COVER SHEET

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SEC Registration Number

S E M I R A R A   M I N I N G   A N D   P O W E R

C O R P O R A T I O N

(Company's Full Name)

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2 2 8 1   D O N   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)

Junalina S. Tabor

(Contact Person)

888-3055

(Company Telephone Number)

1 2   3 1

(Fiscal Year)

1 7 - Q

(Form Type)

Month *Day*

(Annual Meeting[1])

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

[1] First Monday of May of each year.

SEC Number : 91447
File Number : _________

SEMIRARA MINING AND POWER CORPORATION

Company's Full Name

2nd Floor, DMCI Plaza
2281 Chino Roces Avenue, Makati City
Company's Address

888-3550 to 888-3565
Telephone Number

For the Period Ending June 2016
Period Ended

QUARTERLY REPORT FORM 17-Q
Form Type

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 quarter period ended **June 30, 2016**

2. Commission Identification Number **91447**

3. BIR Tax Identification No. **000-190-324-000**

4. Exact Name of issuer as specified in its charter:

   SEMIRARA MINING AND POWER CORPORATION

5. Province, Country or other jurisdiction of incorporation of organization:
   PHILIPPINES

6. Industry Classification Code:___________(SEC use only)

7. Address of issuer's principal office Postal Code

   2nd Floor, DMCI Plaza, 1231
   2281 Chino Roces Avenue, Makati City

8. Registrants telephone Number, including area code:
   +63 2 8883550 to +63 2 8883565

9. Former Address : 7th Floor, Quad Alpha Centrum Bldg.,
   125 Pioneer St., Mandaluyong City
   Telephone Nos. : 631-8001 to 6318010
   Former name : Semirara Coal Corporation
   No former fiscal year of the registrant.

10. Securities registered pursuant to Section 4 of the RSA.

Title of each class	Number of shares of common Stock Outstanding
Common Stock, P1.00 par value	1,068,750,000 shares

11. 1,068,750,000 shares are listed in the Philippine Stock Exchange

12. The registrant has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule 11 (a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months.

    Has been subject for such filing requirements for the past 90 days

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SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of June 30, 2016

	(Unaudited) 30-Jun-16	(Audited) 31-Dec-15
ASSETS		
Current Assets		
Cash and cash equivalents	4,433,752,169	4,745,608,379
Receivables - net	4,225,911,709	2,780,770,361
Inventories - net	5,044,433,006	4,382,606,923
Investment in sinking fund	68,296,989	460,234,017
Other current assets	3,089,059,393	2,723,488,856
Total Current Assets	16,861,453,266	15,092,708,536
Noncurrent Assets		
Property, plant and equipment - net	37,359,922,879	36,742,656,343
Exploration and evaluation asset	3,966,040,304	3,015,464,959
Deferred Tax Assets	535,525,388	535,544,818
Other noncurrent assets	1,804,423,512	1,770,662,589
Total Noncurrent Assets	43,665,912,083	42,064,328,709
TOTAL ASSETS	60,527,365,349	57,157,037,245
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Trade and other payables	9,396,210,738	7,371,993,321
Short-term loans	4,342,792,439	2,993,000,994
Current portion of long-term debt	2,080,358,355	5,190,727,400
Total Current Liabilities	15,819,361,532	15,555,721,715
Noncurrent liabilities		
Long-term debt - net of current portion	13,501,300,940	11,359,881,203
Provision for decommissioning and site rehabilitation	513,701,432	513,701,432
Pension liabilities	88,495,987	86,982,778
Other noncurrent liabilities	1,570,964,353	2,739,667,958
Total Noncurrent Liabilities	15,674,462,712	14,700,233,371
Total Liabilities	31,493,824,244	30,255,955,086
Stockholders' Equity		
Capital Stock	1,068,750,000	1,068,750,000
Additional paid-in capital	6,675,527,411	6,675,527,411
Minority Interest	12,500,000	
Remeasurement gains (losses) on pension plan	(30,509,775)	(30,509,775)
Retained earnings	21,307,273,469	19,187,314,523
Total Stockholders' Equity	29,033,541,105	26,901,082,159
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	60,527,365,349	57,157,037,245

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Period Ending June 30, 2016 and 2015

For the Quarter Ending June 30, 2016 and 2015

	(Unaudited) For the Period		(Unaudited) For the Quarter	
	2016	2015	2016	2015
REVENUE				
Coal	9,017,379,493	6,525,581,252	5,077,263,273	2,773,319,100
Power	7,541,324,710	7,190,997,526	4,845,700,759	3,698,698,348
	16,558,704,203	13,716,578,778	9,922,964,032	6,472,017,448
COST OF SALES				
Coal	3,817,111,963	3,571,790,228	2,175,242,388	1,426,443,754
Power	2,849,640,998	2,509,782,333	2,211,996,710	1,549,876,964
	6,666,752,961	6,081,572,560	4,387,239,098	2,976,320,717
GROSS PROFIT	9,891,951,242	7,635,006,217	5,535,724,934	3,495,696,730
OPERATING EXPENSES	(3,040,830,966)	(2,089,645,562)	(1,788,063,782)	(840,552,924)
FINANCE INCOME (COSTS)	(204,200,170)	(128,742,795)	(150,364,408)	(73,057,356)
FOREIGN EXCHANGE GAINS (LOSSES)	(41,301,776)	29,530,529	(77,758,712)	(16,209,688)
OTHER INCOME	44,018,812	152,893,543	22,034,779	108,119,351
	(3,242,314,100)	(2,035,964,287)	(1,994,152,122)	(821,700,618)
INCOME BEFORE INCOME TAX	6,649,637,142	5,599,041,930	3,541,572,811	2,673,996,112
PROVISION FOR INCOME TAX	286,296,500	891,521,958	88,534,205	477,673,722
NET INCOME	6,363,340,642	4,707,519,973	3,453,038,607	2,196,322,391
TOTAL COMPREHENSIVE INCOME	6,363,340,642	4,707,519,973	3,453,038,607	2,196,322,391
Basic / Diluted Earnings per Share	5.95	4.40	3.23	2.06

Basis of EPS :

EPS = NET INCOME (LOSS) FOR THE PERIOD/NO. OF OUTSTANDING SHARES

Wherein :

Wtd Average Outstanding Shares	1,068,750,000	(as of June 30, 2016)
Wtd Average Outstanding Shares (as adjusted)	1,068,750,000	(as of June 30, 2015)

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

As of June 30, 2016 and 2015

	Common Stock	Additional Paid-In Capital	Remeasurement Losses on Retirement Plan	Unappropriated Retained Earnings	Appropriated Retained Earnings	Minority Interest	Grand Total
At January 1, 2016	1,068,750,000	6,675,527,411	(30,509,775)	5,368,932,826	5,300,000,000	-	18,382,700,462
Net Income for the period				6,363,340,642			6,363,340,642
Minority Interest						12,500,000	12,500,000
Dividends				4,275,000,000			4,275,000,000
At June 30, 2016	1,068,750,000	6,675,527,411	(30,509,775)	16,007,273,468	5,300,000,000	12,500,000	29,033,541,104
At January 1, 2015	1,068,750,000	6,675,527,411	(13,471,337)	8,400,405,442	2,300,000,000	-	18,431,211,516
Net Income for the period				4,707,489,823			4,707,489,823
Remeasurement Losses on Retirement Plan							-
Dividends							-
At June 30, 2015	1,068,750,000	6,675,527,411	(13,471,337)	13,107,895,265	2,300,000,000	-	23,138,701,339

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOW

As of June 30, 2016 and 2015

	(Unaudited) 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	6,649,667,292	5,599,041,930
Adjustments for:		
Depreciation and amortization	1,329,609,053	1,107,093,818
Finance costs and revenues	203,931,730	129,224,434
Net unrealized foreign exchange gains	(43,309,114)	22,209,068
Pension expense	5,820,000	(5,700,000)
Operating income before changes in working capital	8,145,718,961	6,851,869,251
Decrease (increase) in:		
Receivables	(1,868,124,068)	(1,425,058,777)
Inventories	(629,983,425)	(1,029,643,722)
Other current assets	(1,183,260,206)	(882,341,645)
Increase (decrease) in:		
Trade and other payables	2,532,231,864	(123,452,598)
Cash generated from (used in) operations	6,996,583,125	3,391,372,508
Interest received	36,904,213	21,349,803
Benefits paid	(4,306,791)	(1,716,152)
Income tax paid	(323,985,908)	(2,382,142)
Interest paid	(213,988,735)	(138,306,082)
Net cash provided by (used in) operating activities	6,491,205,905	3,270,317,936
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in investments		412,311,555
Additions to exploration and evaluation assets	(607,268,830)	(2,856,005)
Increase in other noncurrent assets	(156,104,266)	
Additions to property, plant and equipment	(2,201,407,399)	(794,481,596)
Net cash used in investing activities	(2,964,780,494)	(385,026,046)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan Availments	9,901,272,827	4,001,344,840
Proceeds from additional subscription to capital stocks	12,500,000	
Payment of dividend	(4,275,000,000)	(4,275,000,000)
Loan Repayment	(9,477,054,448)	(1,919,735,376)
Net cash provided by (used in) financing activities	(3,838,281,621)	(2,193,390,536)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(311,856,210)	691,901,354
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,745,608,379	3,682,949,768
CASH AND CASH EQUIVALENTS AT END OF YEAR	4,433,752,169	4,374,851,122

1. Summary of Significant Accounting policies

Basis of Preparation
The consolidated financial statements have been prepared using the historical cost basis. The consolidated financial statements are prepared in Philippine Peso, which is the Group's functional currency. All amounts are rounded off to the nearest peso unless otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as at June 30, 2016 and for the year then ended.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intra-group assets and liabilities, equity, income, expenses, dividends and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement in the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group control an investee if and only if the Group has :

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including :

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Non-controlling interests (NCI) pertain to the equity in a subsidiary not attributable, directly or indirectly to the Parent Company. NCI represent the portion of profit or loss and net assets in subsidiaries not owned by the Group and are presented separately in consolidated statement of comprehensive income, consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separately from equity holders' of the Parent Company.

Any equity instruments issued by a subsidiary that are not owned by the Parent Company are non-controlling interests including preferred shares and options under share-based transactions.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary it :

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

The consolidated financial statements include the financial statements of the Parent Company and the following wholly-owned subsidiaries (which are all incorporated in the Philippines):

	Effective Percentages of Ownership		
	2015	2014	2013
Sem-Calaca Power Corporation (SCPC)	100.00%	100.00%	100.00%
Southwest Luzon Power Generation Corporation (SLPGC)	100.00	100.00	100.00
SEM-Cal Industrial Park Developers, Inc. (SIPDI)	100.00	100.00	100.00
Semirara Claystone, Inc. (SCI)	100.00	100.00	100.00
Semirara Energy Utilities, Inc. (SEUI)	100.00	100.00	100.00
St. Raphael Power Generation Corporation (SRPGC)	100.00	100.00	100.00
SEM-Balayan Power Generation Corporation (SBPGC)	100.00	100.00	100.00
Sem-Cal RES Corporation (SCRC)*	100.00	100.00	100.00

**Wholly-owned subsidiary of SCPC*

Except for SCPC, the Parent Company's subsidiaries have not yet started commercial operations as of December 31, 2015.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed in the consolidated statement of comprehensive income.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with Philippine Accounting Standards (PAS) 39 *Financial Instrument – Recognition and Measurement,* either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units.

