COVER SHEET

0000009 1447

SEC Registration Number

SEMIRARA MINING AND POWER

CORPORATION

(Company's Full Name)

2nd Floor DMCI PLAZA

2281 DON CHINO ROCES AVENUE

MAKATI CITY

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

Junalina S. Tabor

(Contact Person)

888-3055

(Company Telephone Number)

12 31

(Fiscal Year)

17-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

STAMPS

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 2017
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, 2017**

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

AUG 14 2017
2

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	1,065,286,430 shares

11. 1,065,286,430 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

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, 2017**

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:
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SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of June 30, 2017

	(Unaudited) 30-Jun-17	(Audited) 31-Dec-16
ASSETS		
Current Assets		
Cash and cash equivalents	5,270,967,440	6,993,039,850
Receivables - net	4,315,545,066	5,685,581,598
Inventories - net	6,890,852,844	5,386,460,570
Investment in joint venture	58,500,000	52,385,054
Investment in sinking fund	4,466,354	68,716,379
Other current assets	4,605,087,799	2,968,146,401
Total Current Assets	21,145,419,503	21,154,329,852
Noncurrent Assets		
Property, plant and equipment - net	44,311,418,738	43,352,166,628
Deferred Tax Assets	519,323,242	518,516,979
Other noncurrent assets	396,433,583	735,463,043
Total Noncurrent Assets	45,227,175,563	44,606,146,650
TOTAL ASSETS	66,372,595,066	65,760,476,502
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Trade and other payables	10,001,899,624	12,220,953,070
Short-term loans	1,600,000,000	1,600,000,000
Current portion of long-term debt	915,480,356	1,831,583,887
Total Current Liabilities	12,517,379,980	15,652,536,957
Noncurrent liabilities		
Long-term debt - net of current portion	14,449,378,905	13,258,162,966
Provision for decommissioning and site rehabilitation	1,606,287,759	1,606,287,759
Pension liabilities	117,245,437	114,034,778
Other noncurrent liabilities	858,451,273	843,142,793
Total Noncurrent Liabilities	17,031,363,374	15,821,628,296
Total Liabilities	29,548,743,354	31,474,165,253
Stockholders' Equity		
Capital Stock	1,068,750,000	1,068,750,000
Additional paid-in capital	6,675,527,411	6,675,527,411
Treasury Shares	(387,547,028)	(387,547,028)
Remeasurement gains (losses) on pension plan	(23,403,645)	(23,403,645)
Retained earnings	29,490,524,973	26,952,984,511
Total Stockholders' Equity	36,823,851,712	34,286,311,249
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	66,372,595,066	65,760,476,502

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Period Ending June 30, 2017 and 2016
For the Quarter Ending June 30, 2017 and 2016

	(Unaudited)		(Unaudited)	
	For the Period		For the Quarter	
	2017	2016	2017	2016
REVENUE				
Coal	11,120,012,101	9,017,379,493	4,341,644,393	5,077,263,273
Power	8,707,158,077	7,522,197,953	5,137,480,106	4,834,698,778
	19,827,170,178	16,539,577,446	9,479,124,499	9,911,962,051
COST OF SALES				
Coal	4,482,303,419	3,817,111,963	1,828,014,624	2,175,242,388
Power	3,437,288,332	2,849,640,998	2,423,528,501	2,211,996,710
	7,919,591,751	6,666,752,961	4,251,543,125	4,387,239,098
GROSS PROFIT	11,907,578,427	9,872,824,485	5,227,581,374	5,524,722,953
OPERATING EXPENSES	(3,140,384,723)	(3,040,830,966)	(1,388,782,195)	(1,788,063,782)
		-	-	-
FINANCE INCOME (COSTS)	(246,467,850)	(204,200,170)	(137,345,122)	(150,364,408)
		-	-	-
FOREIGN EXCHANGE GAINS (LOSSES)	(211,514,505)	(41,301,776)	(76,590,054)	(77,758,712)
		-	-	-
OTHER INCOME	90,666,641	63,145,569	60,967,791	33,036,760
	(3,507,700,437)	(3,223,187,343)	(1,541,749,580)	(1,983,150,141)
INCOME BEFORE INCOME TAX	8,399,877,990	6,649,637,142	3,685,831,794	3,541,572,811
PROVISION FOR INCOME TAX	535,905,377	286,296,500	244,561,936	88,534,205
NET INCOME	7,863,972,613	6,363,340,642	3,441,269,858	3,453,038,607
TOTAL COMPREHENSIVE INCOME	7,863,972,613	6,363,340,642	3,441,269,858	3,453,038,607
Basic / Diluted Earnings per Share	7.38	5.95	3.23	3.23

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

Wtd Average Outstanding Shares	1,065,286,430	(as of June 30, 2017)
Wtd Average Outstanding Shares (as adjusted)	1,068,750,000	(as of June 30, 2016)

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

As of June 30, 2017 and 2016

	Common Stock	Additional Paid-In Capital	Remeasurement Losses on Retirement Plan	Unappropriated Retained Earnings	Appropriated Retained Earnings	Cost of Shares Held in Treasury	Minority Interest	Grand Total
At January 1, 2017	1,068,750,000	6,675,527,411	(23,403,644)	19,152,984,511	7,800,000,000	(387,547,028)		34,286,311,249
Net Income for the period				7,863,972,613				7,863,972,613
Dividends				(5,326,432,150)				(5,326,432,150)
At June 30, 2017	1,068,750,000	6,675,527,411	(23,403,644)	21,690,524,973	7,800,000,000	(387,547,028)	-	36,823,851,712
At January 1, 2016	1,068,750,000	6,675,527,411	(30,509,775)	13,918,932,827	5,300,000,000	-		26,932,700,463
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)	16,007,273,469	5,300,000,000	-	12,500,000	29,033,541,105

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOW

As of June 30, 2017 and 2016

	(Unaudited) 2017	2016
CASH FLOWS FROM OPERATING		
Income before income tax	8,399,877,990	6,649,667,292
Adjustments for:		
Depreciation and amortization	2,726,901,752	1,329,609,053
Finance costs and revenues	246,827,101	203,931,730
Gain on sale of equipment	(6,144,286)	
Net unrealized foreign exchange gains	32,321,063	(43,309,114)
Pension expense	5,820,000	5,820,000
Operating income before changes in working capital	11,405,603,620	8,145,718,961
Decrease (increase) in:		
Receivables	(645,215,200)	(1,868,124,068)
Inventories	(1,184,253,779)	(629,983,425)
Other current assets	(1,592,841,748)	(1,183,260,206)
Increase (decrease) in:		
Trade and other payables	154,479,462	2,532,231,864
Cash generated from (used in) operations	8,137,772,355	6,996,583,125
Interest received	49,118,465	36,904,213
Benefits paid	(5,144,428)	(4,306,791)
Income tax paid	(483,763,816)	(323,985,908)
Interest paid	(259,176,029)	(213,988,735)
Net cash provided by (used in) operating activities	7,438,806,547	6,491,205,905
ACTIVITIES		
Proceeds from sale of equipment	6,144,286	
Additions to exploration assets		(607,268,830)
Increase in other noncurrent assets		(156,104,266)
Additions to property, plant and equipment	(4,063,447,454)	(2,201,407,399)
Net cash used in investing activities	(4,057,303,168)	(2,964,780,494)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan Availments	1,400,000,000	9,901,272,827
Minority Interest		12,500,000
Payment of dividend	(5,326,432,150)	(4,275,000,000)
Loan Repayment	(1,177,143,639)	(9,477,054,448)
Net cash provided by (used in) financing activities	(5,103,575,789)	(3,838,281,621)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(1,722,072,410)	(311,856,210)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6,993,039,850	4,745,608,379
CASH AND CASH EQUIVALENTS AT END OF YEAR	5,270,967,440	4,433,752,169

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 also the Parent Company's functional currency. All amounts are rounded off the nearest peso, except when otherwise indicated.

