	<b>3,757,076</b>	<b>3,594,095</b>
Less allowance for unrecoverable input VAT	<b>(1,650,858)</b>	<b>(1,565,102)</b>
	<b>2,106,218</b>	<b>2,028,993</b>

The input VAT is fully provided with allowance for unrecoverability in June 30, 2016 as management has assessed that no future taxable revenue will be available to allow all or part to be utilized.

Restricted cash is a cash bond required by the National Commission on Indigenous Peoples (NCIP) upon the application of the Group's permit to proceed with its development phase for Coal Operating Contract (COC) No. 159.

#### 10. Exploration and Evaluation Asset

Exploration and evaluation asset pertains to costs incurred for the exploration and evaluation of the mining properties situated in the province of Davao Oriental and Zamboanga Sibugay, Philippines.

Coal Operating Contract (COC) Nos. 159 and 166 provide a certain minimum work expenditure obligations covered by the work program of exploration phase (see Note 23).

The recovery of the exploration and evaluation asset is dependent upon the success of future exploration and evaluation activities and events.

Movements of this account are as follow:

	<b>June 30, 2016</b>	December 31, 2015
Balance at beginning of year	<b>413,845,460</b>	324,862,804
Additions	<b>37,097,240</b>	88,982,656
Balance at end of year	<b>450,942,700</b>	413,845,460

The additions to the exploration and evaluation asset are as follow:

	Note	<b>June 30, 2016</b>	December 31, 2015
Depreciation and amortization	11	<b>22,023,695</b>	43,045,511
Personnel costs	16	<b>7,863,005</b>	19,376,369
Professional fees		<b>60,000</b>	2,306,111
Utilities		<b>128,720</b>	460,882
Others		<b>7,021,820</b>	23,793,783
		<b>37,097,240</b>	88,982,656

Others include fuel, security services, communication and transportation, hauling costs, repairs and maintenance.

Included as part of additions to the exploration and evaluation asset are non-cash items as follows:

	Note	<b>June 30, 2016</b>	December 31, 2015
Depreciation and amortization	11	<b>22,023,695</b>	43,045,511
Retirement benefit cost	17	-	1,292,186
		<b>22,023,695</b>	44,337,697

The assets, liabilities, income and expense and operating and investing cash flows as at and for the June 30, 2016 and December 31, 2015 from the exploration for and evaluation of coal resources are as follows:

	<b>June 30, 2016</b>	December 31, 2015
Total assets	<b>3,945,362,290</b>	3,960,007,426
Total liabilities	<b>34,384,149</b>	40,187,788
Expenses	<b>11,468,408</b>	21,451,685
Net cash provided by (used in) operating activities	<b>13,191,081</b>	(72,715,268)
Net cash used in investing activities	<b>(15,105,791)</b>	(48,235,538)
Net cash provided by financing activities	<b>(3,751,758)</b>	24,839,000

## 11. Property and Equipment

Movements of this account are as follow:

June 30, 2016										
	Land	Drilling Equipment	Land Improvements	Laboratory and Camp Buildings	Survey Equipment and Machineries	Laboratory and Testing Equipment	Transportation Equipment	Office Furniture and Equipment	Construction in Progress	Total
<b>Cost</b>										
Balances at beginning of year	18,139,580	194,212,031	132,639,195	25,429,304	3,264,334	12,606,310	9,794,774	1,818,835	1,837,481	399,741,844
Additions	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	32,245	-	32,245
Reclassifications	-	-	-	-	-	-	-	-	-	-
Balances at end of year	18,139,580	194,212,031	132,639,195	25,429,304	3,264,334	12,606,310	9,794,774	1,851,080	1,837,481	399,774,089
<b>Accumulated Depreciation</b>										
Balances at beginning of year	-	64,002,342	12,022,042	2,331,020	1,756,337	4,739,836	7,867,686	1,412,788	-	94,132,051
Depreciation	-	12,193,655	6,631,960	1,271,465	215,726	1,260,631	495,977	109,532	-	22,178,946
Disposals	-	-	-	-	-	-	-	-	-	-
Balances at end of year	-	76,195,998	18,654,002	3,602,485	1,972,063	6,000,467	8,363,663	1,522,320	-	116,310,997
<b>Carrying Amount</b>	18,139,580	118,016,033	113,985,193	21,826,819	1,292,271	6,605,843	1,431,111	328,760	1,837,481	283,463,092