Each unit or group of units to which goodwll is allocated:

- Represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- Is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with PFRS 8, *Operating Segment.*

Where goodwill forms part of a cash-generating unit (group of cash generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognized in the consolidated statement of comprehensive income.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill or profit or loss is recognized as a result.

Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on proportionate amount of the net assets of the subsidiary.

<u>Changes in Accounting Policies and Disclosures</u>
The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amended standards and improvements to PFRS which the Group has adopted starting January 1, 2015. Unless otherwise indicated, the adoption did not have any significant impact on the financial statements of the Group.

- Amendments to PAS 19, *Defined Benefit Plans: Employee Contributions*
- Annual Improvements to PFRSs 2010 – 2012 Cycle
  - PFRS 2, *Share-based Payment – Definition of Vesting Condition*
  - PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*
  - PFRS 8, *Operating Segments* – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets
  - PAS 16, *Property, Plant and Equipment,* and PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*
  - PAS 24, *Related Party Disclosures – Key Management Personnel*
- Annual Improvements to PFRSs 2011 – 2013 Cycle
  - PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*
  - PFRS 13, *Fair Value Measurement – Portfolio Exception*
  - PAS 40, *Investment Property*

<u>Standards Issued But Not Yet Effective</u>

The Group has not applied the following PFRS , PAS and Philippine Interpretations which are not yet effective as of December 31, 2015. This list consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective . Unless otherwise indicated, adoption of these standards and interpretations are not expected to have any significant impact on the financial statements of the Group.

No definite adoption date prescribed by the SEC and Financial Reporting Standards Council (FRSC)
- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

Effective January 1, 2016
- PFRS 10, *Consolidated Financial Statements,* and PAS 28, *Investments in Associates*

and Joint Ventures – Investment Entities: Applying the Consolidation Exception (Amendments)

- PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests (Amendments)*
- PFRS 14, *Regulatory Deferral Accounts*
- PAS 1, *Presentation of Financial Statements – Disclosure Initiative (Amendments)*
- PAS 16, *Property, Plant and Equipment* and PAS 41, *Agriculture – Bearer Plants*
- PAS 16, *Property, Pland and Equipment* and PAS 38, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)*
- PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements (Amendments)*
- Annual Improvements to PFRS (2012-2014 Cycle)
    - PFRS 5, *Non-Current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*
    - PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts*
    - PFRS 7, Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements
    - PAS 19, *Employee Benefits – regional market issue regarding discount rate*
    - PAS 34, *Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report*

Effective January 1, 2018
- PFRS 9, *Financial Instruments*

In addition, the International Accounting Standards Board (IASB) has issued the following new standards that have not yet been adopted locally by the SEC and FRSC. The Group is currently assessing the impact of these new standards and plans to adopt them on their required effective dates once adopted locally.

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers (*effective January 1, 2018)
- IFRS 16, *Leases* (effective January 1, 2019)

Significant Accounting Policies and Disclosures

Cash and Cash Equivalents

Cash and cash equivalents in the Group consolidated statement of financial position comprises cash in banks and on-hand and short-term deposits with an original maturity of three months or less, but excludes any restricted cash that is not available for use by the Group and therefore is not considered highly liquid.

For the purpose of the Group consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial Assets and Financial Liabilities
Date of recognition
The Group recognizes a financial asset or a financial liability on the consolidated statement

of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments
Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial instruments measured at fair value through profit or loss (FVPL). Financial assets in the scope of PAS 39 are classified as either financial assets at FVPL, loans and receivables, held-to-maturity (HTM) financial assets, or available-for-sale (AFS) financial assets, as appropriate.

Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

'Day 1' difference
For transactions other than those related to customers' guaranty and other deposits, where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a Day 1 difference) in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where the valuation technique used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income 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 amount.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL. These are included in current assets if maturity is within 12 months from reporting date otherwise, these are classified as noncurrent assets. This accounting policy relates to the consolidated statement of financial position accounts "Cash and cash equivalents", "Receivables", "Investment in sinking fund" and "Environmental guarantee fund" under other noncurrent assets.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR and transaction costs. The amortization is included in "Finance income" in the consolidated statement of comprehensive income.

Gains and losses are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired as well as through amortization process.

Other financial liabilities
Other financial liabilities pertain to issued financial instruments that are not classified or designated as financial liabilities at FVPL and contain contractual obligations to deliver cash or other financial assets to the holder or to settle the obligation other than the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

Other financial liabilities include trade and other payables, short-term loans and long-term debt. All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, short-term loans and long-term debts are subsequently measured at amortized cost using the EIR method.

Deferred Financing Costs
Deferred financing costs represent debt issue costs arising from the fees incurred to obtain project financing. This is included in the initial measurement of the related debt. The deferred financing costs are treated as a discount on the related debt and are amortized using the EIR method over the term of the related debt.

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 objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred '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.

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, 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 asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows

for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a 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 industry, customer type, customer location, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets' original EIR (i.e., the EIR computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the consolidated statement of comprehensive income during the period in which it arises. Interest income continues to be recognized based on the original EIR of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery has been realized and all collateral has been realized or has been transferred to the Group.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of 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 consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

<u>Derecognition of Financial Instruments</u>

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired, or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through'arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

<u>Offsetting of Financial Instruments</u>
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is no intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right to offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

<u>Fair Value Measurement</u>
The Group discloses the fair value of financial instruments measured at amortized cost such as loans and receivables and other financial liabilities at each reporting date.

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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 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 financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

<u>Inventories</u>
Inventories are valued at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale for coal inventory or replacement cost for spare parts and supplies. Cost is determined using the weighted average production cost method for coal inventory and the moving average method for spare parts and supplies.

The cost of extracted coal includes stripping costs and other mine-related costs incurred during the period and allocated on per metric ton basis by dividing the total production cost with total volume of coal produced. Except for shiploading cost, which is a component of total minesite cost, all other production related costs are charged to production cost.

Spare parts and supplies are usually carried as inventories and are recognized in the consolidated statement of comprehensive income when consumed. Inventories transferred to property, plant and equipment are used as a component of self-constructed property, plant and equipment and are recognized as expense during useful life of that asset. Transfers of inventories to property, plant and equipment do not change the carrying amount of the inventories.

<u>Exploration and Evaluation Asset</u>
Exploration and evaluation activity involves the search for mineral resources, the

determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- Researching and analyzing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

License costs paid in connection with a right to explore in an existing exploration area are capitalized and amortized over the term of the permit. Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to consolidated statement of comprehensive income as incurred, unless the Group's management concludes that a future economic benefit is more likely than not to be realized. These costs include materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating whether the expenditures meet the criteria to be capitalized, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Expenditure is transferred from 'Exploration and evaluation asset' to 'Mine properties' which is a subcategory of 'Property, plant and equipment' once the work completed to date supports the future development of the property and such development receives appropriate approvals.

After transfer of the exploration and evaluation asset, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalized in 'Mine properties'. Development expenditure is net of proceeds from the sale of ore extracted during the development phase.

<u>Stripping Costs</u>
As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalized as part of the cost of mine properties and subsequently amortized over its useful life using units of production method. The capitalization of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

After the commencement of production further development of the mine may require a phase of unusually high stripping that is similar in nature to development phase stripping. The costs of such stripping are accounted for in the same way as development stripping (as discussed above).

Stripping costs incurred during the production phase are generally considered to create two benefits, being either the production inventory or improved access to the coal body to be mined in the future. Where the benefits are realized in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing these inventories. Where the benefits are realized in the form of improved access to ore to be mined in the future, the costs are recognized as a noncurrent asset, referred to as a stripping activity asset, if the following criteria are met:

- Future economic benefits (being improved access to the coal body) are probable;
- The component of the coal body for which access will be improved can be accurately identified; and
- The costs associated with the improved access can be reliably measured.

If all of the criteria are not met, the production stripping costs are charged to the consolidated statement of comprehensive income as operating costs as they are incurred.

In identifying components of the coal body, the Group works closely with the mining operations department for each mining operation to analyze each of the mine plans. Generally, a component will be a subset of the total coal body, and a mine may have several components. The mine plans, and therefore the identification of components, can vary between mines for a number of reasons. These include, but are not limited to: the type of commodity, the geological characteristics of the coal body, the geographical location, and/or financial considerations.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of coal body, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset. If the costs of the inventory produced and the stripping activity asset are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset. This production measure is calculated for the identified component of the coal body and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place.

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset, and is included as part of 'Mine properties' under 'Property, plant and equipment' in the consolidated statement of financial position. This forms part of the total investment in the relevant cash generating unit, which is reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

The stripping activity asset is subsequently depreciated using the units of production method over the life of the identified component of the coal body that became more accessible as a result of the stripping activity. Economically recoverable reserves, which comprise proven and probable reserves, are used to determine the expected useful life of the identified component of the coal body. The stripping activity asset is then carried at cost less depreciation and any impairment losses.

Mining Reserves

Mining reserves are estimates of the amount of coal that can be economically and legally extracted from the Group's mining properties. The Group estimates its mining reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the coal body, and require 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 coal body. Changes in the reserve or resource estimates may impact the carrying value of exploration and evaluation asset, mine properties, property, plant and equipment, provision for decommissioning and site rehabilitation, recognition of deferred tax assets, and depreciation and amortization charges.

Property, Plant and Equipment

Upon completion of mine construction, the assets are transferred into property, plant and equipment. Items of property, plant and equipment except land are carried at cost less accumulated depreciation and any impairment in value.

The initial cost of property, plant and equipment also comprises its purchase price or construction cost, including non-refundable import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to operations in the year when the costs are incurred. 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, plant and equipment beyond its originally assessed standard of performance, and the costs of these items can be measured reliably, the expenditures are capitalized as an additional cost of the property, plant and equipment. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Equipment in transit and construction in progress, included in property, plant and equipment, are stated at cost. Construction in progress includes the cost of the construction of property, plant and equipment and, for qualifying assets, borrowing cost. Equipment in transit includes the acquisition cost of mining equipment and other direct costs.

Mine properties consists of stripping activity asset and expenditures transferred from 'Exploration and evaluation asset' once the work completed supports the future development of the property. Mine properties are depreciated or amortized on a unit-of-production basis over the economically recoverable reserves of the mine concerned. Mine properties are included as part of "Mining properties, mining tools and other equipment' under 'Property, Plant and Equipment' in the consolidated statement of financial position.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation of property, plant and equipment commences once the assets are put into operational use.

Depreciation of property, plant and equipment are computed on a straight-line basis over the estimated useful lives (EUL) of the respective assets as follows:

	Years
Mining, tools and other equipment	2 to 13
Power plant and buildings	10 to 25
Roads and bridges	17

The EUL and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Land is stated at historical cost less any accumulated impairment losses. Historical cost includes the purchase price and certain transactions costs.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. When assets are retired, or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the year the item is derecognized.

<u>Computer Software</u>
Computer software, included under "Other noncurrent assets", is measured on initial recognition at cost, which comprises its purchase price plus any directly attributable costs of preparing the asset for its intended use. Computer software is carried at cost less any accumulated amortization on a straight line basis over their useful lives of three (3) to five (5) years and any impairment in value.

Amortization of computer software is recognized under the "Cost of sales" in the consolidated statement of comprehensive income.