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 with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls 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):

	2016	2015	2014
Subsidiaries			
Sem-Calaca Power Corporation (SCPC)	**100.00 %**	100.00 %	100.00 %
Sem-Calaca RES Corporation (SCRC)*	**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
Southeast Luzon Power Generation Corporation (SELPGC)	**100.00**	100.00	100.00
St. Raphael Power Generation Corporation (SRPGC)	–	100.00	100.00

**Wholly owned subsidiary of SCPC*

Except for SCPC and SLPGC, the Parent Company's subsidiaries have not yet started commercial operations as of December 31, 2016.

Southeast Luzon Power Generation Corporation (SELPGC) was formerly named as SEM-Balayan Power Generation Corporation (SBPGC).

In 2016, SRPGC become a joint venture when Meralco PowerGen Corporation (MGen) subscribed to the remaining unissued capital stock of SRPGC.

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 noncontrolling 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. Transaction 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 or 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 the goodwill 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 a proportionate amount of the net assets of the subsidiary.

Changes in Accounting Policies and Disclosures

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, 2016. Unless otherwise indicated, the adoption did not have any significant impact to the consolidated financial statements of the Group.

- Amendments to PFRS 10, PFRS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception
- Amendments to PFRS 11, Accounting for Acquisitions of Interests in Joint Operations
- PFRS 14, Regulatory Deferral Accounts
- Amendments to PAS 1, Disclosure Initiative
- Amendments to PAS 16 and PAS 38, Clarification of Acceptable Methods of Depreciation and Amortization
- Amendments to PAS 16 and PAS 41, Agriculture: Bearer Plants
- Amendments to PAS 27, Equity Method in Separate Financial Statements
- Annual Improvements to PFRSs 2012 - 2014 Cycle
  - Amendment to PFRS 5, Changes in Methods of Disposal
  - Amendment to PFRS 7, Servicing Contracts
  - Amendment to PFRS 7, Applicability of the Amendments to PFRS 7 to Condensed
    Interim Financial Statements
  - Amendment to PAS 19, Discount Rate: Regional Market Issue
  - Amendment to PAS 34, Disclosure of Information 'Elsewhere in the Interim Financial
    Report

Standards Issued But Not Yet Effective

The Group has not applied the following PFRS, PAS and Philippine Interpretations which are not yet effective as of December 31, 2016. 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 consolidated financial statements of the Group.

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard (Part of Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

- Amendments to PAS 7, Statement of Cash Flows, Disclosure Initiative

  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

  Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.

- Amendments to PAS 12, *Income Taxes, Recognition of Deferred Tax Assets for Unrealized Losses*

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. The Group is currently assessing the impact of these amendments on its financial statements.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share- based Payment Transactions*
  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share- based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  This is not applicable to the Group because it does not have share-based payment arrangements.

- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*
  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

  The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

  The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact of these amendments on its financial statements.

- PFRS 9, *Financial Instruments*
  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of
  PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the

property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration*
  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*
  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, Leases. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

  The Group is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

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

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

Significant Accounting Policies and Disclosures

Cash and Cash Equivalents
Cash and cash equivalents in the consolidated statement of financial position comprise 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 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, trade and other payables and long-term debts are subsequently measured at amortized cost using the EIR method. Gains or losses are recognized in consolidated statement of comprehensive income when liabilities are derecognized, as well as through the amortization process. Any effects of restatement of foreign currency-denominated liabilities are recognized under the 'Foreign exchange (gains) losses - net' in consolidated statement of comprehensive income.

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.

Fair Value Measurement

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.

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.

Derecognition of Financial Instruments

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.

Offsetting of Financial Instruments
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 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.

Inventories
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 period 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.

Exploration and Evaluation Asset

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, mining tools and other equipment’ which is included under ‘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, mining tools and other equipment’.

Stripping Costs

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 the units of production method over the mine life. 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 of 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 those 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, mining tools and mining equipment' 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.

Mineable Ore Reserves

Mineable ore 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 mineable ore reserves 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 amortization of mine properties included as part of 'Mine properties, mining tools and other equipment' under 'Property, plant and equipment'.

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, borrowing costs 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 units of production basis over the economically mineable reserves of the mine concerned. Mine properties are included as part of 'Mine 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 or over the remaining life of the mine, whichever is shorter, 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 directly attributable 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.

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 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.

Input Value-Added Taxes (VAT)
Input tax represents the VAT due or paid on purchases of goods and services subjected to VAT that the Group can claim against any future liability to the Bureau of Internal Revenue (BIR) for output VAT on sale of goods and services subjected to VAT. The input tax can also be recovered as tax credit under certain circumstances against future income tax liability of the Group upon approval of the BIR and/or Bureau of Customs. Input tax is stated at its estimated net realizable values. A valuation allowance is provided for any portion of the input tax that cannot be claimed against output tax or recovered as tax credit against future income tax liability. Input tax is recorded under current and noncurrent assets in the consolidated statement of financial position.

Investment in Joint Venture
A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries. The Group's investment joint venture is accounted for using the equity method.

Under the equity method, the investment in joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortized and is not tested for impairment individually.

Other Assets
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.

Impairment of Nonfinancial Assets
The Group assesses at each reporting date whether there is an indication that its nonfinancial assets (inventories, investment in joint venture, intangible asset, input VAT, exploration and evaluation asset and property, plant and equipment) 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.

Investment in joint venture

The Group determines at each reporting date whether there is any objective evidence that the investments in joint venture is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value and the carrying value of the investee company and recognizes the difference in the consolidated statement of comprehensive income.

Exploration and evaluation assets

Exploration and evaluation assets should be assessed for impairment when 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

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 are recognized in the consolidated statement of comprehensive income in those expense categories consistent 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 unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. 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.

Current and Noncurrent Classification

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.

Revenue Recognition

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 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 are 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). Revenue is recognized based on the actual excess generation delivered to the WESM.

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 materials and supplies, fuel and lubricants, outside services, depreciation and amortization, provision for decommissioning and site rehabilitation, direct labor and other related production overhead. 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, coal handling expenses, bunker, lube, diesel, depreciation and other related production overhead costs. Cost of power are recognized at the time the related coal, bunker, lube and diesel 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 Cost

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 an 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

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.