December 31, 2015										
	Land	Drilling Equipment	Land Improvements	Laboratory and Camp Buildings	Survey Equipment and Machineries	Laboratory and Testing Equipment	Transportation Equipment	Office Furniture and Equipment	Construction in Progress	Total
<b>Cost</b>										
Balances at beginning of year	16,340,424	194,186,648	-	-	3,290,809	12,606,310	9,794,774	1,512,146	158,465,529	396,196,640
Additions	1,799,156	25,383	-	-	18,900	-	-	306,689	1,440,451	3,590,579
Disposals	-	-	-	-	(45,375)	-	-	-	-	(45,375)
Reclassifications	-	-	132,639,195	25,429,304	-	-	-	-	(158,068,499)	-
Balances at end of year	18,139,580	194,212,031	132,639,195	25,429,304	3,264,334	12,606,310	9,794,774	1,818,835	1,837,481	399,741,844
<b>Accumulated Depreciation</b>										
Balances at beginning of year	-	39,621,030	-	-	1,247,668	2,218,576	6,515,723	1,084,690	-	50,687,687
Depreciation	-	24,381,312	12,022,042	2,331,020	554,044	2,521,260	1,351,963	328,098	-	43,489,739
Disposals	-	-	-	-	(45,375)	-	-	-	-	(45,375)
Balances at end of year	-	64,002,342	12,022,042	2,331,020	1,756,337	4,739,836	7,867,686	1,412,788	-	94,132,051
<b>Carrying Amount</b>	18,139,580	194,212,031	120,617,153	23,098,284	1,507,997	7,866,474	1,927,088	406,047	1,837,481	305,609,793

Details of depreciation and amortization are as follow:

	Note	June 30, 2016	December 31, 2015
Property and equipment		<b>22,178,946</b>	43,489,739
Intangible asset	12	<b>193,017</b>	588,036
		<b>22,371,963</b>	44,077,775

Depreciation and amortization are charged as follows:

	Note	June 30, 2016	December 31, 2015
Exploration and evaluation asset	10	<b>22,023,694</b>	43,045,511
General and administrative expenses	15	<b>155,252</b>	1,135,643
		<b>22,178,946</b>	44,077,775

Fully depreciated property and equipment that are still being used by the Group amounted to 1.4 million as at June 30, 2016

## 12. Intangible Assets

Movements of the account are as follow:

	Note	June 30, 2016	December 31, 2015
<b>Cost</b>		<b>2,352,148</b>	2,352,148
<b>Accumulated Amortization</b>			
Balances at beginning of year		<b>2,159,130</b>	1,571,094
Amortization	11	<b>193,017</b>	588,036
Balances at end of year		<b>2,352,147</b>	2,159,130
<b>Carrying Amount</b>		<b>1</b>	193,018

Intangible assets pertain to computer software used in the exploration of coal blocks.

## 13. Trade and Other Payables

This account consists of:

	June 30, 2016	December 31, 2015
Trade	<b>8147630</b>	9,436,025
Accruals for:		
Exploration cost	<b>98,946</b>	526,145
Others	<b>109,000</b>	109,000
Withholding taxes payable	<b>204,922</b>	257,881
Other statutory payables	<b>89,389</b>	120,693
	<b>8,649,887</b>	10,449,744

Trade payables are generally settled within 30 days. Other payables are non interest-bearing and are normally settled throughout the year.

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#### 14. Loans Payable

In 2015, the Group has obtained a loan from UCPB Leasing and Finance Corporation of P30.3 million to refinance the acquisition of trucks and heavy equipment in 2014.

The loan is payable in five years, in 60 monthly instalments starting May 30, 2015, the month after the first drawdown. It bears an annual interest rate of 9%. As at June 30, 2016, the loan payable amounted to P21.0 million of which P10.0 million will be due within 12 months after the month – end and total interest expense amounted to P1.0 million.

The loan is secured by a continuing suretyship by the Parent Company. It is collateralized by the pieces of equipment purchased presented under “Property and equipment” with an aggregate carrying value of P34.8 million.

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#### 15. General and Administrative Expenses

This account consists of:

	Note	June 30, 2016	December 31, 2015
Personnel costs	16	2,117,983	4,828,236
Rental	23	2,256,270	4,324,518
Representation and entertainment		3,112,772	2,547,183
Provision for unrecoverable input VAT	9	85,756	1,565,102
Professional fees		945,579	1,405,864
Taxes and licenses		44,956	1,042,970
Depreciation and amortization	11	348,269	1,032,264
Transportation and communication		295,994	656,166
Listing fee		250,000	384,000
Light and Water		112,400	–
Meals		19,781	339,500
Office supplies		36,549	278,211
Janitorial services		76,345	249,362
Travel		–	236,874
Registration		–	220,108
Safekeeping fee		56,000	167,000
Repairs and maintenance		98,505	47,599
Seminar and membership fees		48,500	44,317
Directors fee		45,000	40,000
Bank charges		2,500	13,987
Others		552,735	648,728
		<b>10,505,894</b>	<b>20,071,989</b>

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## 16. Personnel Costs

Personnel costs charged to “Exploration and evaluation asset” account consist of:

	Note	June 30, 2016	December 31, 2015
Salaries and wages		<b>7,863,005</b>	17,649,599
Retirement benefit cost	17	–	1,292,186
Employee benefits		<b>294,338</b>	434,584
		<b>8,157,343</b>	19,376,369

Personnel costs classified under “General and administrative expenses” account consists of:

	Note	June 30, 2016	December 31, 2015
Salaries and wages		<b>2,117,983</b>	4,493,750
Retirement benefit cost	17	–	190,612
Employee benefits		<b>71,240</b>	143,874
		<b>2,189,223</b>	4,828,236

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## 17. Retirement Benefit Liability

The Group has an unfunded defined benefit plan covering all of its regular employees. The benefits are based on years of service and compensation. The plan provides for a lump-sum benefit payment upon retirement which shall not be less than the minimum mandated retirement benefit plan under Republic Act (RA) No. 7641 Retirement Pay Law. The latest actuarial valuation as at December 31, 2015 was prepared by an independent actuary using the projected unit credit method.

The following tables summarize the components of the retirement benefits cost recognized in consolidated statements of comprehensive income in June 30, 2016 and December 31, 2015 and the liability amounts recognized in the consolidated statements of financial position.

The components of retirement benefit cost are as follow:

	June 30, 2016	December 31, 2015
Current service cost	–	1,287,916
Interest cost	–	194,882
	–	1,482,798

Retirement benefit costs are charged as follow:

	June 30, 2016	December 31, 2015
Exploration and evaluation asset	–	1,292,186
General and administrative expenses	–	190,612
	–	1,482,798

The changes in the present value of the retirement benefit liability are as follows:

	<b>June 30, 2016</b>	December 31, 2015
Balance at beginning of year	<b>4,621,200</b>	3,969,091
Current service cost	–	1,287,916
Interest cost	–	194,882
Remeasurement gains:		
Experience adjustments	–	(660,709)
Change in assumptions	–	(169,980)
<b>Balance at end of year</b>	<b>4,621,200</b>	4,621,200

## 18. Related Party Transactions

The significant transactions of the Group, in the normal course of business, with its related parties are described below.

The outstanding balances from related parties arising from such transactions are as follows:

	Nature of Transactions	Amount of Transactions		Outstanding Balance	
		<b>June 30, 2016</b>	December 31, 2015	<b>June 30, 2016</b>	December 31, 2015
Advances to affiliates –					
Under Common Control	<b>Advances for working capital</b>	<b>165,584</b>	1,265,628	<b>488,175</b>	1,265,628
Trade and other payables –					
Under Common Control –	Rental	<b>2,256,270</b>	4,324,518	<b>357,243</b>	-
Advances from affiliates –					
Under Common Control –	Advances for working capital	-	-	<b>25,820</b>	25,820

These are unsecured, noninterest-bearing and generally settled in cash and payable on demand.

The advances of the Parent Company to TMEC amounting to 487.1 and P461.2 million as at June 30, 2016 and December 31, 2015, respectively, were eliminated during consolidation.

### Key Management Personnel Compensation

The salaries of key management personnel of the Group are as follow:

	<b>June 30, 2016</b>	December 31, 2015
Salaries and wages	<b>3,514,854</b>	8,220,522
Retirement benefits	–	446,624
	<b>3,514,854</b>	8,667,146



## 19. Financial Assets and Liabilities

The Group's financial instruments consist mainly of financial assets and financial liabilities directly related to operations, specifically cash, advances to affiliates, certificates of time deposits included in funds held in escrow, restricted cash and other receivables, and trade and other payables (excluding statutory payables), advances from an affiliate and loans payable.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The BOD reviews and agrees on policies for managing each of these risks.

### Financial Risk Management Objectives and Policies

*Credit Risk.* The Group's exposure to credit risk arises from the failure on the part of its counterparty in fulfilling its financial commitments to the Group under the prevailing contractual terms. Financial instruments that potentially subject the Group to credit risk consist primarily of cash, advances to affiliates, certificates of time deposits included in funds held in escrow and other receivables. The Group's maximum exposure is equal to the carrying amount of these instruments. These present minimal credit risk based on management's assessment and are considered high grade accounts. High grade accounts consist of receivables from debtors with good financial condition and with relatively low defaults.

The following tables summarize the credit quality and per class aging analysis of the Group's financial assets as at June 30, 2016 and December 31, 2015:

	June 30, 2016			
	Neither Past Due nor Impaired		Past Due but not Impaired	Total
	High Grade	Standard Grade		
Loans and receivables:				
Cash*	3,821,692	-	-	9,373,923
Advances to affiliates	488,175	-	-	1,265,628
Funds held in escrow	64,097,600	-	-	87,133,562
Other receivables	2,106,218	-	-	299,487
	<b>70,513,685</b>	-	-	<b>98,072,600</b>

\*Excluding cash on hand amounting to P0.3 million as at June 30, 2016

	December 31, 2015			
	Neither Past Due nor Impaired		Past Due but not Impaired	Total
	High Grade	Standard Grade		
Loans and receivables:				
Cash*	9,373,923	-	-	P9,373,923
Advances to affiliates	1,265,628	-	-	1,265,628
Funds held in escrow	87,133,562	-	-	87,133,562
Other receivables	299,487	-	-	299,487
	<b>98,072,600</b>	-	-	<b>P98,072,600</b>

\*Excluding cash on hand amounting to P0.4 million as at December 31, 2015.