Gains or losses arising from derecognition of computer software are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

<u>Impairment of Nonfinancial Assets</u>
The Group assesses at each reporting date whether there is an indication that its nonfinancial assets (e.g., inventories, property, plant and equipment and computer software) may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

Inventories
NRV tests are performed at least annually and represent the estimated sales price based on prevailing price at reporting date, less estimated cost necessary to make the sale for coal inventory or replacement costs for spare parts and supplies. If there is any objective

evidence that the inventories are impaired, impairment losses are recognized in the consolidated statement of comprehensive income, in those expense categories consistent with the function of the assets, as being the difference between the cost and NRV of inventories.

Exploration and evaluation assets
Exploration and evaluation assets should be assessed for impairment when the facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. Under PFRS 6 one or more of the following facts and circumstances could indicate that an impairment test is required. The list is not intended to be exhaustive: (a) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; (b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; (c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and (d) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Property, plant and equipment and computer software
An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in those expense categories with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If such is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

For property, plant and equipment, reversal is recognized in the consolidated statement of comprehensive income. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the consolidated statement of comprehensive income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life 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 at the end of each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the in the consolidated statement of comprehensive income when the asset is derecognized.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales of the consolidated statement of comprehensive income. During the period of development, the asset is tested for impairment annually.

The Group has assessed the useful life of the development costs based on the expected usage of the asset. The useful life of capitalized development costs is twenty (20) years.

<u>Other Assets</u>
Other assets pertain to resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group.

<u>Current and Noncurrent Classification</u>
The Group presents assets and liabilities in consolidated statement of financial position based on current/noncurrent classification. An asset is current when:
- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after reporting date; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after reporting date.

All other assets are classified as noncurrent.

A liability is current when:
- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after reporting date.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

<u>Revenue Recognition</u>
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Sale of coal
Revenue from coal sales is recognized upon acceptance of the goods delivered when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Revenue from local and export coal sales

are denominated in Philippine Peso and US Dollar, respectively.

Contract energy sales
Revenue from contract energy sales are derived from providing and selling electricity to customers of the generated and purchased electricity. Revenue is recognized based on the actual energy received or actual energy nominated by the customer, net of adjustments, as agreed upon between parties.

Spot electricity sales
Revenue from spot electricity sales derived from the sale to the spot market of excess generated electricity over the contracted energy using price determined by the spot market, also known as Wholesale Electricity Spot Market (WESM), the market where electricity is traded, as mandated by Republic Act (RA) No. 9136 of the Department of Energy (DOE).

Finance income
Finance income is recognized as it accrues (using the EIR method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial assets).

Cost of Sales
Cost of coal
Cost of coal includes directly related production costs such as cost of fuel and lubricants, materials and supplies, depreciation and other related costs. These costs are recognized when incurred.

Cost of power
Cost of power includes costs directly related to the production and sale of electricity such as cost of coal, fuel, depreciation and other related costs. Cost of coal and fuel are recognized at the time the related coal and fuel inventories are consumed for the production of electricity. Cost of power also includes electricity purchased from the spot market and its related market fees. These costs are recognized when the Group receives the electricity and simultaneously sells to its customers.

Operating Expenses
Operating expenses are expenses that arise in the course of the ordinary operations of the Group. These usually take the form of an outflow or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distribution to equity participants. Expenses are recognized in the consolidated statement of comprehensive income as incurred.

Borrowing Costs
Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalized and added to the project cost during construction until such time the assets are considered substantially ready for their intended use i.e., when they are capable of commercial production. Where funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. Where surplus funds are available for a short term out of money borrowed specifically to finance a project, the income generated from the

temporary investment of such amounts is also capitalized and deducted from the total capitalized borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

All other borrowing costs are recognized in the consolidated statement of comprehensive income in the period in which they are incurred.

Pension Costs

The Group has a noncontributory defined benefit plan. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit liability at the end of reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service costs
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to consolidated statement of comprehensive income in subsequent periods. All remeasurements recognized in OCI account "Remeasurement gains (losses)" on pension plan are not reclassified to another equity account in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related liabilities). If the fair value of the plan assets is higher than the present value of the defined benefit liability, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit liability is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly within twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of reporting date.

<u>Income Tax</u>
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at reporting date.

Current income tax relating to items recognized in equity and not in the statement of comprehensive income.

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

Deferred tax assets are not recognized when they arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting income nor taxable income or loss. Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries, associates and interests in joint ventures.

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 income will be available to allow all or part of the deferred tax assets to be utilized.

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 substantially enacted at financial reporting date.

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transactions either in OCI or directly in equity.

<u>Provisions</u>
Provisions are recognized only when the Group has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) 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 determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, 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 an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Provision for decommissioning and site rehabilitation
The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statements of comprehensive income as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of comprehensive income.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. It requires consideration as to whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of the renewal or extension period for scenario (b).

A lease is classified as an operating lease if it does not transfer substantially all of the risks and rewards incidental to ownership. Operating lease payments are recognized in cost of coal sales under "Outside Services" in the consolidated statement of comprehensive income on a straight line basis over the lease term.

Foreign Currency-denominated Transactions and Translation

The Group's financial statements are presented in Philippine peso, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate at reporting date. All differences are taken to the consolidated statement of comprehensive income.

Equity

The Group records common stocks at par value and amount of contribution in excess of par value is accounted for as an additional paid-in capital. Incremental costs incurred directly attributable to the issuance of new shares are deducted from proceeds.

Retained earnings represent accumulated earnings of the Group less dividends declared, if any. Dividends on common stocks are recognized as a liability and deducted from equity when they are declared. Dividends for the year that are approved after reporting date are dealt with as an event after reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Earnings per Share (EPS)

Basic EPS is computed by dividing the net income for the year attributable to common shareholders (net income for the period less dividends on convertible redeemable preferred shares) by the weighted average number of common shares issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period.

Diluted EPS is computed by dividing the net income for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of dilutive convertible redeemable preferred shares. Diluted EPS assumes the conversion of the outstanding preferred shares. When the effect of the conversion of such preferred shares is anti-dilutive, no diluted EPS is presented.

Operating Segments

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group generally accounts for intersegment revenues and expenses at agreed transfer prices. Income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of income after taxes.

Contingencies

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 disclosed when an inflow of economic benefits is probable.

Events after Reporting Date

Post year-end events up to the date of the auditors' report that provides additional information about the Group's position at reporting date (adjusting events) are reflected in the consolidated financial statements. Any post year-end event that is not an adjusting event is disclosed when material to the consolidated financial statements.

2. *Significant Accounting Judgments, Estimates and Assumptions*

The preparation of the accompanying consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgment

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

a. *Determining functional currency*

   The Group, based on the relevant economic substance of the underlying circumstances, has determined its functional currency to be the Philippine Peso. It is the currency of the economic environment in which the Group primarily operates.

b. *Operating lease commitments - the Group as lessee*
The Group has entered into various contract of lease for space, and mining and transportation equipment. The Group has determined that all significant risks and benefits of ownership on these properties will be retained by the lessor. In determining significant risks and benefits of ownership, the Group considered the substance of the transaction rather than the form of the contract.

c. *Exploration and evaluation expenditure*
The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

d. *Stripping costs*
The Group incurs waste removal costs (stripping costs) during the development and production phases of its surface mining operations. During the production phase, stripping costs (production stripping costs) can be incurred both in relation to the production of inventory in that period and the creation of improved access and mining flexibility in relation to ore to be mined in the future. The former are included as part of the costs of inventory, while the latter are capitalized as a stripping activity asset, where certain criteria are met. Significant judgment is required to distinguish between development stripping and production stripping and to distinguish between the production stripping that relates to the extraction of inventory and what relates to the creation of a stripping activity asset.

Once the Group has identified its production stripping for each surface mining operation, it identifies the separate components of the coal bodies for each of its mining operations. An identifiable component is a specific volume of the coal body that is made more accessible by the stripping activity. Significant judgment is required to identify and define these components, and also to determine the expected volumes of waste to be stripped and coal body to be mined in each of these components. These assessments are undertaken for each individual mining operation based on the information available in the mine plan. The mine plans and, therefore, the identification of components, will vary between mines for a number of reasons. These include, but are not limited to, the type of commodity, the geological characteristics of the coal body, the geographical location and/or financial considerations.

Judgment is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each component. The Group considers that the ratio of the expected volume of waste to be stripped for an expected volume of ore to be mined for a specific component of the coal body, is the most suitable production measure. Furthermore, judgments and estimates are also used to apply the units of production method in determining the depreciable lives of the stripping activity asset.

e. *Contingencies*
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation

with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

Management's Use of Estimates and Assumptions

The key assumptions concerning the future and other sources of estimation uncertainty at reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a. *Revenue recognition*

   The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of the revenues and receivables.

   The Group's coal sales arrangement with its customers includes reductions of invoice price to take into consideration charges for penalties and bonuses. These price adjustments depend on the estimated quality of the delivered coal. These estimates are based on final coal quality analysis on delivered coal.

   There is no assurance that the use of estimates may not result in material adjustments in future periods.

b. *Estimating allowance for doubtful accounts*

   The Group maintains an allowance for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to debtors' ability to pay all amounts due according to the contractual terms of the receivables being evaluated, historical experience and any regulatory actions. The Group regularly performs a review of the age and status of receivables and identifies accounts that are to be provided with allowance.

   The amount and timing of recorded impairment loss for any period would differ if the Group made different judgments or utilized different estimates. An increase in the allowance for doubtful accounts would increase the recorded operating expenses and decrease the current assets.

c. *Estimating stock pile inventory quantities*

   The Group estimates the stock pile inventory by conducting a topographic survey which is performed by in-house surveyors and third-party surveyors. The survey is conducted on a monthly basis with a reconfirmatory survey at year end. The process of estimation involves a predefined formula which considers an acceptable margin of error of plus or minus 5%. Thus, an increase or decrease in the estimation threshold for any period would differ if the Group utilized different estimates and this would either increase or decrease the profit for the year.

d. *Estimating allowance for obsolescence in spare parts and supplies*

   The Group estimates its allowance for inventory obsolescence in spare parts and supplies based on periodic specific identification. The Group provides 100% allowance for obsolescence on items that are specifically identified as obsolete.

The amount and timing of recorded inventory obsolescence for any period would differ if the Group made different judgments or utilized different estimates. An increase in the allowance for inventory obsolescence would increase the Group's recorded operating expenses and decrease its current assets.

e. *Estimating development costs*
Development costs are capitalized in accordance with the accounting policy. Initial capitalization of costs is based on management's judgment that technological and economical feasibility is confirmed. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

f. *Estimating decommissioning and site rehabilitation costs*
The Group is legally required to fulfill certain obligations under its Department of Environment and Natural Resources (DENR) issued Environmental Compliance Certificate when it abandons depleted mine pits and under Section 8 of the Land Lease Agreement upon its termination or cancellation. Significant estimates and assumptions are made in determining the provision for decommissioning and site rehabilitation as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. An increase in decommissioning and site rehabilitation costs would increase the carrying amount of the related mining assets and increase noncurrent liabilities. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Assumptions used to compute the decommissioning and site rehabilitation costs are reviewed and updated annually.

g. *Estimating useful lives of property, plant and equipment and computer software (except land)*
The Group estimated the useful lives of its property, plant and equipment and computer software based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of property, plant and equipment and computer software based on factors that include asset utilization, internal technical evaluation, and technological changes, environmental and anticipated use of the assets.