Income Tax

Current income tax

Current income tax assets and liabilities 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 the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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 recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable

profit will be available against which the temporary differences can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

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 taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

Provisions

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 closure of plants, dismantling and removing of structures, backfilling, reforestation, rehabilitation activities on marine and rainwater conservation and maintenance of rehabilitated area.

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 and restoration of power plant sites. 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; A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
b. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
c. 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 'Outside services' under 'Cost of coal sales' in the consolidated statement of comprehensive income on a straight- line basis over the lease term.

Foreign Currency - denominated Transactions and Translation

The consolidated 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 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.

Treasury Shares

Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued, and to retained earnings for the remaining balance.

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. Financial information on operating segments is presented in Note 33 to the consolidated financial statements.

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. 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.

b. Determination of components of ore bodies and allocation measures for stripping cost allocation

The Group has identified that each of its two active mine pits, Narra and Molave, is a whole separate ore component and cannot be further subdivided into smaller components due to the nature of the coal seam orientation and mine plan.

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 (i.e., stripping ratio) is the most suitable production measure. The Group recognizes stripping activity asset by comparing the actual stripping ratio during the year for each component and the component's mine life stripping ratio.

c. 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 believes that these proceedings will not have a material adverse effect on its current financial position and results of operations. It is possible, however, that future results of operations and financial position 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. Estimating mineable ore reserves
The Group estimates its mineable ore reserves by using estimates provided by third party, and professionally qualified mining engineers and geologist. These estimates on the mineable ore resource and reserves are determined based on the information obtained from activities such as drilling, core logging or geophysical logging, coal sampling, sample database encoding, coal seam correlation and geological modelling.

b. 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 upward adjustments due to quality of coal. These price adjustments may arise from the actual quantity and quality of delivered coal. There is no assurance that the use of estimates may not result in material adjustments in future periods.

c. 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.

d. Estimating stock pile inventory quantities
The Group estimates the coal 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. 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 cost of sales for the year.

e. Estimating allowance for obsolescence in spare parts and supplies
The Group provides 100% allowance for obsolescence on items that are specifically identified as obsolete.

The amount 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.

f. Estimating recoverability of capitalized development costs
Initial capitalization of costs is based on management’s judgment that technological and economic 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.

g. 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 its activities end in the depleted mine pits. The Group also provides for decommissioning cost for the future clean-up of its power plant 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 given the approved decommissioning and site rehabilitation plan, 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 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.

h. Estimating useful lives of property, plant and equipment (except land)
The Group estimated the useful lives of its property, plant and equipment 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 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.

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 and in reference to its income tax holiday status 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. 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. These assumptions are described in Note 20 and include among others, the determination of the discount rates and future salary increases. 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.

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

PRODUCTION – COMPARATIVE REPORT H1 2016 vs H12017

COAL

On 8 February 2017, the Department of Environment and Natural Resource (DENR) issued a Special Order creating a team to conduct investigation at the minesite. This is despite passing the audit done in August 2016. The results of the February investigation was released on 13 March 2017, again clearing the Company of any violation of its Environmental Clearance Certificate (ECC).

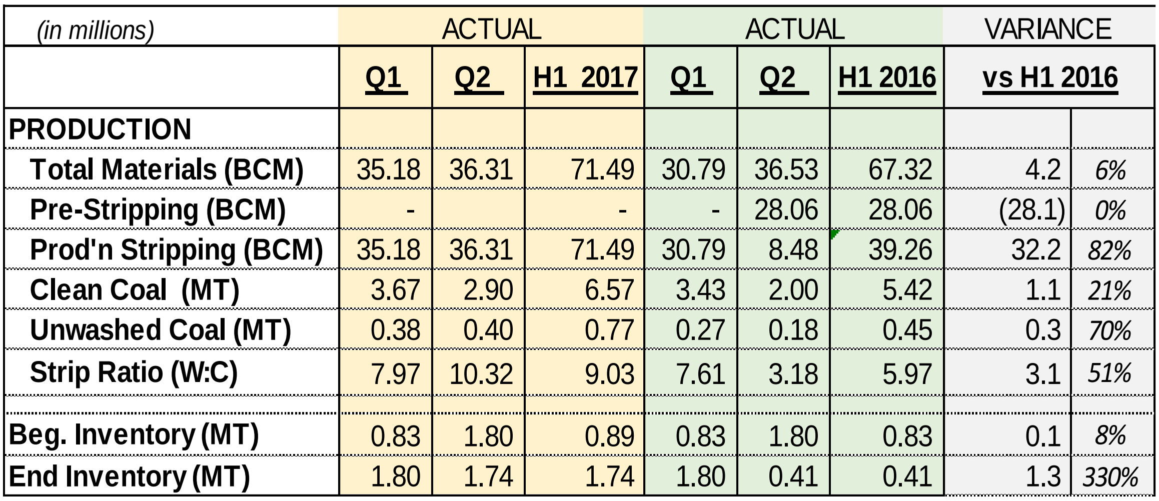
The Company continued to invest in additional CAPEX this year to hit its annual target of 13-14 million metric tons (tons), increasing from last year's 12 million annual capacity. With additional equipment in H1, total materials moved increased by 6% YoY to 71.49 million bank cubic meters (bcm) from 67.32 million bcm in H1 2016.

Clean coal production consequently increased by 21% YoY to 6.57 million tons from 5.42 million tons in the same period last year. In addition, 772 thousand tons of low-grade coal were produced this quarter, increasing by 41% from last year's 454 thousand tons.

Strip ratio slightly increased to 9.03:1 compared to 5.97:1 last year. The strip ratio was lower last year since operations were already wrapping for Panian mine. This year's strip ratio is normalized with the operations of the two new mines, Molave and Narra.

Coal sales volume slightly decreased by 4% YoY to 6.33 million tons from 6.58 million tons last year. Clean coal ending inventory closed at 1.74 million tons; H1 last year closed with and ending inventory of 406thousand tons.

The table below shows the comparative production data for H1 2016 and H1 2017.



(in millions)	ACTUAL			ACTUAL			VARIANCE	
	Q1	Q2	H1 2017	Q1	Q2	H1 2016	vs H1 2016	
PRODUCTION								
Total Materials (BCM)	35.18	36.31	71.49	30.79	36.53	67.32	4.2	*6%*
Pre-Stripping (BCM)	-		-	-	28.06	28.06	(28.1)	*0%*
Prod'n Stripping (BCM)	35.18	36.31	71.49	30.79	8.48	39.26	32.2	*82%*
Clean Coal (MT)	3.67	2.90	6.57	3.43	2.00	5.42	1.1	*21%*
Unwashed Coal (MT)	0.38	0.40	0.77	0.27	0.18	0.45	0.3	*70%*
Strip Ratio (W:C)	7.97	10.32	9.03	7.61	3.18	5.97	3.1	*51%*
Beg. Inventory (MT)	0.83	1.80	0.89	0.83	1.80	0.83	0.1	*8%*
End Inventory (MT)	1.80	1.74	1.74	1.80	0.41	0.41	1.3	*330%*

SCPC

Unit 1 was down in Q1 2017 for scheduled maintenance which started in December 15, 2016. This was originally scheduled for a 75-day maintenance shutdown but was extended to alllow additional maintenance works to ensure power unit availability during the summer months. The shutdown also included activities related to the 3-year life extension programs of the unit and increasing its output capacity to up to 250MW using Semirara coal.