High grade accounts consist of financial assets from counterparties with good financial condition and with relatively low defaults. Financial assets having risks of default but are still collectible are considered standard grade accounts.

*Liquidity Risk.* Liquidity risk arises from the Group's inability to raise sufficient funds at the least possible cost to meet its financial commitments. The Group's objectives in liquidity management are: (a) to ensure that adequate funds are available to meet expiring obligations; (b) to meet the

commitments as they arise without incurring unnecessary costs; and (c) to be able to access additional funding when needed at the least possible cost.

The table below summarizes the maturity profile of the financial liabilities of the Group based on remaining contractual undiscounted cash flows as at June 30, 2016 and December 31, 2015:

	June 30, 2016			Total
	On Demand	Within 1 Year	Over 1 Year	
Trade and other payables*	8,355,576	-	-	8,355,576
Advances from an affiliate	25,820	-	-	25,820
Loans payable	-	10,078,109	11,009,133	21,087,242
	<b>8,381,396</b>	<b>10,078,109</b>	<b>11,009,133</b>	<b>29,468,638</b>

\*Excluding statutory payables amounting to P.3 million as at June 30, 2016.

	December 31, 2015			Total
	On Demand	Within 1 Year	Over 1 Year	
Trade and other payables*	7,183,947	3,128,860	-	10,312,807
Advances from an affiliate	25,820	-	-	25,820
Loans payable	-	11,566,968	17,350,452	28,917,420
	<b>7,209,767</b>	<b>14,695,828</b>	<b>17,350,452</b>	<b>39,256,047</b>

\*Excluding statutory payables amounting to P0.4 million as at December 31, 2015.

### Capital Management

The primary objective of the Group's capital management is to ensure that it maintains strong and healthy financial position to support its current business operations and drive its expansion and growth in the future.

The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions, its business activities, expansion programs and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust its borrowings or raise capital.

In determining reasonable leverage, the Group evaluates its cost of capital and manages its level of debt to maintain an optimal cost of capital based in current conditions. The Group considers its equity, excluding remeasurement loss on retirement benefit liability, as capital amounting to P3.9 billion as at June 30, 2016 and December 31, 2015, respectively.

The Group is not subject to externally-imposed capital requirements.

## **20. Fair Value Measurement of Financial Instruments**

Set out below is a comparison of carrying amounts and fair values of financial assets and liabilities as at June 30, 2016 and December 31, 2015:

	June 30, 2016		December 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Loans and receivables:				
Cash	4,129,497	4,129,497	9,795,965	9,795,965
Advances to affiliates	488,175	488,175	1,265,628	1,265,628
Funds held in escrow	64,097,600	64,097,600	87,133,562	87,133,562
Other receivables	2,106,218	2,106,218	299,487	299,487
	<b>70,821,490</b>	<b>70,821,490</b>	<b>98,494,642</b>	<b>98,494,642</b>

	June 30, 2016		December 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Liabilities</b>				
Other financial liabilities at amortized cost:				
Trade and other payables*	<b>7,183,947</b>	<b>7,183,947</b>	10,312,807	10,312,807
Loans payable	<b>21,087,242</b>	<b>21,087,242</b>	24,839,000	27,587,499
Advances from an affiliate	<b>25,820</b>	<b>25,820</b>	25,820	25,820
	<b>28,297,009</b>	<b>28,297,009</b>	<b>35,177,627</b>	<b>37,926,126</b>

\*Excluding statutory payables amounting to P0.3 million and P0.4 million as at June 30, 2016 and December 31, 2015, respectively.

The methods and assumptions used by the Group in estimating the fair values of the foregoing financial instruments are as follows:

*Loans payable.* The fair value of the Group's loans payable were determined by discounting the sum of all future cash flows using prevailing market rates of interest for instruments with similar maturities. The discount rate used was 3.6%.

*Other Current Financial Assets and Liabilities.* The carrying amounts of cash, advances to affiliates, certificates of time deposits included in funds held in escrow and other receivables, and trade and other payables (excluding statutory payables) and advances from an affiliate approximate their fair values due to the short-term nature of these financial instruments.

## 21. Income Taxes

TMEC is entitled to the following incentives under the COC:

- Exempt from all national taxes except for income tax; and
- Exempt from payment of tariff duties, compensating tax and value-added tax on importations of machinery and equipment, spare parts and materials required for the Coal Operation subject to terms and conditions in the COC.