It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned.

h. *Estimating impairment for nonfinancial assets*
The Group assesses impairment on property, plant and equipment, computer software and input VAT withheld whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

As described in the accounting policy, the Group estimates the recoverable amount as the higher of the assets fair value and value in use. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Group is required to make estimates and assumptions that can materially affect the consolidated financial statements.

i. *Deferred tax assets*

The Group reviews the carrying amounts of deferred tax assets at each reporting date. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realize the net deferred tax assets recorded at reporting date could be impacted.

j. *Estimating pension and other employee benefits*

The cost of defined benefit pension plan and the present value of the pension liabilities are determined using actuarial valuations. The actuarial valuation involves making various assumptions. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit liability. Future salary increases are based on expected future inflation rates and other relevant factors.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

I. PRODUCTION – COMPARATIVE REPORT H1 2016 vs H1 2015

COAL

Favorable dry weather condition at the mine site in resulted to 24% increase YoY in total materials to 67.27 million bank cubic meters (bcm), inclusive of the 28.1 million bcm pre-stripping at Molave mine from 54.08 million in first half last year. Strip ratio is lower at 6.57:1 compared to 11.42:1 last year. As a result, total product coal (clean coal) increased by 22% to 5.41 million metric tons (tons) from 4.46 million tons last year. Unwashed coal dropped by 36% YoY to 454 thousand tons from 711 thousand tons last year.

On 12 February 2016, the Department of Environment and Natural Resource (DENR) approved the Company's request to amend our Environmental Clearance Certificate (ECC) allowing us to increase our mining capacity from 8 million tons to 12 million tons. Two months after, on 29 April 2016, DENR issued another amendment further increasing maximum capacity to 16 million tons per annum.

To prepare for anticipated increase in coal production, the Company is constructing an additional conveyor system, parallel to the existing line.

Meanwhile, the Board of Investments (BOI) approved the registration of a new mine, Molave mine on 24 February 2016. Like the Narra Mine, as a BOI-registered project, revenues from Molave mine production will be entitled to full or 100% income tax holiday (ITH). Molave contains higher quality coal which can be sold to local plants that are designed to use coal fuel higher than our average 5,300 kcal coal.

During the first quarter, improvement of shipyard facilities were completed, such that there are already three shiploaders that can simultaneously operate. One of these shiploaders can accommodate 70,000-ton Panamax vessels used in our export sales. Apart from improving loading efficiency, we are able to save around $2 barging cost of mid-stream loading in order to load up a Panamax vessel.

Coal sales volume reached a new record high this year, increasing by 55% YoY to 6.58 million tons from 4.23 million tons last year. Clean coal ending inventory closed at 405 thousand tons, 30% lower than H1 2015's ending inventory of 582 thousand tons.

The table below shows the comparative production data for H1 2016 and H1 2015.

(in millions)	ACTUAL			ACTUAL			VARIANCE	
	Q1	Q2	H1 2016	Q1	Q2	H1 2015	vs H1 2015	
PRODUCTION								
Total Materials (BCM)	30.79	36.53	67.32	26.28	27.80	54.08	13.2	*24%*
Pre-Stripping (BCM)	-	28.06	28.06			-	28.1	*0%*
Prod'n Stripping (BCM)	30.79	8.48	39.26	26.28	27.80	54.08	(14.8)	*-27%*
Clean Coal (MT)	3.43	2.00	5.42	2.33	2.13	4.46	1.0	*22%*
Strip Ratio (W:C)	8.27	3.53	6.53	10.59	12.31	11.42	(4.9)	*-43%*
Saleable Coal (MT)	3.41	2.00	5.41	2.28	2.09	4.46	0.9	*21%*
Unwashed Coal (MT)	0.27	0.18	0.45	0.38	0.33	0.71	(0.3)	*-36%*
Beg. Inventory (MT)	0.83	1.80	0.83	0.39	0.29	0.39	0.4	*115%*
End Inventory (MT)	1.80	0.41	0.41	0.29	0.58	0.58	(0.2)	*-30%*

POWER

SEM-CALACA POWER CORP (SCPC)

The originally scheduled 30-day maintenance shutdown for Unit 2 has extended until mid April 2016. As a result, the unit was down until the start of Q2 this year. The scheduled regular maintenance for 2016 was instead moved earlier to additional maintenance activities to ensure power unit availability during the summer months. As a result of the extended shutdown, generation and capacity factor all dropped by 44%.

Total plants' availability fell by 28% year-on-year.

Unit One

Unit 1 generated 709 GWh in H1 this year, 25% lower than last year's generation of 951GWh. Average capacity dropped by 29% to 184 MW from 259 MW last year. Last year's capacity was higher due to the high grade coal production in West Panian last year. Capacity factor dropped to 54% from H1 2015's 73%.

The Unit's operating hours increased this year to 3,858 hours compared to H1 2015's 3,677 hours.

Unit Two

Gross generation of Unit 2 dropped by 59% YoY to 503 GWh from 1,214 GWh last year. The unit did not generate any power in Q1 2016 while on maintenance shutdown. The maintenance shutdown which started on 19 November 2015 was originally scheduled for two months. However, it lasted until 13 April 2016.

Average Capacity dropped by 4% YoY to 279MW from 292 MW last year. Notably however, capacity stabilized to 300MW after the shutdown. Capacity factor also dropped to 38% from 93% last year.

Unit 2's availability likewise dropped to 41% in the current period from 95% in H1 last year. Unplanned outages this year registered at 2,589 hours, 1,149% more than last year's 207 hours.

The table below shows the comparative production data for H1 2016 and H1 2015.

COMPARATIVE PLANT PERFORMANCE DATA *H1'16 VS H1'15*							
	Q1 '16	**Q2 '16**	**H1 '16**	**Q1 '15**	**Q2 '15**	**H1 '15**	**% Inc (Dec)**
Gross Generation, *Gwh*							
Unit 1	346	363	709	456	495	951	*-25%*
Unit 2	-	503	503	558	656	1,214	*-59%*
Total Plant	**346**	**867**	**1,212**	**1,014**	**1,151**	**2,165**	***-44%***
% Availability							
Unit 1	84%	92%	88%	77%	91%	84%	*4%*
Unit 2	0%	82%	41%	91%	100%	95%	*-57%*
Total Plant	**42%**	**87%**	**64%**	**84%**	**96%**	**90%**	***-28%***
Capacity Factor							
Unit 1	53%	55%	54%	70%	75%	73%	*-26%*
Unit 2	0%	76%	38%	86%	99%	93%	*-59%*
Total Plant	**26%**	**65%**	**46%**	**78%**	**87%**	**78%**	***-41%***

Unit Three

Unit 3 generated 315 GWh in H1 this year. There were no generation during the first month of the year. Average capacity is 118 MW. This year, Capacity factor is 48%. The Unit's operating hours this year is 2,673 hours.

Unit Four

Gross generation of Unit 4 is 439 GWh. There were no generation during the first month of the year. Average Capacity is 131 MW. Capacity factor is at 67%

Unit's operating hours this year is 3,346 hours.

The table below shows the comparative production data for H1 2016 and H1 2015

COMPARATIVE PLANT PERFORMANCE DATA *H1'16 VS H1'15*							
	Q1 '16	**Q2 '16**	**H1 '16**	**Q1 '15**	**Q2 '15**	**H1 '15**	**% Inc (Dec)**
Gross Generation, *Gwh*							
Unit 3	65	250	315	-	-	-	*0%*
Unit 4	152	287	439	-	-	-	*0%*
Total Plant	**217**	**537**	**754**	-	-	-	***0%***
% Availability							
Unit 3	34%	88%	61%	0%	0%	0%	*0%*
Unit 4	55%	97%	76%	0%	0%	0%	*0%*
Total Plant	**44%**	**93%**	**69%**	**0%**	**0%**	**0%**	***0%***
Capacity Factor							
Unit 3	20%	76%	48%	0%	0%	0%	*0%*
Unit 4	46%	87%	67%	0%	0%	0%	*0%*
Total Plant	**33%**	**81%**	**57%**	**0%**	**0%**	**0%**	***0%***

II. MARKETING – COMPARATIVE REPORT H1 2016 vs. H1 2015

COAL

Coal sales volume registered a record high this year, increasing by 55% YoY at 6.58 million tons from 4.23 million tons in H1 last year.

Export sales accounted for 60% of total coal sales this year at 3.92 million tons, increasing by 147% from H1 2015's sales volume of 1.59 million tons. Increase in coal production allowed the Company to service more demand from export markets.

Meanwhile, local sales remained almost the same, only recording a slight 1% YoY to 2.66 million tons from 2.64 million tons last year, inclusive of unwashed and/or waste coal of 756.98 thousand tons in the current period, as compared to 52.05 thousand tons in H1 2015. Power customers increased, due to delivery of unwashed and/or waste coal to SLPGC whose 2 x 150 MW plants are on testing and commissioning, as well as increase in off-take from other power plants.

On the other hand, sales to cement plants dropped by 41% YoY to 308 thousand tons from 524 thousand tons last year because some plants opted to import coal due to lower prices.

Sales to other industrial plants also decreased by 30% YoY to 144 thousand tons from 207 thousand tons last year.

Some cement plants and customers with small boilers used alternative fuel this year, thus explaining the drop in off-take of cement and other industrial plants.

Composite average FOB price per ton dropped by 24% YoY to PHP1,663 from PHP2,182 due to lower price of washable and/or waste coal which is sold at an average price per ton of PHP710.27 and PHP585.59 in 2015 and 2016, respectively. With the higher volume of waste and washable coal during the period, it dilutes further the composite average selling price. Clean coal, on the other hand, is sold at an average price per ton of PHP2,202.26 and PHP1,787.51 in 2015 and 2016, respectively.

The table below shows the comparative sales volume data for H1 2016 and H1 2015.

CUSTOMER	Q1 '16	Q2 '16	H1 '16	%	Q1 '15	Q2 '16	H1 '15	%	Inc (Dec)
Power Plants									
Calaca	716	756	1,472	22%	666	626	1,292	31%	*14%*
Other PPs	307	425	732	11%	313	307	620	15%	*18%*
TOTAL PPs	**1,023**	**1,181**	**2,204**	**34%**	**980**	**932**	**1,912**	**45%**	*15%*
Other Industries									
Cement	147	161	308	5%	278	246	524	12%	*-41%*
Others	69	75	144	2%	93	114	207	5%	*-30%*
Total Others	**216**	**236**	**452**	***7%***	**371**	**360**	**731**	***17%***	*-38%*
TOTAL LOCAL	**1,239**	**1,417**	**2,656**	40%	**1,351**	**1,292**	**2,643**	62%	*1%*
EXPORT	1,674	2,246	3,920	60%	1,054	534	1,587	38%	*147%*
GRAND TOTAL	**2,913**	**3,663**	**6,576**	**100%**	**2,404**	**1,826**	**4,230**	**100%**	*55%*

POWER

SCPC

SCPC's Energy sales dropped by 33% YoY to 1,390 GWh from 2,078 GWh in H1 2015. Composite average price per Kwh also decreased by 6% YoY at PHP3.25 from PHP3.46 in H1 2015 due to lower spot sales during the year. Last year, higher composite average price was driven by high volume of spot sales with higher price than bilateral contracts.

Average price for bilateral contracts dropped by 4% YoY to PHP3.21/KWh from PHP3.35/KWh in H1 2015 due to lower Newcastle prices which are the contracts' index.

On the other hand, spot sales' average price is 45% higher YoY at PHP7.18/KWh from PHP4.96/KWh as thinner reserves pushed spot prices higher.

Of the total energy sold, 99% or 1,376 GWh were sold to bilateral contracts, while the remaining 1% were sold to the spot market.