Despite of the lower total plant availability, total gross generation is up by 14% YoY to 1,383 GWhr from 1,212 GWhr last year. Consequently, capacity factor also increased by 15%. Average capacity in H1 2017 is 518MW, almost 12% higher than last year with 463MW

Total plants' availability decreased by 7% YoY to 5,217 hours from 5,661 hours.

Unit One (Unit 1 of 2x300MW)

Unit 1 did not generate any power in Q1 2017 while on maintenance. The maintenance shutdown which started on December 15, 2016 was originally scheduled for two and a half months or 75 days. However, it lasted until April 18, 2017. Gross generation in 2017 Q2 is 361 GWh.

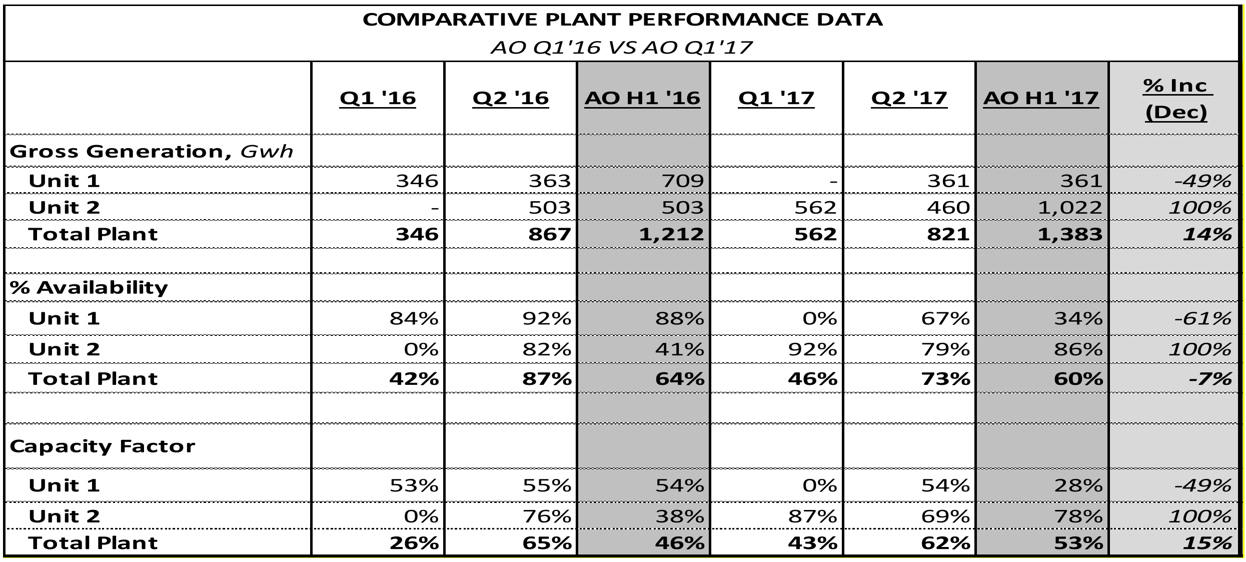
Average Capacity 244MW and Capacity factor is at 28% as of H1 2017.

Unit Two (Unit 2 of 2x300MW)

Gross generation of Unit 2 is 1,022 GWh in H1 2017. The unit did not generate any power in Q1 2016 while on maintenance shutdown. In 2016, the maintenance shutdown which started on 20 November 2015 was originally scheduled for one month. However, it lasted until 13 April 2016. Gross generation in 2016 Q2 is 503 GWh.

Average Capacity 274MW and Capacity factor is at 78% as of H1 2017.

The table below shows the comparative production data for 2016 and 2017.



COMPARATIVE PLANT PERFORMANCE DATA

AO Q1'16 VS AO Q1'17

	Q1 '16	Q2 '16	AO H1 '16	Q1 '17	Q2 '17	AO H1 '17	% Inc (Dec)
Gross Generation, *Gwh*							
Unit 1	346	363	709	-	361	361	*-49%*
Unit 2	-	503	503	562	460	1,022	*100%*
Total Plant	**346**	**867**	**1,212**	**562**	**821**	**1,383**	***14%***
% Availability							
Unit 1	84%	92%	88%	0%	67%	34%	*-61%*
Unit 2	0%	82%	41%	92%	79%	86%	*100%*
Total Plant	**42%**	**87%**	**64%**	**46%**	**73%**	**60%**	***-7%***
Capacity Factor							
Unit 1	53%	55%	54%	0%	54%	28%	*-49%*
Unit 2	0%	76%	38%	87%	69%	78%	*100%*
Total Plant	**26%**	**65%**	**46%**	**43%**	**62%**	**53%**	***15%***

SOUTHWEST LUZON POWER GENERATION CORPORATION (SLPGC)

Both Units 3 and 4 are on commercial operations for 2017 unlike Q1 2016 when both units are still on commissioning stage. COC was granted last May 15, 2017 by the ERC.

Unit Three (Unit 1 of 2x150MW)

Unit 3 generated 442 GWh as of Q2 this year. Average capacity is 131 MW, with a capacity factor of 58%. The unit operated for 3,382 hours as of Q2.

Unit Four (Unit 2 of 2x150MW)

Gross generation of Unit 4 is 374 GWh. Average Capacity is 133 MW, while capacity factor is at 56%

Unit's operating hours as of Q2 is 2,805 hours.

The table below shows the comparative production data for 2016 and 2017.

COMPARATIVE PLANT PERFORMANCE DATA

AO Q2 '16 vs Q2 '17

	Q1 '16	Q2 '16	Tot Yr '16	Q1 '17	Q2 '17	Tot Yr '17	% Inc (Dec)
Gross Generation, GWh							
Unit 3	65	250	315	147	295	442	40%
Unit 4	152	287	439	74	300	374	-15%
Total Plant	**217**	**537**	**754**	**221**	**596**	**817**	**8%**
% Availability							
Unit 3	34%	88%	61%	58%	97%	77%	27%
Unit 4	55%	97%	76%	30%	97%	64%	-16%
Total Plant	**45%**	**93%**	**69%**	**44%**	**97%**	**71%**	**3%**
Capacity Factor							
Unit 3	20%	76%	48%	45%	89%	58%	20%
Unit 4	46%	87%	67%	23%	91%	56%	-17%
Total Plant	**33%**	**81%**	**58%**	**34%**	**90%**	**62%**	**8%**

MARKETING – COMPARATIVE REPORT H1 2016 vs. H1 2017

COAL

Coal sales volume slightly decreased by 4% YoY to 6.33 million tons from 6.58 million tons last year.

Export sales accounted for 48% of total coal sales volume in H1 2017 at 3.07 million tons, decreasing by 22% from last year's 3.92 million tons. The drop in export sales is just a timing issue due to to early onset of rainy season. Coal produced during the period was prioritized for the local market and own plant's requirement.