The Group's current income taxes in December 31, 2015 amounting to P10,387. The Group has no current income tax recognized as of June 30, 2016.

The Group's net deferred tax assets shown in the consolidated statements of financial position consist of:

	2015	2014
Deferred tax assets:		
NOLCO	<b>8,712,667</b>	5,276,550P
Retirement benefit liability	<b>1,386,360</b>	1,190,727
Excess MCIT over RCIT	<b>10,914</b>	527
	<b>10,109,941</b>	6,467,804
Deferred tax liability – Retirement benefit liability attributable to		

exploration and evaluation asset	<b>1,571,035</b>	1,183,380
	<b>8,538,906</b>	5,284,424

Deferred tax assets on NOLCO amounting to P3.1 million and P20.6 million as at December 31, 2015 and 2014, respectively, have not been recognized since the management believes that the Group may not be able to utilize these deductible temporary differences against future tax liabilities. Management's assessment based on available evidence, specifically the Group's positive financial forecasts, demonstrates that above deferred tax assets are realizable.

## 22. Basic Loss Per Share

The following table presents information necessary to calculate loss per share:

	<b>June 30, 2016</b>	December 31, 2015
Net loss	<b>8,841,497</b>	15,965,832
Divided by weighted average number of common shares outstanding	<b>4,000,000,004</b>	4,000,000,004
Basic loss per share	<b>0.002</b>	0.004

The Group has no dilutive potential common shares outstanding, therefore basic loss per share is the same as diluted loss per share.

## 23. Commitments

The Group has the following contractual commitments:

### Lease Agreement

The Group has a lease agreement with its affiliate, JTKC Equities, Inc., until July 31, 2015 renewable upon mutual consent of both parties. The lease agreement was renewed in 2015. Rental expense amounted to P2.3 million and P2.1 million for June 30, 2016 and June 30, 2015, respectively. (see Note 15).

### Operating Contracts with DOE

The Government, through the DOE, awarded COCs to TMEC. The exploration phase under the COCs is for 2 years and can be extended for another 2 years upon the approval of the DOE. The development and production phase commences when the DOE and TMEC agrees on the existence of Coal Reserves in Commercial Quantity subject to the terms and conditions in the COC. As at June 30, 2016, TMEC has two remaining COCs (COC 159 and COC 166).

In 2013, TMEC applied for a change in status of COC No. 159 from exploration and evaluation stage to development and production stage. TMEC has submitted to the DOE the Final Exploration Report, 10-Year Work Program and Feasibility Study and Environmental Compliance Certificate (ECC) as issued by the Department of Environment and Natural Resources (DENR). TMEC is still working to secure the NCIP certificate of Non-Overlap, the final requirement for the conversion of COC No. 159, with a re-endorsement to the NCIP on its application made by the DOE as of report date.

In 2014, COC 166's term for exploration expired. TMEC, however, is working on the extension of the COC. As required, it has submitted to the DOE the Result of Exploration covering the exploration activities conducted and estimates of the resultant coal resource and reserve of the property, which

have been verified by the DOE. As of report date, TMEC is still working on completing the remaining requirements which are the Coal Development and Production Work Program and Feasibility Study and ECC and Certificate of Precondition from the DENR and NCIP, respectively.

In 2015, TMEC gave up COC 167 due to non-prospectivity. TMEC believes that the termination of this will not result to an obligation that will materially affect its financial position and results of operations.

COC No. 159 covers 7,000 hectares in Davao Oriental while COC No. 166 which is located in Zamboanga Sibugay covers 4,000 hectares. Activities done in 2015 include surface geological investigation which involves surface field geologic mapping, geodetic surveying and trenching and subsurface geologic investigation through cored diamond drilling. As at June 30, 2016 and December 31, 2015, TMEC has spent P450.9million P413.8 million, respectively, for the direct implementation of the work program for the exploration phase of these COCs.

Under Presidential Decree 972, *The Coal Development Act of 1976*, as government share, the DOE will be paid the balance of the gross income after deducting all operating expenses and operator's fee and special allowance. The operating expenses shall not exceed 90% of the gross income. Excess operating expenses can be recovered from the gross income in succeeding years. TMEC will be entitled to a fee and a special allowance, the net amount of which shall not exceed 40% and 30%, respectively, of the net operating income.

## MANAGEMENT'S DISCUSSION ON COAL'S FINANCIALS

### Summary of Financial Information

The following table represents the summary of financial information for COAL from January 1 to June 30, 2016.