MERALCO remained to be the single biggest customer, accounting for 92% of the total energy sales of the bilateral contracts; BATELEC I and Trans-Asia comprised 6% and 2% of total sales, respectively.

Spot Market Sales dropped by 90% YoY to 14 GWh, as against 144 GWh last year.

Of the total energy sold, 83% was sourced from own generation, while 17% was purchased from the spot market. SCPC procured power from the spot market during hour intervals where power units were down, or when the plants were running at a de-rated capacity, in order to be able to supply committed capacity to some of its customers.

The table below shows the comparative marketing data for H1 2016 and H1 2015.

COMPARATIVE SALES VOLUME DATA *(in GWh)*							
CUSTOMER	**Q1 '16**	**Q2 '16**	**H1 '16**	**Q1 '15**	**Q2 '15**	**H1 '15**	**% Inc (Dec)**
Bilateral Contracts	422	954	1,376	902	1,031	1,934	-29%
Spot Sales	2	12	14	80	65	144	-90%
GRAND TOTAL	**424**	**966**	**1,390**	**982**	**1,096**	**2,078**	**-33%**
Composite Ave Price	**3.90**	**2.97**	**3.25**	**3.56**	**3.37**	**3.46**	**-6%**

SLPGC

SLPGC has a total contracted capacity of 202 MW. In Q1, two contracts totaling to 102 MW are already effective, while the remaining 100MW became effecting in Q2. Most of the plants' generated energy or 621 GWh served SLPGC's contracts, while 136 GWh were sold to spot. Composite average price for the period is PHP4.16/KWh.

Bilateral contracts account for 72% of energy sold while on commissioning, while 10% is sold to SCPC as replacement power, while spot market took up 18%.

MPower accounts for 28% of the total energy sales of the bilateral contracts; VECO and GN Power comprised 23% and 21% of total sales, respectively.

Of the total energy sold, 87% was sourced from own generation, while 13% was purchased from the spot market. SLPGC procured power from the spot market during hour intervals where power units were down, or when the plants were running at a de-rated capacity, in order to be able to supply committed capacity to some of its customers.

The table below shows the comparative marketing data for H1 2016 and H1 2015.

COMPARATIVE SALES VOLUME DATA (in GWh)							
CUSTOMER	Q1 '16	Q2 '16	H1 '16	Q1 '15	Q2 '15	H1 '15	% Inc (Dec)
Bilateral Contracts	208	413	621	-	-	-	0%
Spot Sales	41	94	136	-	-	-	0%
GRAND TOTAL	**250**	**507**	**757**	**-**	**-**	**-**	**0%**
Composite Ave Price	**4.22**	**4.14**	**4.16**	**-**	**-**	**-**	**0%**

III.FINANCE

A. Sales and Profitability

Consolidated Revenues, net of eliminating entries, increased by 21% YoY to PHP16.56 billion from PHP13.72 billion in H1 2015. Before elimination, Coal revenues grew by 18% YoY at PHP10.94 billion from PHP9.28 billion last year. The decline in composite average price by 24% to PHP1,663 per ton from PHP2,182 last year is offset by the 55% increase in sales volume to 6.58 million tons from 4.23 million tons. Meanwhile, SCPC Revenues dropped by 37% YoY to PHP4.52 billion from PHP7.19 billion last year. Low generation due to outage of Unit 2 in Q1 brought down sales. SLPGC on the other hand started to contribute this year. It generated PHP2.40 billion in Revenues before eliminations.

Consolidated Cost of Sales (COS) increase 10% YoY to PH6.67 billion from PHP6.08 billion last year. Depreciation in COS increased by 21% YoY to PHP1.31 billion from PHP1.08 billion last year.

Before eliminations, coal Cost of Sales decreased by 6% YoY to PHP4.73 billion from PHP5.04 billion last year, due to increased mining efficiencies – lower strip ratio and higher production. Thus lowering down cost of coal sold per ton at PHP720, 40% lower than last year's cost of PHP1,191 per ton. Coal depreciation decreased by 10% YoY to PHP523.26 million from PHP580.75 million last year.

SCPC's Cost of Sales before elimination decreased by 19% YoY to PHP3.00 billion from PHP3.72 billion; and 9% YoY after elimination to PHP2.29 billion from PHP4.51 billion last year. Generation dropped by 44% YoY as Unit 2 was down for maintenance in Q1 this year. Due to the prolonged shutdown of Unit 2, the Company was exposed to replacement power cost amounting to PHP770 million. As a result, Cost of Sales per KWh rose by 21% to PHP1.90 from PHP1.69 last year.

SLPGC incurred PHP839.38 million costs representing generation costs and spot purchases to fulfill its contractual obligation with VECO and GN Power.

The resulting consolidated Gross Profit increased by 30% YoY to PHP9.89 billion, with coal, SCPC, and SLPGC each contributing PHP5.20 billion, PHP2.23 billion, and PHP2.46 billion, respectively. Last year's consolidated Gross Profit stood at PHP7.64 billion, PHP2.95 billion from coal and PHP4.68 billion from SCPC. Consolidated Gross profit margin improved to 60% from 56% last year.

Consolidated Operating Expenses (OPEX) increased by 46% YoY to PHP3.04 billion from PHP2.09 billion. Net of eliminating entries, the coal segment’s OPEX increased by 47% YoY to PHP2.30 billion from PHP1.57 billion last year. This mainly accounts for accrual of government royalties amounting to PHP1.84 billion this year from PHP1.35 billion last year as a consequence of higher revenues. Meanwhile, SCPC's OPEX after elimination, which is mainly comprised of management fees and taxes and licenses, decreased by 46% YoY to PHP662.72 million from PHP488.41 million last year. SLPGC incurred PHP72.48 million OPEX, representing non-capitalizable expenses incurred during the period, dropping by 88% from last year's PHP31.08. Other pre-operating subsidiaries incurred combined OPEX of PHP2.50 million.

Consolidated Forex Losses stood at PHP41.30 million, as against gains of PHP29.53 million last year due to realized losses on foreign currency denominated transactions, net of unrealized portion.. The peso is weaker this year, closing at USD1: PHP47.06, as against USD1: PHP45.09 as at end of H1 2015. Coal recorded Forex losses of PHP24.03 million as against gains of PHP14.33 million last year as a result of the valuation of its USD denominated loans. SCPC also recorded losses of PHP 17.66 million this year versus gains of PHP15.42 million last year on its foreign currency denominated transactions.

Healthier cash balances during the period resulted to 80% increase YoY on consolidated Finance Income to PHP40.35 million from PHP22.37 million last year. Coal, SCPC, and SLPGC earned PHP19.53 million, PHP6.49 million, and PHP14.19 million Finance Income, respectively.

Consolidated Finance Costs increased 62% YoY to PHP244.55 million from PHP151.11 million last year. Although coal's interest-bearing loans only increased by 3% YoY to PHP5.39 billion from PHP5.24 billion last year, its Finance Cost increased by 84% YoY to PHP96.12 million from PHP52.29 million in H1 last year due to higher interest rates. Meanwhile, SCPC continued to service its interest-bearing loans which declined by 10% YoY to PHP4.35 billion from PHP4.86 billion last year; its Finance Cost dropped more significantly by 58% YoY to PHP41.27 million from PHP97.23 million last year due to re-availment of a portion of its loan to enjoy lower interest rates. SLPGC's interest expenses surged by more than 67 times YoY to PHP107.16 million from PHP1.60 million last year as the company started to expense out its interest payments on its project finance loan in the second quarter as the two plants were already stably running, though not yet at full capacity. A Provisional Authority to Operate by the Energy Regulations Commission was issued covering the period May 12, 2016 to November 11, 2016.

Consolidated Other Income decreased 71% YoY to PHP44.02 million from PHP152.89 million last year. The coal segment's Other Income significantly dropped by 97% at PHP2.45 million from PHP94.79 million in H1 2015 due to one-time insurance recoveries and gain from asset disposal totaling PHP88.00 million in 2015. SCPC's Other Income likewise decreased by 28% YoY to PHP41.57 million from PH58.11 million last year. Unit 2 was down in Q1 this year, hence less fly ash is sold as cement additive.

The resulting consolidated Net Income Before Tax (NIBT) rose by 35% YoY to PHP6.36 billion from PHP4.71 billion last year.

Consolidated Provision for Income Tax dropped by 19% to PHP286.30 million from PHP891.52 million last year. Coal continues to enjoy Income Tax Holiday (ITH) as a Board of Investments-registered company, while SCPC is already in tax position. As a result, coal's tax provision remained minimal at PHP3.44 million, while SCPC recognized tax exposure of PHP254.54 million, as against PHP889.14 million last year. The drop in SCPC's tax provision is a result of drop in profitability this year. Notably however, SCPC has Deferred Tax Assets to partially cover the tax liability in the current period. SLPGC recorded final income tax of PHP1.36 million.

The resulting consolidated Net Income After Tax (NIAT) increase by 35% YoY to PHP6.36 billion from PHP4.71 billion last year. Net of eliminations, coal, SCPC, and SLPGC generated net income of PHP2.80 billion, PHP1.31 billion, and PHP2.26 billion, respectively. Before eliminations, coal, SCPC, and SLPGC recorded NIAT of PHP3.78 billion, PHP589.84 million, and PHP2.00 billion, respectively. With higher outstanding shares after a 200% stock dividend declaration in Q3 last year,
Earnings per Share (EPS) stood at PHP5.95, 35% higher than same period last year's EPS of PHP4.40.

B. <u>Solvency and Liquidity</u>

Internal cash generation in the current period amounted to PHP6.49 billion. Consolidated loan availments amounted to PHP9.90 billion, representing coal's medium-term loan to fund maintenance CAPEX and re-financing of SCPC long-term loan to enjoy lower interest rates. Proceed of Stock Issuance amounting to PHP12.5 million was recorded from contribution of minority interest in St. Raphael Power Generation Corp. Combined with beginning Cash of PHP4.75 billion, total consolidated Cash available during the period stood at PHP21.15 billion.

Of the available cash, PHP2.97 billion was used to fund major CAPEX, inclusive of pre-stripping and exploration costs of PHP607.27 million, PHP1.59 million, PHP318.18 million, and PHP1.06 billion for coal, SCPC, and SLPGC, respectively.

Meanwhile, PHP9.48 billion was spent for debt repayments, PHP6.58 billion by coal, PHP2.05 billion by SCPC, and PHP852.85 million by SLPGC.

The Company declared and paid cash dividends during the period amounting to PHP4.28 billion.

Net decrease in consolidated Cash in H1 this year stood at PHP311.86 million. With a beginning balance of PHP4.75 billion, Consolidated Ending Cash closed at PHP4.43 billion.

Current ratio improved to 1.07x from 0.90x as at the start of the year.

C. Financial Condition

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Consolidated Total Assets increased by 6% to PHP60.53 billion from beginning balance of PHP57.16 billion. After eliminations, coal's, SCPC's, and SLPGC's Total Assets closed at PHP15.71 billion, PHP20.81 and PHP23.63 billion, respectively. Pre-operating SBPG, SRPG, SCS, SEU, SCRC and SCIP recorded Total Assets of PHP3.21 million, PHP217.46 million, PHP146.31 million, PHP3.34 million, PHP7.65 million and PHP2.69 million, respectively.