Meanwhile, local sales posted an increase of 23% YoY to 3.26 million tons from 2.66 million tons last year. This figure is inclusive of low-grade coal of 757 thousand tons and 772 thousand tons in H1 2016 and H1 2017, respectively.

Deliveries to power customers increased by 18%. All power plant customers increased their off-take this year.

Sales to cement plants also grew by 41% YoY to 433thousand tons from 308 thousand tons last year.

Sales to other industrial plants likewise significantly rose by 55% YoY to 223 thousand tons from 144 thousand tons last year.

The increase in cement and industrial plants' off-take because of the new customer and one plant increased its liftings. .

Composite average FOB price per ton grew by 30% YoY to PHP2,167 from PHP1,167 last year. Global coal prices are significantly higher this year than last year.

The table below shows the comparative sales volume data for H1 2016 and H1 2017.

COMPARATIVE SALES VOLUME				*(in thousand MT)*					
Customer	**Q1**	**Q2**	**2017 YTD**	**%**	**Q1**	**Q2**	**2016 YTD**	**%**	**Inc (Dec) %**
Own Plant	722	972	1,694		716	756	1,472		15%
GBPs	240	272	512		122	278	399		28%
Others PPs	172	225	397		186	147	332		19%
Power Plants	**1,134**	**1,469**	**2,603**	**41%**	**1,023**	**1,181**	**2,204**	**34%**	**18%**
Cement	**163**	**270**	**433**	**7%**	**147**	**161**	**308**	**5%**	**41%**
Others Plants	**113**	**111**	**223**	**4%**	**69**	**76**	**144**	**2%**	**55%**
Local	**1,410**	**1,849**	**3,259**		**1,239**	**1,417**	**2,656**		**23%**
Export	**2,206**	**863**	**3,070**	**49%**	**1,674**	**2,246**	**3,920**	**60%**	**-22%**
TOTAL	**3,616**	**2,713**	**6,329**		**2,913**	**3,663**	**6,576**		**-4%**

POWER

SCPC

SCPC's Energy sales slightly increased by 1% YoY to 1,401 GWh from 1,390 GWh last year. Composite average price per Kwh increased by 18% YoY at PHP3.83 from PHP3.25 last year due to higher fuel component of the price which is based on New Castle Index. Average price for bilateral contracts increased by 20% YoY to PHP3.87/KWh from PHP3.21/KWh last year due to higher fuel component of the price which is based on New Castle Index.

On the other hand, spot sales' average price is 56% lower YoY at PHP3.13/KWh from PHP7.18/KWh as a result of lower prices in the market.

Of the total energy sold, more than 99% or 1,401 GWh were sold to bilateral contracts, while spot market sales were minimal at 80 GWh.

MERALCO remained to be the single biggest customer, accounting for 88% of the total energy sales of the bilateral contracts; BATELEC I comprised 6% of total sales; while Spot sales accounts for another 6%.

Spot Market Sales increased by 475% YoY to 80 GWh, as against 14 GWh last year.

Of the total energy sold, 95% was sourced from own generation, while 5% 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 2017.

COMPARATIVE SALES VOLUME DATA *(in GWh)*							
CUSTOMER	**Q1 '16**	**Q2 '16**	**AO H1 '16**	**Q1 '17**	**Q2 '17**	**AO H1 '17**	**% Inc (Dec)**
Bilateral Contracts	422.2	954	1,376.3	585.6	736	1,321.1	-4%
Spot Sales	2.2	12	13.8	0.8	79	79.6	475%
GRAND TOTAL	**424.5**	**966**	**1,390.1**	**586.4**	**814**	**1,400.7**	**1%**
Composite Ave Price	**3.90**	**2.97**	**3.25**	**4.13**	**3.61**	**3.83**	**18%**

SLPGC

SLPGC has a total contracted capacity of 192.51 MW as of June 30, 2017, 50MW of which is a financial contract.

Energy sales rose by 2% YoY to 771 GWh from 757 GWh last year due to a more reliable performance from the 2 Units. Composite average price per Kwh, also increased by 4% YoY at PHP4.33 from PHP4.16 last year due to higher Newcastle Price Index slightly offset by the higher Spot Sales vs Bilateral Contracts for 2017.

Average price for bilateral contracts increased by 16% YoY to PHP5.20/KWh from PHP4.48/KWh last year due to a higher Newcastle Price Index.

Spot sales' average price also increased by 18% YoY at PHP3.16/KWh from PHP2.67/KWh due to favorable WESM price.

Of the total energy sold, more than 57% or 443 GWh were sold to bilateral contracts, while spot market sales accounted for 328 GWh.

Of the total energy sold, 94% was sourced from own generation, while 6% was purchased from the spot market.

The table below shows the comparative marketing data for H1 2016 and H1 2017.

COMPARATIVE SALES VOLUME DATA *(in GWh)*							
CUSTOMER	**Q1 '16**	**Q2 '16**	**Tot Yr '16**	**Q1 '17**	**Q2 '17**	**Tot Yr '17**	**% Inc (Dec)**
Bilateral Contracts	208	413	621	177	266	443	-29%
Spot Sales	41	94	136	62	266	328	142%
GRAND TOTAL	250	507	757	239	532	771	2%
Composite Ave Price	**4.22**	**4.13**	**4.16**	**4.81**	**4.12**	**-**	**4%**

III. FINANCE

A. Sales and Profitability

Revenues

Before Eliminations

	H1 2016	H1 2017	Variance	Remarks
Coal	10,944	13,454	23%	Increase in ASP by 28%, offest slight decrease of 4% in Sales Volume
SCPC	4,522	5,365	19%	18% increase in ASP; 1% increase in sales volume
SLPGC	3,000	3,342	11%	4% increase in ASP; 2% increase in sales volume

After Eliminations (Consolidated)

	H1 2016	H1 2017	Variance	Remarks
Coal	9,017	11,120	23%	Increased average selling price per MT
SCPC	4,522	5,365	19%	18% increase in ASP; 1% increase in sales volume
SLPGC	3,000	3,342	11%	4% increase in ASP; 2% increase in sales volume; 2016 inclusive of commissioning cost of Php615 M
Total	**16,540**	**19,827**	**20%**	increased coal & SLPGC revenues offset drop in SCPC revenues

Cost of Sales

Before Eliminations

	H1 2016	H1 2017	Variance	Remarks
Coal	4,758	5,730	20%	Higher strip ratio since it is already normalized at the new mine compared to the very strip ratio during wrapping up of Panian mine
SCPC	3,004	3,037	1%	
SLPGC	831	1,485	79%	Already in commercial operations, hence cost is already under cost of sales

After Eliminations (Consolidated)

	H1 2016	H1 2017	Variance	Remarks
Coal	3,817	4,482	17%	Higher strip ratio because it is already at normal level compare to during the wrap- up activities at Panian mine
SCPC	2,288	2,055	-10%	Last year, more replacement power was bought after the plants consumed allowable downtime during second quarter.
SLPGC	562	1,382	146%	Already in commercial operations, hence cost is already under cost of sales
Total	**6,667**	**7,920**	**19%**	Depreciation dropped 12% YoY to PHP1.74 billion from PHP1.98 billion last year