<b>COAL's Summary Unaudited Consolidated Financial Information as at June 30, 2016</b>	
Amounts are Php	
<b>Consolidated Statement of Comprehensive Income</b>	
Sales	-
Cost of Sales	-
Gross Profit	-
Operating Income	-
Income (loss) before income tax	(8,841,497)
Net Income (loss)	(8,841,497)
<b>Consolidated Statement of Financial Position</b>	
<b>Assets</b>	
Cash	4,129,497
Receivables	
Funds held in escrow	64,097,600
Advances to Affiliates	488,175
Prepayments and other current assets	2,106,218
<b>Total Current Assets</b>	<b>70,821,490</b>
Exploration and evaluation assets	450,942,700
Property, plant and equipment -net	283,463,092
Intangible asset	1
Coal Reserves	3,131,596,101
Deferred Tax Asset	8,538,906
<b>Total Non-Current Assets</b>	<b>3,874,540,800</b>
<b>TOTAL ASSETS</b>	<b>3,945,362,290</b>
<b>Liabilities and Equity</b>	
Trade and other payables	8,649,887
Loan Payable-Current Portion	10,078,109
Advances from related parties	25,820
Income tax payable	-
<b>Total Current Liabilities</b>	<b>18,753,816</b>
Retirement benefit liability	4,621,200
Loan Payable	11,009,133
<b>Total Non-Current Liability</b>	<b>15,630,333</b>
Capital Stock	4,000,000,004
Deficit	(89,405,261)
Remeasurement loss on retirement benefit liability	383,398
<b>Stockholders' Equity</b>	<b>3,910,978,141</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>3,945,362,290</b>
<b>Key Indicators</b>	
Gross Profit Margin (%)	-
Net Income (loss) Margin (%)	-
Return on Asset (%)	-
Return on Equity(%)	-
Current Ratio(x)	3.78:1
Total Liabilities to Equity (x)	0.01:1
Earnings Per Share (Basic) (Php 0.0000)	(0.0022)
Book Value Per Share (Php 0.0000)	0.9777

## **UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED JUNE 30, 2016**

### ***Sales/Cost of Sales/Gross Profit***

TMEC is working on the conversion of COCs from exploration to development

### ***General and Administrative Expenses***

General and Administrative expenses amounted to P5.1 million for the three months ended June 30, 2016. These expenses were comprised primarily of office rental, consultancy fee, depreciation expense, salaries and wages, Utilities Expenses and representation.

### ***Operating Income and Operating Loss Margin***

The Company incurred an operating loss of P5.11 million.

### ***Interest Income***

Interest income amounted to P0.23 million, which came from interest earned from bank deposits, cash equivalents and funds held in escrow.

### ***Interest Expense***

Interest Expense on Loan Payable for three months ended June 30, 2016 amounting to P0.53 million.

### ***Other Income***

Other Income for three months ended June 30, 2016 amounting to P1.10 million.

### ***Net Income and Net Income Margin***

The net loss of the Group for the period amounted to P 4.31 million.

## **UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2016**

As at June 30, 2016, the total assets of the group amounted to P3,945.36 million as against P3,960.01 million as at December 31, 2015. Total current assets decreased to P70.82 million from P100.22 million, attributed mainly to the decrease in funds held in escrow used in the operational activities of the Group. Noncurrent assets increased to P3,874.54 million from P3,859.78 million due to the increase in exploration and evaluation assets.

Current liabilities as at the end of the quarter decreased to P18.75 million from P19.81 million as at December 31, 2015 due to the decrease in accounts payable. Total equity of the group decrease to P3,910.98 from 3,919.82 due to net loss incurred by the Group for the six month period in year 2016.

## **Other Financial Information**

As of and for period ended June 30, 2016:

- No material changes on COAL's financial position (changes of 5% or more) can be computed as the Company has only been incorporated on June 11, 2013.
- COAL is not aware of any known trends, or any known demands, commitments, events, or uncertainties that will result in or that are reasonably likely to result in COAL's liquidity increasing or decreasing in any material way.
- It is not aware of any event that would trigger direct or contingent financial obligation that is material to COAL, including any default or acceleration of an obligation.
- All material off-balance sheet transactions, arrangements, obligations and other relationships of COAL with unconsolidated entities or other persons created during the period were considered.
- There were no known trends, events, or uncertainties on net revenues or income from continuing operations.
- COAL is not aware of any significant elements of income and loss that did not arise from COAL's continuing operations.
- COAL is not aware of any seasonal aspects that had a material effect on the financial condition or results of operations.
- COAL is not aware of any seasonal aspects that had a material effect on the financial condition or results of operations.

### **Causes of major movements in financial statements**

#### **Statement of Financial Position Items (June 30, 2016 vs. December 31, 2015)**

##### **Cash and cash equivalents**

Cash and cash equivalents decreased by P5.67 million or a 58% decrease from P9.80 million to P4.13 million for payment of loan payable, exploration and pre-development activities and operational activities of the Group.