Consolidated Current Assets closed at PHP16.86 billion, increasing by 12% from PHP15.09 billion as at the start of the year. Coal, SCPC, SLPGC, SBPG, SRPG, SCS, SEU, SCRC and SCIP accounted for PHP6.99 billion, PHP5.70 billion, PHP4.12 billion, PHP 3.21 million, PHP 25.11 million, PHP2.94 million, PHP 3.20 million, PHP 7.65 million, and PHP2.69 million, respectively.

Consolidated Cash and Cash Equivalents decreased by 7% to PHP4.43 billion from PHP4.75 billion beginning balance. Coal segment's cash dipped by 40% to PHP1.58 billion from PHP2.64 billion as at the start of the year after paying cash dividends of PHP4.28 billion in Q2. Meanwhile, SCPC's cash position closed at PHP1.31 billion from PHP881.39 million beginning balance, the increase was merely a timing of collection and payment of payables. On the other hand, commissioning income generated by SLPGC beefed up its cash by 26% to PHP1.51 billion from PHP1.20 billion as at the start of the year.

Consolidated net Receivables increased by 52% YoY to PHP4.23 billion from PHP2.78 billion beginning balance. The coal segment's receivables of PHP1.39 billion, net of elimination, is mainly trade related. SCPC receivables increased by 60% to PHP1.90 billion from PHP1.19 billion as at the start of the year. SLPGC's receivables, which are also trade related, almost tripled to PHP929.26 million from PHP245.99 million beginning balance.

Coal segment's receivables is inclusive of PHP62.79 million Due from affiliated companies representing transfer of materials and shared services.

Consolidated Net Inventories increased by 15% to PHP5.04 billion from PHP4.38 billion as at the start of the year. The coal segment's ending inventory dropped by 5% o PHP2.47 billion from beginning balance of PHP2.59 billion. This is comprised of cost of ending coal inventory of PHP758.85 million and materials spare parts, fuel, and supplies amounting to PHP1.71 billion. Meanwhile SCPC's Inventory increased by 19% to PHP1.92 billion from PHP1.61 billion beginning balance; this is mainly comprised of coal inventory and spare parts inventory for corrective, preventive and predictive maintenance program. SLPGC's inventory meanwhile surged by 263% to PHP645.72 from PHP177.83 as at the start of the year, comprising of coal, tools and spare parts.

Consolidated Other Current Assets increased by 13% to PHP3.09 billion from PHP2.72 billion beginning balance. The coal segment's Other Current Assets of PHP1.55 billion is mainly comprised of prepaid income taxes and advances to contractors and suppliers of spare parts and equipment amounting to PHP434.71 million and PHP1.11 billion, respectively. On the other hand, SCPC's Other Current Assets of PHP494.87 million mainly accounted for advances to suppliers, rentals, insurance and other expense and prepaid income taxes at PHP437.40 million and PHP57.48 million, respectively. SLPGC recorded PHP1.04 billion of VAT input taxes currently recoverable amounting to PHP815.23 million and advances to contractors and prepaid insurance of PHP225.58 million.

Consolidated Non-Current Assets rose by 4% to PHP43.67 billion from PHP42.06 billion as at the start of the year. Coal, SCPC, SLPGC, SRPGC,SCS and SEU accounted for PHP8.72 billion, PHP15.11 billion, PHP19.50 billion, PHP192.35, PHP143.37 million and PHP139.17 thousand, respectively.

Consolidated net PPE slightly increased by 2% to PHP37.36 billion from PHP36.74 billion beginning balance due to accounting of additional CAPEx, offest by depreciation. Coal, SCPC, SLPGC, and SRPGC accounted for net PPE of PHP4.45 billion, PHP14.61 billion, PHP18.13 billion and PHP171.74 million, respectively.

Consolidated Deferred Tax Assets recorded no movement at PHP535.53 million of which P413.35 million is related to allowance for impairment losses. Coal, SCPC, SLPGC, SCS and SEU accounted for PHP109.97 million PHP423.02 million, PHP2.04 million, PHP351.21 thousand, and PHP139.17 thousand respectively.

Exploration and Evaluation Asset accounting for the exploratory drilling and pre-stripping increased by 32% to PHP3.97 billion from PHP3.02 billion as at the start of the year as the overburden stripping of Molave mine progresses.

Consolidated Other Non-Current Assets slightly inched up by 2% to PHP1.80 billion from PHP1.77 billion beginning balance. This is mainly comprised of deferred input VAT on capitalized assets amounting to PHP1.37 billion. Coal, SCPC, SLPGC, SRPGC, and SCS accounted for Other Non-Current Assets of PHP191.14 million, PHP80.87 million, PHP1.37 billion, PHP20.61 million, and PHP142.02 million, respectively.

Consolidated Total Liabilities grew by 4% to PHP31.49 billion from PHP30.26 billion beginning balance. Coal, SCPC, SLPGC, and SRPGC accounted for PHP12.31 billion, PHP6.18 billion, PHP12.82 billion, and PHP192.35 million, respectively.

Consolidated Total Current Liabilities slightly increased by 2% to PHP15.82 billion from PHP15.56 billion as at the start of the year. This is due to the increase in Accounts and Other Payables and Short-Term Loans, offset by the drop in Short-Term Portion of Long-Term Loans. Coal, SCPC, SLPGC, and SRPGC accounted for PHP7.83 billion, PHP5.90 billion, PHP1.89 billion, and PHP192.35 million, respectively.

Consolidated Trade and Other Payables increased by 27% to PHP9.40 billion from PHP7.37 billion beginning balance. Coal, SCPC, SLPGC, and SRPGC accounted for PHP6.35 billion, PHP1.80 billion, PHP1.05 billion and PHP192.35 million, respectively.

Included in the Trade and Other Payables is Due to Affiliated Companies which dropped by 11% to PHP1.18 billion from PHP1.32 billion beginning balance. This accounted for supply of materials, services, construction and management contract with affiliated companies.

Short-term loans increased by 45% to PHP4.34 billion from PHP2.99 billion beginning balance. This accounts for working capital loans of the coal segment and refinancing of a portion of SCPC outstanding loan during the period.

Consolidated Current Portion of Long-Term Debt decreased by 60% to PHP2.08 billion from PHP5.19 billion beginning balance with lesser maturing loans in the next twelve months. Coal, and SLPGC accounted for PHP1.24 billion, and PHP841.70 million, respectively.

Consolidated Total Non-Current Liabilities decreased by 43% to PHP15.67 billion, from PHP14.70 billion beginning balance with continuous servicing of maturing loans during the period. Coal, SCPC, and SLPGC accounted for PHP4.48 billion, PHP281.85 million and PHP10.82 billion, respectively.

Consolidated Long-Term Debt increased by 19% to PHP13.50 billion from PHP11.36 billion beginning balance. SLPGC accounted for the bulk of the account, recording PHP9.34 billion outstanding loan for the expansion project. Coal and SCPC have outstanding long-term portion of debts amounting to PHP3.90 billion and PHP254.32 million, respectively.

Consolidated Pension Liabilities slightly increased by 2% to PHP88.50 million from PHP86.98 million beginning balance, reflecting coal's recording of additional liability. Coal and SCPC accounted for PHP73.56 million and PHP14.94 million of pension liabilities, respectively.

Provision for Decommissioning and Site Rehabilitation recorded no movement during the period at PHP513.70 million. Coal and power accounted for PHP501.11 million, PHP12.59 million, respectively.

Other Non-Current Liabilities, which accounts for retention payments on contracts under SLPGC decreased by 43% to PHP1.57 billion from PHP2.74 billion beginning balance as the project is already nearing its completion.

After accounting for net income generation of PHP6.36 billion during the period, consolidated Stockholders' Equity increased by 8% to PHP26.03 billion from PHP26.90 billion beginning balance. The Company declared and paid cash dividends amounting to PHP4.28 billion in Q2.

Debt-to-Equity ratio dropped to 1.08:1 at the end of the current period from 1.12:1 as at end 2015.

IV. PERFORMANCE INDICATORS:

1. **Net Income After Tax** – Strong performance by coal and SLPGC pushed profits up by 35% YoY.

2. Dividend Payout – 62% dividend payout ratio is thrice the 20% minimum set by the board.

3. Debt-to-Equity Ratio – The Company's leverage further improved to 1.08x from 1.12x as at the start of the year, priming the Company for more borrowings to fund its expansion activities.

4. Net Profit Margin – Economies of scale in coal mining and low fuel cost in power improved consolidated net profit margin to 38% in the current period, compared to 34% in H1 2015.

5. Current Ratio – Current ratio improved to 1.07 in the current period from 0.97 at the start of the year with proper management of the Company's liabilities. The Company set an internal current ratio threshold of at least 1.00.

PART II OTHER INFORMATION

Other disclosures:

a. The Group's operation is not cyclical in nature or seasonal. Mining activities is continuous throughout the year;
b. There were no issuances, repurchases, and repayments of debt in equity securities which transpired during the quarter;
c. There are no subsequent events, that came to our knowledge, which are material enough to warrant an adjustment in the consolidated financial statements;
d. The Group has no contingent assets nor liabilities known as of financial position date. The case on the wholesale electricity supply market (WESM) prices for November and December 2013 is still pending before the Supreme Court (SC) and the Energy Regulatory Commission (ERC).

PART III SIGNATURES

Pursuant to the requirement of the Revised Securities **Code**, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **SEMIRARA MINING AND POWER CORPORATION**

Signature and Title:

VICTOR A. CONSUNJI
President & Chief Operating Officer
(Principal Executive and Operating Officer)
Date: August 11, 2016

JUNALINA S. TABOR
VP & Chief Finance Officer
(Principal Financial Officer)
Date: August 11, 2016

LEANDRO D. COSTALES
Comptroller
(Principal Accounting Officer)
Date: August 11, 2016

PART IV - ANNEX A

SEMIRARA MINING AND POWER CORPORATION
AGING OF ACCOUNTS RECEIVABLE

	TOTAL	Current	2 - 3 Mon	4 - 6 Mon	7 Mon - 1 Yr	Allow for DA
A. AR TRADE RECEIVABLES						
COAL						
EXPORT	556,530	513,048	-	-	43,482	34,037
HOLCIM	54,237	41,299	12,939	-	-	-
CCC	87,219	45,898	41,321	-	-	-
TPC	64,404	18,658	21,469	4,666	19,610	-
PEDC	142,376	129,963	12,413	-	-	-
ECC	52,790	26,510	26,280	-	-	-
NCC	39,760	39,760	-	-	-	-
LRI / RCC / RCBM	107,544	86,011	21,533	-	-	-
SPG / PETRON	95,036	45,558	28,482	20,997	-	-
JPC	39,249	39,249	-	-	-	-
SLTEC	49,350	49,350	-	-	-	-
VTPI	19,636	19,636	-	-	-	-
UPPC	64	-	64	-	-	-
POWER						
MERALCO	1,575,416	1,177,411	-	-	398,005	688,574
MPOWER	400,904	315,566	39,255	46,083	-	-
GNPOWER	168,421	168,421	-	-	-	-
PEMC	1,183,173	434,459	-	-	748,714	-
PSALM	56,180	-	-	-	56,180	-
BATELEC	53,776	53,776	-	-	-	-
VECO	65,969	35,528	-	18,037	12,404	-
POZZOLANIC	24,758	24,617	-	-	141	-
TRANSPACIFIC	11,959	11,270	689	-	-	-
PUYAT STEEL	8,623	8,623	-	-	-	-
JORAM	1,311	1,311	-	-	-	-
ECSCO	1,001	983	-	-	18	-
BAC-MAN	170	170	-	-	-	-
	4,859,858	**3,287,075**	**204,445**	**89,783**	**1,278,555**	**722,611**
Less: Allowance for doubtful account	722,611					
	4,137,247					
B. NON - TRADE RECEIVABLES						
COAL						
Advances-Officers & employees	903	903	-	-	-	-
Advances-Contractors	18,102	18,102	-	-	-	-
Advances-For liquidation	8,090	8,090	-	-	-	-
Advances-SSS Claims	126	126	-	-	-	-
Advances-medical accounts & others	650	650	-	-	-	-
		-				
POWER		-				
Advances - officers & employees	561	561	-	-	-	-
Advances-For liquidation	2,831	2,831	-	-	-	-
Advances-SSS Claims	6	6	-	-	-	-
Other receivables	-	-	-	-	-	-
Adv.for Govt Institutions	387	387	-	-	-	-
OTHERS	-	-	-	-	-	-
	31,655	**31,655**			31,136	
Less: Allowance for D/A-AR Others	5,815					
Net NON - TRADE RECEIVABLE	**25,840**					
C. DUE FROM AFFILIATED COMPANIES	62,825					
NET RECEIVABLES (A + B + C))	**4,225,912**					

ANNEX B

SEMIRARA MINING AND POWER CORPORATION
FINANCIAL RISK MANAGEMENT DISCLOSURES
As of June 30, 2016

The Group has various financial assets such as cash and cash equivalents, receivables, investment in sinking fund and environmental guarantee fund, which arise directly from operations.