Consolidated Gross Profit

	H1 2016	H1 2017	Variance	Remarks
Coal	5,200	6,638	28%	Due to the significant increase in Selling price which offset the increase in cost hence profitability still increase
SCPC	2,235	3,309	48%	Due to higher prices with slim increase in costs
SLPGC	2,438	1,960	-20%	Increased in price but offset by the significnt increase in cost hence lower in gross profit
Total	**9,873**	**11,907**	**21%**	Increase in Gross profit principally attributable to the Coal segment with its significant increase in ASP
Gross Profit Margin	*60%*	*60%*	*0%*	

Consolidated OPEX

	H1 2016	H1 2017	Variance	Remarks
Coal	2,303	2,168	-6%	Higher revenue generation translated to higher government royalties from Php1.84 B last year to Php1.96 B this year; General Admin Expenses however dropped from Php462.22 M to Php205.53 M. Last year includes one time payment of tax assessment for years 2012-2014 totalling around Php200M
SCPC	663	648	-2%	
SLPGC	72	325	349%	Mainly due to increase in OMM fee and Real Property Tax in H1
Others	3		-100%	OPEX of pre-operating subsidiaries
Total	**3,041**	**3,140**	**3%**	Increase is mainly driven by SLPGC's growth in OPEX

Consolidated Finance Income

	H1 2016	H1 2017	Variance	Remarks
Coal	20	29	49%	Higher cash levels in 2017
SCPC	6	4	-35%	Less placements, lower rates
SLPGC	14	20	41%	Increase mainly due to short term cash placements
Total	**40**	**53**	**32%**	Higher cash levels offset lower placement interest rates

Consolidated Finance Costs

	H1 2016	H1 2017	Variance	Remarks
Coal	96	129	34%	Interest rates are higher in 2017 vs 2016
SCPC	41	22	-48%	SCPC's LTD interest-bearing loans was fully paid. Also, a portion of its higher priced long-term loan was converted to cheaper short-term loan.
SLPGC	107	149	39%	Since SLPGC is already on commercial operations in 2017, interest expense is no longer capitalized, unlike in first half of 2016.
Total	**245**	**300**	**23%**	Higher interest expese of coal and recognition of interest expense of SLPGC offset drop in finance cost of

Consolidated FOREX Gains / (Losses)

	H1 2016	H1 2017	Variance	Remarks
Coal	(24)	(144)	499%	Result of the valuation of USD denominated loans and foreign currency denominated transactions.
SCPC	(18)	(68)	283%	Loss on foreign currency denominated transactions.
Total	**(41)**	**(212)**	**412%**	Weaker PHP vs USD

Consolidated Other Income

	H1 2016	H1 2017	Variance	Remarks
Coal	2	6	165%	Higher other income in 2016 due to booking of one-time gain on disposal of assets
SCPC	42	56	35%	Unit 2 was down in Q1 2016, hence less fly ash is sold as cement additive.
SLPGC	19	28	46%	Fly ash sold as cement additive
Total	**63**	**91**	**44%**	Higher SLPGC other income due to better performance of plants while on commissioning in 2016 vs 2015

Consolidated NIBT

	H1 2016	H1 2017	Variance	Remarks
Coal	2,799	4,233	51%	Higher coal sales pushed profitability up in 2017
SCPC	1,561	2,633	69%	Higher generation and better prices
SLPGC	2,292	1,534	-33%	Better plant performance in 2016 translated to improved profits during the year.
Others	(2)	(3)	43%	Net expenses of pre-operating subsidiaries
Total	**6,650**	**8,396**	**26%**	Higher coal and SCPC profitability offset drop in SLPGC earnings

Consolidated Income Tax Provision

	H1 2016	H1 2017	Variance	Remarks
Coal	3	4	21%	Minimal coal tax provision is due to the Income tax holiday it enjoys as a BOI-registered company. The amount merely pertains to final withholding tax on interest income from banks
SCPC	255	496	95%	Increase in SCPC's tax provision is a result of increase in profitability in 2017.
SLPGC	28	36	26%	Minimal SLPGC tax provision is due to the Income tax holiday it enjoys as a BOI-registered company. The increase over last year is due to income taxes paid on BCQ sales from Spot Purchases
Total	**286**	**536**	**87%**	Coal and SLPGC still has ITH, while only SCPC is in tax position. The increase is due to SCPC's higher provisioning in 2017.

NIAT

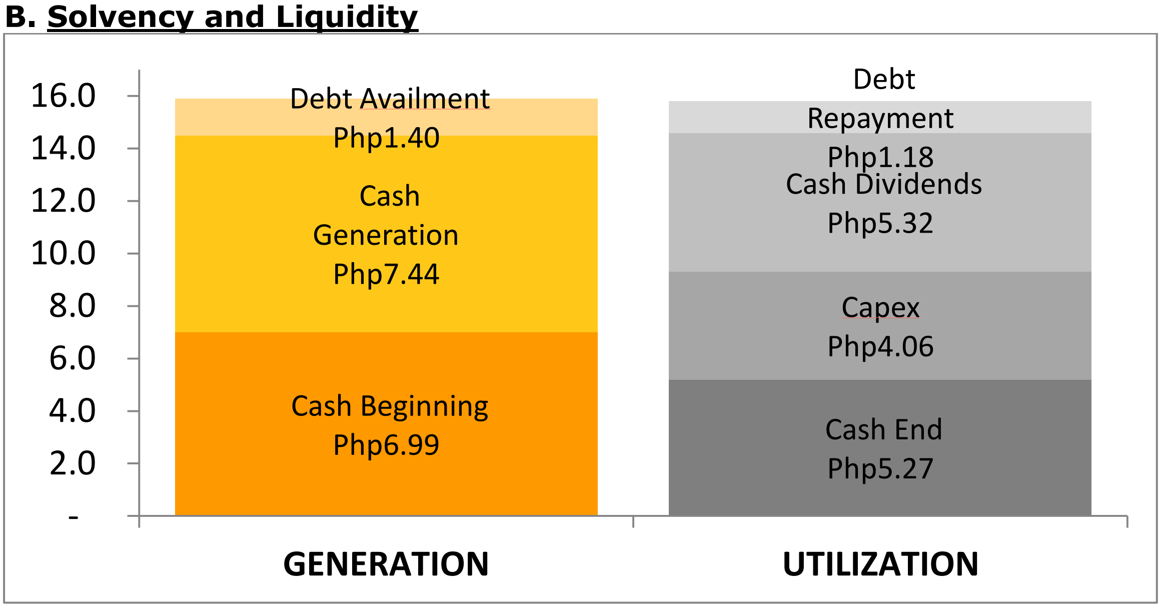
Before Eliminations (Core Income)

	H1 2016	H1 2017	Variance	Remarks
Coal	3,781	5,315	41%	Growth in income is mainly driven by increase in selling price.
SCPC	590	1,154	96%	More plant downtimes but running at higher capacity out put translated to higher revenues and profitability.
SLPGC	1,995	1,395	-30%	Higher energy sales, further augmented by 46% better average price/KWh of power sold boosted profitability. SLPGC also enjoys ITH

After Eliminations (Consolidated)

	H1 2016	H1 2017	Variance	Remarks
Coal	2,796	4,229	51%	Growth in income is mainly driven by increase in selling price.
SCPC	1,307	2,137	64%	More plant downtimes but running at higher capacity out put translated to higher revenues and profitability.
SLPGC	2,264	1,498	-34%	
Others	(2)	0	-100%	Net expenses of pre-operating subsidiaries
Total	6,363	7,864	24%	Higher coal and SCPC profitability offsets drop in SLPGC earnings
EPS	**5.95**	**7.38**	24%	2017 outstanding shares is net of 3.46 million shares held in treasury.