##### **Funds held in escrow**

The decrease of funds held in escrow by P23.04 million or a 26% decrease from P87.13 million to P64.10 million because of exploration and development activities of the Group.

##### **Prepayments and other current assets**

The increase of P0.08 million or a 4% increase from P2.03 million to 2.11 million was due to unliquidated advances of officers and employees.



### Exploration and evaluation assets

The P37.10 million increased in exploration and evaluation assets or a 9% increase from P413.85 million to P450.94 million comprised of P22.02 million depreciation expenses and P15.07 million for cash–paid exploration and development of COC areas.

### Property and Equipment

The net 7% decrease from P305.61 million to P283.46 million of property and equipment pertains to depreciation. Minimal purchase of equipment was made during the quarter.

### Equity

Capital position went down by P8.84million due to net loss for the period

### **Statement of Financial Performance Items**

#### **Quarter ended June 2016 vs. Quarter ended June 2015**

### Revenue/Sales–Nil

### Cost of sales–Nil

### General and Admin expenses

General and administrative expenses of the group amounted to P5.11million and P5.15million for June 30, 2016 and June 30, 2015, respectively.

### Interest income

The decrease of P.04 million was due to decreasing balance of funds held in escrow.

### Interest income

Other Income for three months ended June 30, 2016 amounting to P1.10 million.

### Net loss

Net Loss of the Company for the quarter ended June 30, 2016 was decreased by 12% compared to previous year of the same quarter due to Other Income derived from selling of incidental production of the Group.

In this interim period:

- i. There are no known trends, demands, commitments, events or uncertainties that will have material impact on the issuer’s liquidity.
- ii. There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

- iii. There are no off-balance sheet transactions, arrangements, obligations and other relationships of the company with unconsolidated or other persons created during the reporting period.
- iv. There are no known trends, events, or uncertainties that have had or that are reasonably expected to have materially favorable or unfavorable impact on net revenues or income from continuing operations.
- v. There are no significant elements of income and loss that did not arise from continuing operations.

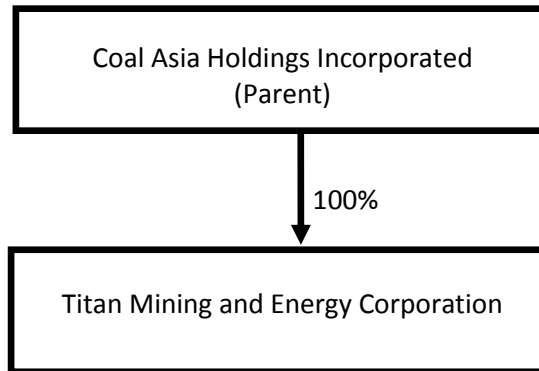
**COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY**  
**SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
June 30, 2016 and December 31, 2015

	June 30, 2016	December 31, 2015
Current assets	<b>70,821,490</b>	P100,224,148
Current liabilities	<b>18,753,816</b>	19,808,626
Liquidity ratio	<b>4.52:1</b>	5.06:1
Net loss before depreciation	<b>(8,493,228.00)</b>	(P14,933,568)
Total liabilities	<b>34,384,149</b>	40,187,788
Solvency ratio	<b>(0.11):1</b>	(0.37):1
Total liabilities	<b>34,384,149</b>	40,187,788
Total equity	<b>3,910,978,141</b>	3,919,819,638
Debt-to-equity ratio	<b>0.010:1</b>	0.010:1
Total assets	<b>3,945,362,290</b>	3,960,007,426
Total equity	<b>3,910,978,141</b>	3,919,819,638
Asset-to-equity ratio	<b>1.01:1</b>	1.01:1
Net loss	<b>(8,841,497)</b>	(15,965,832.00)
Total assets	<b>3,945,362,290</b>	3,960,007,426
Return on asset	<b>-0.12%</b>	-0.40%
Net loss	<b>(8,841,497)</b>	-15,965,832
Return on equity	<b>-0.12%</b>	-0.41%
Total equity	<b>3,919,819,638</b>	3,919,819,638

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**COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY**  
**CONGLOMERATE MAP**  
**JUNE 30, 2016**

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**COAL ASIA HOLDINGS INCORPORATED**

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**SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS  
AVAILABLE FOR DIVIDEND DECLARATION  
JUNE 30, 2016**

Unappropriated Retained Earnings (deficit), beginning	(80,563,764)
<hr/>	
Unappropriated Retained Earnings (deficit), as adjusted to amount available for dividend declaration, beginning	(80,563,764)
Net income (loss) based on the face of AFS	(8,841,497)
Less: Non-actual/unrealized income net of tax	
Equity in net income of associate/joint venture	-
Unrealized foreign exchange gain – net (except those attributable to Cash and Cash Equivalents) Unrealized actuarial gain	-
Fair value adjustment (M2M gains)	-
Fair value adjustment of Investment Property resulting to gain Adjustment due to deviation from PFRS/GAAP-gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Add: Non-actual losses	-
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP – loss	-
Loss on fair value adjustment of investment property (after tax)	-
<hr/>	
Net loss actually earned/realized during the year	(89,405,261)
Less appropriation during the year	-
<hr/>	
Unappropriated Retained earnings (deficit) available for dividend declaration, end	(89,405,261)
<hr/> <hr/>	

**COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY**

**SEC Supplementary Schedule as Required by Part II of SRC Rule 68 as Amended  
JUNE 30, 2016**

**Table of Contents**

<u>Schedule</u>	<u>Description</u>	<u>Page</u>
A	Financial Assets	<u>N/A</u>
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	<u>N/A</u>
C	Amounted Receivable from Related Parties which are Eliminated During the Consolidation of the Financial Statements	<u>1</u>
D	Intangible Assets – Other Assets	<u>2</u>
E	Long-term Debt	<u>3</u>
F	Indebtedness to Related Parties	<u>N/A</u>
G	Guarantees of Securities of Other Issuers	<u>N/A</u>
H	Capital Stock	<u>4</u>

**COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY**

**C. Amounts Receivable from Related Parties which are Eliminated  
During the Consolidation of the Financial Statements  
JUNE 30, 2016**

<i>Name and designation of debtor</i>	<i>Balance at beginning of period</i>	<i>Additions</i>	<i>Deductions</i>		<i>Ending Balance</i>		<i>Balance at end of period</i>
			<i>Amounts collected</i>	<i>Amounts written off</i>	<i>Current</i>	<i>Not current</i>	
Advances to TMEC	P461,211,916	P25,541,669	P-	P-	P-	P486,753,585	P486,753,585

**COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY**

**D. Intangible Assets  
JUNE 30, 2016**

<i>Description</i>	<i>Beginning balance</i>	<i>Additions at cost</i>	<i>Deduction</i>			<i>Ending balance</i>
			<i>Charged to cost and expenses</i>	<i>Charged to other accounts</i>	<i>Other changes additions (deductions)</i>	
Computer software	P193,018	P-	P-	P193,017	P-	P1

**COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY**

**Long Term Debt  
June 30, 2016**

<i>Name of the Lender</i>	<i>Balance at the beginning of the Period</i>	<i>Additions</i>	<i>Deduction</i>		<i>Ending Balance</i>		<i>Balance at the end of period</i>
			<i>Amount Paid</i>	<i>Amount Written - Off</i>	<i>Current</i>	<i>Noncurrent</i>	
UCPB Leasing and Finance Corp.	P24,839,000	P-	P3,751,758	P-	P10,078,109	P11,009,133	P21,087,242



**COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY**

**H. CAPITAL STOCK**

**JUNE 30, 2016**

<i>Title of Issue</i>	<i>Number of shares authorized</i>	<i>Number of shares issued and outstanding as shown under the related statements of financial position caption</i>	<i>Number of shares reserved for options, warrants, conversion and other rights</i>	<i>Number of shares held by</i>		
				<i>Related parties</i>	<i>Directors, officers and employees</i>	<i>Others</i>
Capital Stock – P1 par value	5,000,000,000	4,000,000,004	–	640,000,000	1,280,402,204	2,079,597,800

**Coal Asia Holdings Incorporated**  
**Utilization of IPO Proceeds**  
**As of June 30, 2016**


Net Proceeds	726,868,750.00
Add: Accumulated Interest Income, December 31, 2015	<u>13,162,484.20</u>
	740,031,234.20
Less: Disbursements	<u>(675,933,634.20)</u>
<b>Balance as of June 30, 2016</b>	<b><u>64,097,600.00</u></b>


Details of Disbursements:

1) <b>Working Capital</b> Q4 2012	126,868,750.00
2) <b>Davao Oriental Project</b>	
Exploration Work	104,535,373.76
Mine Development Cost	392,246,132.42
3) <b>Zamboanga Sibugay Project</b>	
Exploration Work	<u>52,283,378.02</u>
	<b><u>675,933,634.20</u></b>

By:

  
**JOHNSON A. SANHI JR.**  
President/Chief Operating Officer  
August 03, 2016

  
**VICTOR J. LEE**  
Chief Financial Officer  
August 03, 2016

  
**ROSANNA T. DESIDERIO**  
Accounting Manager  
August 03, 2016

**SIGNATURE**

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

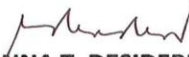
Issuer: Coal Asia Holdings Incorporated  
By:



**JOHNSON A. SANHI JR.**  
President/Chief Operating Officer  
August 3, 2016



**VICTOR J. LEE**  
Chief Financial Officer  
August 3, 2016



**ROSANNA T. DESIDERIO**  
Accounting Manager  
August 3, 2016