The Group's financial liabilities comprise trade and other payables, short-term loans and long-term debt. The main purpose of these financial liabilities is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are price risk, interest rate risk, liquidity risk, foreign currency risk and credit risk. The BOD reviews and approves policies for managing each of these risks which are summarized below.

The sensitivity analyses have been prepared on the following basis:
- Price risk - movement in one-year historical coal prices
- Interest rate risk - market interest rate on loans
- Foreign currency risk - yearly movement in the foreign exchange rates

The assumption used in calculating the sensitivity analyses of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at March 31, 2016.

Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The price that the Group can charge for its coal is directly and indirectly related to the price of coal in the world coal market. In addition, as the Group is not subject to domestic competition in the Philippines, the pricing of all of its coal sales is linked to the price of imported coal. World thermal coal prices are affected by numerous factors outside the Group’s control, including the demand from customers which is influenced by their overall performance and demand for electricity. Prices are also affected by changes in the world supply of coal and may be affected by the price of alternative fuel supplies, availability of shipping vessels as well as shipping costs.

As the coal price is reset on a periodic basis under coal supply agreements, this may increase its exposure to short-term coal price volatility.

There can be no assurance that world coal prices will be sustained or that domestic and international competitors will not seek to replace the Group in its relationship with its key customers by offering higher quality, better prices or larger guaranteed supply volumes, any of which would have a materially adverse effect on the Group's profits.

To mitigate this risk, the Group continues to improve the quality of its coal and diversify its market from power industry, cement industry, other local industries and export market. This will allow flexibility in the distribution of coal to its target customers in such manner that minimum target average price of its coal sales across all its customers will still be achieved (i.e. domestic vs local). Also, in order to mitigate any negative impact resulting from price changes, it is the Group's policy to set minimum contracted volume for customers with long term supply contracts for each given period (within the duration of the contract) and pricing is negotiated on a monthly basis to even out the impact of any fluctuation in coal prices, thus, protecting its target margin. The excess volumes are allocated to spot sales which may command different price than those contracted already since the latter shall follow pricing formula per contract.

Nevertheless, on certain cases temporary adjustments on coal prices with reference to customers following a certain pricing formula are requested in order to recover at least the cost of coal if the resulting price is abnormally low vis-à-vis cost of production (i.e. abnormal rise in cost of fuel, foreign exchange).

Below are the details of the Group's coal sales to the domestic market and to the export market (as a percentage of total coal sales volume):

	06/30/2016	12/31/2015
Domestic Market	40.39%	45.82%
Export Market	59.61%	54.18%

as a percentage of total coal sales volume

The following table shows the effect on income before income tax should the change in the prices of coal occur based on the inventory of the Group as of June 30, 2016 and December 31, 2015 with all other variables held constant. The change in coal prices used in the simulation assumes fluctuation from the lowest and highest price based on 1-year historical price movements in 2016 and 2015.

Based on ending coal inventory	Effect on income before income tax	
Change in coal price	06/30/2016	12/31/2015
Increase by 28% in 2016 and 15% in 2015	589,521,748	416,498,009
Decrease by 28% in 2016 and 15% in 2015	(589,521,748)	(416,498,009)

Based on coal sales volume	Effect on income Before income tax	
Change in coal price	06/30/2016	12/31/2015
Increase by 28% in 2016 and 15% in 2015	3,156,661,212	2,452,398,481
Decrease by 28% in 2016 and 15% in 2015	(3,156,661,212)	(2,452,398,481)

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term term debts with floating interest rates. The

Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group's policy is to maintain a balance of Peso-denominated and United States Dollar (US$) denominated debts.

The following table shows the information about the Group's financial instruments that are exposed to cash flow (floating rate instrument) and fair value (fixed rate instrument) interest rate risks and presented by maturity profile.

	June 30, 2016						
	Interest	**Within 1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**More than 4 years**	**Carrying Value**
				(In Thousands)			
Cash in banks and cash equivalents	**1.38% to 2.75%**	**4,433,752**	**-**	**-**	**-**	**-**	**4,433,752**
Short-term debt at floating rate	**30 days 1.4%-1.5%**	**242,792**	**4,100,000**				**4,342,792**
Long-term debt at floating rate							
$22.70 million loan (USD)	**Floating rate to be repriced every 90 days 1.2%-1.6%**	**514,075**				**-**	**514,075**
$27.93 million loan (USD)	**Floating rate to be repriced every 90 days 1.2%-1.6%**	**65,739**		**1,249,041**		**-**	**1,314,780**
$14.00 million loan (USD)	**Floating rate to be repriced every 90 days 1.4%-1.5%**	**658,840**					**658,840**
							-
P2.1 billion loan	**Floating rate to be repriced 3.37%**			**2,100,000**			**2,100,000**
Mortgage payable at floating rate	**PDST-F benchmark yield for three-month treasury securities + 1.00%**	**1,694,316**	**1,695,878**	**1,697,498**	**1,699,179**	**3,403,654**	**10,190,525**
	PDST-F benchmark yield for three-month treasury securities + 1.75%	**261,810**	**-**	**-**			**261,810**
		3,437,573	**5,795,878**	**5,046,539**	**1,699,179**	**3,403,654**	**19,382,823**

	December 31, 2015						
	Interest	**Within 1 year**	**1-2 years**	**2-3 years**	**3-4 years**	**More than 4 years**	**Carrying Value**
				(In Thousands)			
Cash in banks and cash equivalents	**1.38% to 2.75%**	**4,740,745**	**–**	**-**	**-**	**-**	**4,740,745**
Foreign short-term debt at floating rate							
$31.95 million loans (USD)		**885,534**					**885,534**
Long-term debt at floating rate							
$9.31 million loan (USD)	**Floating rate payable quarterly and in arrears, to be repriced every 90 days**	**438,116**	**-**	**-**	**-**		**438,116**
$28.00 million loan (USD)	**Floating rate to be repriced every 90 days**	**1,317,680**	**-**	**-**	**-**		**1,317,680**
							-
$1.61 million loan (USD)	**Floating rate to be repriced every 90 days**	**75,958**	**-**	**-**	**-**		**75,958**
$29.41 million loan (USD)	**Floating rate to be repriced every 90 days**	**-**	**-**	**1,383,979**	**-**		**1,383,979**
Mortgage payable at floating rate	**PDST-F benchmark yield for three-month treasury securities + 1.00%**	**1,693,556**	**1,695,090**	**1,696,681**	**1,698,331**	**4,253,458**	**11,037,115**
	PDST-F benchmark yield for 3-month treasury securities 1.75%	**1,530,478**	**767,281**	**-**	**-**		**2,297,759**
		5,941,323	**2,462,371**	**3,080,660**	**1,698,331**	**4,253,458**	**17,436,142**

The following table demonstrates the sensitivity of the Group's income before tax to a reasonably possible change in interest rates on June 30, 2016 and 2015, with all variables held constant, through the impact on floating rate borrowings.

	Effect on income before income tax	
Basis points (in thousands)	**06.30.2016**	**12.31.2015**
+100	**(193,828)**	**-194,214**
-100	**193,828**	**194,214**

The assumed movement in basis points for interest rate sensitivity analysis is based on the Group's historical changes in market interest rates on bank loans.

There was no effect on the equity other than those affecting the income before tax.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group's policy is to maintain a level of cash that is sufficient to fund its monthly cash requirements, at least for the next four to six months. Capital expenditures are funded through a mix of suppliers' credit, letters of credit, trust receipts and long-term debt, while operating expenses and working capital requirements are funded through cash collections. A significant part of the Group's financial assets that are held to meet the cash outflows include cash equivalents and trade receivables. Although trade receivables are contractually collectible on a short-term basis, the Group expects continuous cash inflows through continuous production and sale of coal and power generation. In addition, although the Group's short-term deposits are collectible at a short notice, the deposit base is stable over the long term as deposit rollovers and new deposits can offset cash outflows.

Moreover, the Group considers the following as mitigating factors for liquidity risk:

- It has available lines of credit that it can access to answer anticipated shortfall in sales and collection of receivables resulting from timing differences in programmed inflows and outflows.
- It has very diverse funding sources.
- It has internal control processes and contingency plans for managing liquidity risk. Cash flow reports and forecasts are reviewed on a weekly basis in order to quickly address liquidity concerns. Outstanding trade receivables are closely monitored.

As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. Fund raising activities may include obtaining bank loans.