B. Solvency and Liquidity



Internal cash generation in the first three months of operations this year amounted to PHP7.44 billion. Consolidated loan availments amounted to PHP1.40 billion, representing coal's medium-term loan to fund maintenance CAPEX. Combined with beginning Cash of PHP6.99 billion, total consolidated Cash available during the period stood at PHP15.83 billion.

Of the available cash, PHP4.06 billion was used to fund major CAPEX . The Company also paid debts amounting to PHP1.18 billion. The Company declared and paid cash dividends of PHP 5.32 billion during the period. Ending cash closed at PHP5.27 billion, 25% lower than beginning balance.

Coal, SCPC, and SLPGC recorded ending cash of PHP1.35 billion, PHP1.48 billion, and PHP2.42 billion, respectively. Other pre-operating business closed with a total cash balance of PHP26 million.

Consolidated Current ratio improved to 1.69x from 1.35x as at the start of the year.

C. Financial Condition

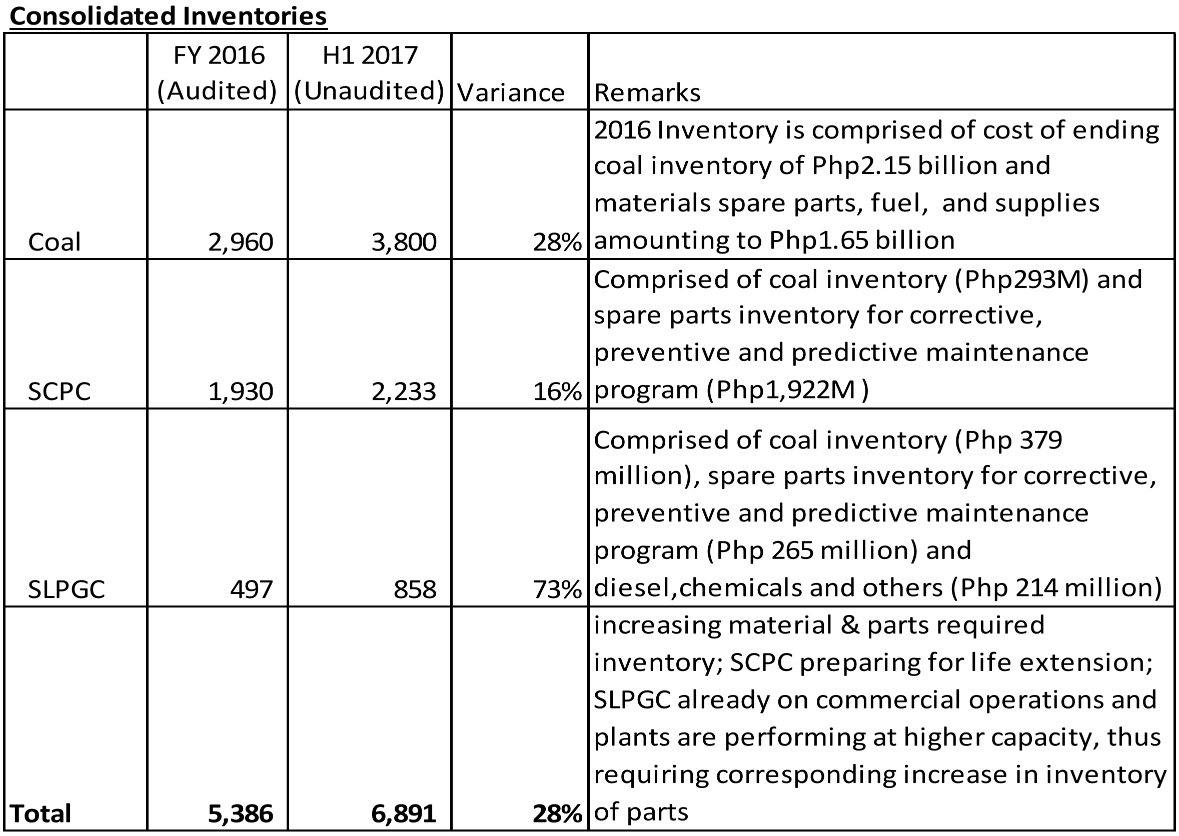
ASSETS

Cash

	FY 2016 (Audited)	H1 2017 (Unaudited)	Variance	Remarks
Coal	4,298	1,355	-68%	Stronger sales volume, boosted by higher ASP resulted to higher cash generation but used up to pay cash dividend and CAPEX hence the decrease
SCPC	659	1,472	123%	Strong cash generation in the 1st half
SLPGC	2,010	2,417	20%	Higher revenue and deferral of Capex payments
Others	26	26	1%	Cash balances of pre-operating subsidiary
Total	**6,993**	**5,271**	**-25%**	Good perfomance maintained cash position in 2017 amidst Capex and Cash dividend payment

Consolidated Receivables

	FY 2016 (Audited)	H1 2017 (Unaudited)	Variance	Remarks
Coal	2,451	1,307	-47%	Mainly trade-related; decreased since more collection made in H1 2017.
SCPC	1,984	2,068	4%	
SLPGC	1,251	940	-25%	Mainly trade-related; increase due to higher sales in 2016.
Total	**5,686**	**4,316**	**-24%**	More collection in 2017 resulted to lower receivables. Receivables is inclusive of due from related parties amounting to Php76 million in 2017 and Php69 million in 2016, representing shared charges, transfer of materials and services.