The tables below summarize the maturity profile of the Group's financial assets and liabilities as of June 30, 2016 and 2015 based on undiscounted contractual payments:

LIQUIDITY RISK

June 30, 2016	**Within 6 months**	**Next 6 months**	**1-2 years**	**2-3 years**	**More than 3 years**	**Total**
Cash and cash equivalents	4,433,752					4,433,752
Receivables						
						-
Trade - outside parties	4,859,858		-	-	-	4,859,858
Trade - related parties	62,825					62,825
Others	31,136					31,136
Investment in sinking fund	68,297				-	68,297
Environmental guarantee fund					1,500	1,500
	9,455,869	-	-	-	1,500	9,457,369
Trade and other payables						
Trade	4,692,210	-	-	-	-	4,692,210
Payable to DOE and local government units	-	-	-	-	-	-
Accrued expenses and other payables	1,022,510	-	-	-	-	1,022,510
Due to related parties	1,177,405	-	-	-	-	1,177,405
Short term loans	4,342,792	-	-	-	-	4,342,792
Long term debt at floating rate						-
$22.7 million loan (USD) with interest payable in arrears		514,075	-	554,379	-	1,068,454
$27.93 million loan (USD) with interest payable in arrears		65,739	-	1,249,041		1,314,780
$14.00 million loan (USD) with interest payable in arrears		658,840	-		-	658,840
P2.1 billion loan with interest payable in arrears				2,100,000		2,100,000
PDST-F benchmark yield for 3-month treasury securities + 1.00%	846,966	847,350	1,695,878	1,697,498	5,102,833	10,190,525
PDST-F benchmark yield for 3-month treasury securities + 1.75%	127,161	127,161	-		-	254,322
	12,209,045	2,213,165	1,695,878	5,600,918	5,102,833	26,821,839
	(2,753,177)	(2,213,165)	(1,695,878)	(5,600,918)	(5,101,333)	(17,364,471)
December 31, 2015						
Cash and cash equivalents	4,740,745					4,740,745
Receivables						-
Trade - outside parties	2,337,955	30,304	322,650			2,690,909
Trade - related parties	68,830					68,830
Others	82,726	-				82,726
Environmental guarantee fund					1,500	1,500
Investment in sinking fund	460,234					460,234
	7,690,491	30,304	322,650	-	1,500	8,044,945
Trade and other payables						
Trade	4,000,644	–	1,240,838	-	-	5,241,482
Accrued expenses and other payables	309,213	-	-	-		309,213
Due to related parties	1,383,876	-	1,498,830	-		2,882,706
Short term loans	2,993,001	-	-	-		2,993,001
Long term debt at floating rate	-	-	-	-		-
	-	-	-	-		-
$32.7 million loan (USD) with interest payable in arrears	438,116	-	-	-		438,116
$33.73 million loan (USD) with interest payable in arrears	1,317,680	-	-	-		1,317,680
$10.61 million loan (USD) with interest payable in arrears	75,959	-	-	-		75,959
$9.31 million loan (USD) with interest payable in arrears	-	-		1,383,979		1,383,979
PDST-F benchmark yield for 3-month treasury securities + 1.00%	846,778	846,778	1,695,090	1,696,681	5,951,789	11,037,115
PDST-F benchmark yield for 3-month treasury securities + 1.75%	765,239	765,239	767,281			2,297,759
	12,130,506	1,612,017	5,202,039	3,080,660	5,951,789	27,977,010
	(4,440,015)	(1,581,713)	(4,879,389)	(3,080,660)	(5,950,289)	(19,932,065)

(in Php000)

Foreign Currency Risk
Majority of the Group's revenue are generated in Philippine peso, however, substantially all of capital expenditures are in US$.

The Group manages this risk by matching receipts and payments in the same currency and monitoring. Approximately, 39.86% and 23.68% of the Group's sales as of June 30, 2016 and 2015, respectively, were denominated in US$ whereas approximately 27.29% and 14.88% of debts as of June 30, 2016 and 2015, respectively, were denominated in US$.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents follow:

		June 30, 2016			December 31, 2015		
			Peso				Peso
		U.S. Dollar	**Equivalent**		U.S. Dollar		Equivalent
Assets							
Cash and cash equivalents	**$**	**7,694,018**	**362,080,506**		3,376,117		158,880,066
Trade receivables		**3,025,407**	**142,375,635**		8,298,296		390,517,809
	$	**10,719,425**	**504,456,141**		11,674,413		549,397,875
Liabilities							
Trade payables	**$**	**(21,098,315)**	**(992,886,717)**		(12,440,275)		(585,439,342)
Short-term loans		**(5,159,210)**	**(242,792,439)**		(18,817,148)		(885,534,976)
Long-term debt (including current portion)		**(64,642,458)**	**(3,042,074,051)**		(68,332,648)		(3,215,734,398)
	$	**(90,899,983)**	**(4,277,753,207)**		(99,590,071)		(4,686,708,716)
Net foreign currency denominated assets (liabilities)	**$**	**101,619,408**	**4,782,209,348**	$	(87,915,658)	$	(4,137,310,841)

The spot exchange rates used in June 30, 2016 and December 31, 2015 were the same at P47.06 to US$1.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's income before tax (due to changes in the fair value of monetary assets and liabilities) on June 30, 2016 and 2015.

Reasonably possible change in foreign exchange rate for every unit of Philippine Peso		Increase (decrease) in profit before tax	
		June 30, 2016	December 31, 2015
	2	**203,238,816**	(175,831,316)
	(2)	**(203,238,816)**	175,831,316

There is no impact on the Group's equity other than those already affecting profit or loss. The movement in sensitivity analysis is derived from current observations on movement in dollar average exchange rates.

Credit Risk
Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group manages and controls credit risk by doing business with recognized, creditworthy third parties, thus, there is no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group evaluates the financial condition of the local customers before deliveries are made to them.

On the other hand, export sales are covered by sight letters of credit issued by foreign banks subject for the Group's approval, hence, mitigating the risk on collection. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to doubtful accounts is not significant. The Group generally bills 80% of coal delivered payable within 30 days upon receipt of billing and the remaining 20% payable within 15 days after receipt of final billing based on final analysis of coal delivered. The Group's exposure to credit risk from trade receivables arise from the default of the counterparty with a maximum exposure equal to their carrying amounts.

With respect to the credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, other receivables, environmental guarantee fund and investment in sinking fund, the exposure to credit risk arises from default of the counterparty with a maximum exposure to credit risk equal to the carrying amount of the financial assets as of reporting date. The Group does not hold any collateral or other credit enhancement that will mitigate credit risk exposure. The Group transacts only with institutions or banks and third parties that have proven track record in financial soundness. The management does not expect any of these institutions to fail in meeting their obligations.

The credit risk is concentrated to the following markets:

	06.30.2016	12.31.2015
Trade receivable - outside parties	**98.09%**	91.47%
Trade receivable - related parties	**1.27%**	1.63%
Others	**0.64%**	6.90%

As of June 30, 2016 and 2015, the credit quality per class of financial assets is as follows:

	06.30.2016				
	Neither Past Due nor Impaired		**Substandard Grade**	**Past due and/or Individually Impaired**	**Total**
	Grade A	**Grade B**			
Cash in banks and cash equivalents	**4,433,752**	-	-	-	**4,433,752**
Receivables:					-
Trade receivables - outside parties	**3,287,075**	**294,228**	-	**1,278,555**	**4,859,858**
Trade receivables - related parties	**62,825**	-	-	-	**62,825**
Others	**25,840**	-	-	**5,815**	**31,655**
Environmental guarantee fund	**1,500**	-	-	-	**1,500**
Investment in sinking fund	**68,297**	-	-	-	**68,297**
Total	**7,879,288**	**294,228**	-	**1,284,371**	**9,457,887**

	12.31.2015				
	Neither Past Due nor Impaired		**Substandard**	**Past due and/or Individually**	
	Grade A	**Grade B**	**Grade**	**Impaired**	**Total**
Cash in banks and cash equivalents	**4,740,745**				**4,740,745**
Receivables:					-
Trade receivables - outside parties	**1,695,118**			**2,361,292**	**4,056,410**
Trade receivables - related parties	**68,830**			–	**68,830**
Others	**62,399**			**5,815**	**68,215**
Environmental guarantee fund	**1,500**				**1,500**
Investment in sinking fund	**460,234**				**460,234**
Total (000)	**7,028,827**	-	-	**2,367,107**	**9,395,934**

Cash in banks and cash equivalents are short-term placements and working cash fund placed, invested or deposited in foreign and local banks belonging to top ten (10) banks in the Philippines in terms of resources and profitability. These financial assets are classified as Grade A due to the counterparties' low probability of insolvency. Trade receivable - related parties are considered Grade A due to the Group's positive collection experience. Environmental guarantee fund is assessed as Grade A since this is deposited in a reputable bank, which has a low probability of insolvency.

Grade A are accounts considered to be of high credit rating and are covered with coal supply and power supply contracts. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

Grade B accounts are active accounts with minimal instances of payment default, due to collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly. The Group determines financial assets as impaired when probability of recoverability is remote evidenced by the counterparty's financial difficulty.

Substandard grade accounts are accounts which have probability of impairment based on historical trend. Accounts under this group show possible future loss to the Group as a result of default in payment of the counterparty despite of the regular follow-up actions and extended payment terms.

In the Group's assessment, there are no financial assets that will fall under the category substandard grade due to the following reasons:

- Receivables from electricity and local coal sales - transactions are entered into with reputable and creditworthy companies.

- Receivables from export coal sales - covered by irrevocable letter of credit at sight from a reputable bank acceptable to the Group.

As of June 30, 2016 and 2015, the aging analyses of the Group's past due and/or impaired receivables presented per class are as follows:

	06.30.2016			
	Past Due but not Impaired		**Impaired Financial**	
	<45 days	**45-135 days**	**Assets**	**Total**
Receivables				
Trade receivables - outside parties	-	-	**1,278,555**	**1,278,555**
Others	-	-	**5,815**	**5,815**
Total (000)	-	-	**1,284,371**	**1,284,371**

	12.31.2015			
	Past Due but not Impaired		**Impaired Financial**	
	<45 days	**45-135 days**	**Assets**	**Total**
Receivables				
Trade receivables - outside parties	**484,665**	**454,301**	**1,422,326**	**2,361,292**
Others	–		**5,815**	**5,815**
Total (000)	**484,665**	**454,301**	**1,428,141**	**2,367,107**

Capital Management

The primary objective of the Group's capital management strategy is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

No changes were made in the objectives, policies and processes from the previous years.

The Group manages its capital using Debt-to-Equity ratio, which is interest-bearing loans divided by equity, and EPS. The following table shows the Group's capital ratios as of June 30, 2016 and 2015.

	6/30/2016	12/31/2015
Interest Bearing Loan	**19,924,451,733**	19,543,609,597
Total equity	**29,033,541,105**	26,901,082,161
Debt to Equity Ratio	**68.63%**	72.65%
EPS	**5.95**	7.94

The aggressive expansion and investment strategies of the Group resulted to higher Debt-to-Equity ratios in 2016 and 2015. The Debt-to-Equity ratio is carefully matched with the strength of the Group's financial position, such that when a good opportunity presents itself, the Group can afford further leverage.

The following table shows the component of the Group's capital as of June 30, 2016 and 2015:

	6/30/2016	12/31/2015
Total paid-up capital	**7,744,277,411**	7,744,277,411
	12,500,000	
Remeasurement losses on pension plan	**(30,509,775)**	(13,471,337)
Retained earnings - unappropriated	**16,007,273,468**	12,675,405,442
Retained earnings - appropriated	**5,300,000,000**	2,300,000,000
	29,033,541,105	22,706,211,516

Fair Values

Cash and cash equivalents, receivables, environmental guarantee fund, investment in sinking fund, trade payables, accrued expenses and other payables, and short-term loans carrying amounts approximate fair value due to the relatively short-term nature of the transactions.

Long-term debt

The carrying values approximated the fair value because of recent and regular repricing of interest rates (e.g. monthly, quarterly, semi-annual or annual basis) based on current market conditions. As of June 30, 2016 and 2015, interest rate ranges from 1.00% to 3.00% and 1.03% to 4.00%, respectively.

Fair Value Hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As of June 30, 2016 and 2015 the Group does not have financial instruments measured at fair value.

ANNEX C

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
COMPARATIVE FINANCIAL SOUNDNESS INDICATORS
AS OF JUNE 30, 2016 AND 2015

	2016	2015
i. Liquidity ratios:		
Current ratio	107%	122%
Quick ratio	75%	93%
ii. Leverage ratios:		
Debt-to-equity ratio (interest bearing loan/equity	69%	93%
Interest coverage ratio	2719%	3705%
iii. Management ratios:		
Accounts receivable turnover ratio	482%	332%
Return on assets ratio	11%	9%
Return on equity ratio	23%	21%
iv. Asset-to-equity ratio	208%	235%
v. Profitability ratios:		
Gross margin ratio	60%	56%
Net profit margin ratio	38%	34%
vi. Solvency ratios		
Current liabilities to net worth ratio	54%	57%
Total liabilities to net worth ratio	108%	135%