Consolidated Inventories

	FY 2016 (Audited)	H1 2017 (Unaudited)	Variance	Remarks
Coal	2,960	3,800	28%	2016 Inventory is comprised of cost of ending coal inventory of Php2.15 billion and materials spare parts, fuel, and supplies amounting to Php1.65 billion
SCPC	1,930	2,233	16%	Comprised of coal inventory (Php293M) and spare parts inventory for corrective, preventive and predictive maintenance program (Php1,922M)
SLPGC	497	858	73%	Comprised of coal inventory (Php 379 million), spare parts inventory for corrective, preventive and predictive maintenance program (Php 265 million) and diesel,chemicals and others (Php 214 million)
Total	**5,386**	**6,891**	**28%**	increasing material & parts required inventory; SCPC preparing for life extension; SLPGC already on commercial operations and plants are performing at higher capacity, thus requiring corresponding increase in inventory of parts

Investment in JV

	FY 2016 (Audited)	H1 2017 (Unaudited)	Variance	Remarks
Coal	52	59	12%	Additional spending for the Joint Venture between Meralco

Investment in Sinking Fund

	FY 2016 (Audited)	H1 2017 (Unaudited)	Variance	Remarks
SCPC	69	4	-94%	withdrawal of sinking fund following the payment of LTD

Consolidated Other Current Assets

	FY 2016 (Audited)	H1 2017 (Unaudited)	Variance	Remarks
Coal	625	1,601	156%	Mainly comprised of prepaid income taxes and advances to contractors and suppliers of spare parts and equipment amounting to Php434.8 million and Php1.2 billion, respectively.
SCPC	369	565	53%	Mainly accounted for advances to suppliers, rentals, insurance and other expense (Php512.1 million) and prepaid income taxes (Php52.8 million).
SLPGC	1,974	2,439	24%	Inclusive of VAT input taxes currently recoverable amounting to Php 1.8 billion.
Total	**2,968**	**4,605**	**55%**	Increased in prepayments and the input VAT currently recoverable

Consolidated Total Current Assets

	FY 2016 (Audited)	H1 2017 (Unaudited)	Variance	Remarks
Total	**21,154**	**21,145**	**0%**	

Consolidated PPE

	FY 2016 (Audited)	H1 2017 (Unaudited)	Variance	Remarks
Coal	10,221	10,826	6%	Additional CAPEX purchased to increase mining capacity and for maintenance
SCPC	14,925	15,374	3%	
SLPGC	18,206	18,111	-1%	
Total	**43,352**	**44,311**	**2%**	Increase in PPE mainly caused by increased coal PPE

Consolidated Other Non-Current Assets

	FY 2016 (Audited)	H1 2017 (Unaudited)	Variance	Remarks
Coal	195	193	-1%	
SCPC	249	77	-69%	This is mainly pertains to prepaid leases
SLPGC	136	126	-7%	Remaining Input VAT not yet currently recoverable
Others	156	-	-100%	Investments in Semirara Claystone
Total	**736**	**396**	**-46%**	Primarily pertains to investment in Semirara Claystone

Consolidated Deferred Tax Assets

	FY 2016 (Audited)	H1 2017 (Unaudited)	Variance	Remarks
Coal	54	54	0%	Related to allowance for inventory obsolescence
SCPC	465	465	0%	Related to provision for impairment losses
Total	**519**	**519**	**0%**	Php 465 million is related to allowance for impairment losses

Consolidated Total Assets

	FY 2016 (Audited)	H1 2017 (Unaudited)	Variance	Remarks
Coal	20,862	19,195	-8%	Decrease primarily due to payment of Cash Dividend
SCPC	20,649	22,259	8%	Increase cash and receivable in mainly driven by higher revenue
SLPGC	24,073	24,892	3%	Higher sales boosted cash and receivables, while inventory significantly increased due to additional coal and spare parts
Others	176	26	-85%	Non-current assets of pre-operating subsidiaries
Total	**65,760**	**66,373**	**1%**	Despite payment of cash dividend, total assets increased because of the higher revenue

LIABILITIES

Accounts and Other Payables

	FY 2016 (Audited)	H1 2017 (Unaudited)	Variance	Remarks
Coal	7,858	6,113	-22%	Primarily timing of payment significantly the Government Royalty amounting to Php1.7 billion
SCPC	2,365	1,819	-23%	The decrease merely pertaines to timing of payment of trade suppliers and contractors
SLPGC	1,998	2,069	4%	Trade subbliers and contractors including affiliates
Total	**12,221**	**10,002**	**-18%**	Inclusive of due to affiliated companies which deccreased by 61% to Php1.15 billion from PHP2.98 billion in 2016. This accounted for supply of materials, services, construction and management contract with affiliated companies.

Short-term Loans

	FY 2016 (Audited)	H1 2017 (Unaudited)	Variance	Remarks
SCPC	1,600	1,600		No movement
Total	**1,600**	**1,600**	**0%**	No movement

Current Portion of Long-term Debt

	FY 2016 (Audited)	H1 2017 (Unaudited)	Variance	Remarks
Coal	-	64	100%	Maturing LTD within a year
SCPC	128	-	-100%	Fully paid LTD
SLPGC	1,704	852	-50%	Matruring amortization of the LTD
Total	**1,832**	**915**	**-50%**	

Total Current Liabilities

	FY 2016 (Audited)	H1 2017 (Unaudited	Variance	Remarks
Coal	7,859	6,177	-21%	Settlement of the royalty amounting to Php1.7 billion
SCPC	4,093	3,419	-16%	Timing of settlement of payable
SLPGC	3,700	2,921	-21%	Timing of settlement of payable
Total	**15,653**	**12,517**	**-20%**	Primarily due to timing of payment of payable and the settlement of Php1.7 billion royalty

Long-Term Debt - Net of Current Portion

	FY 2016 (Audited)	H1 2017 (Unaudited)	Variance	Remarks
Coal	5,618	6,810	21%	Increase due to financing of CAPEX to increase mining capacity
SLPGC	7,640	7,640	0%	No movement
Total	**13,258**	**14,449**	**9%**	Increase is due to increase in coal long-term debt availment

Pension Liability

	FY 2016 (Audited)	H1 2017 (Unaudited)	Variance	Remarks
Coal	68	68	1%	
SCPC	27	27	0%	
SLPGC	19	22	12%	minimal increase in provision for pension obligation
Total	**114**	**117**	**3%**	minimal increase in provision for pension obligation

Provision for Site Rehabilitation

	FY 2016 (Audited)	H1 2017 (Unaudited)	Variance	Remarks
Coal	1,593	1,593	0%	No movement
SCPC	14	14	0%	No movement
Total	**1,606**	**1,606**	**0%**	No movement

Other Long-Term Liabilities

	FY 2016 (Audited)	H1 2017 (Unaudited)	Variance	Remarks
SLPGC	837	858	3%	
Total	**837**	**858**	**3%**	

Total Non-Current Liabilities

	FY 2016 (Audited)	H1 2017 (Unaudited)	Variance	Remarks
Coal	7,278	8,470	16%	Due to additional availment of Medium term loan to some Capex
SCPC	41	41	0%	
SLPGC	8,497	8,520	0%	
Total	**15,816**	**17,031**	**8%**	Due to additional availment of Medium term loan to some Capex

Total Liabilities

	FY 2016 (Audited)	H1 2017 (Unaudited)	Variance	Remarks
Coal	15,137	14,647	-3%	Additional debt availment offsets payment of royalties and trade paybles
SCPC	4,134	3,460	-16%	Due payment of trade payables and LTD
SLPGC	12,197	11,441	-6%	Due to payment of trade payables and amortization of LTD
Total	**31,468**	**29,549**	**-6%**	Due to payment of trade payables and amortization of LTD

EQUITY

Capital Stock

	FY 2016 (Audited)	H1 2017 (Unaudited)	Variance	Remarks
Coal (Parent)	1,069	1,069	0%	No changes. Par value at Php1 / share

Additional Paid-in Capital

	FY 2016 (Audited)	H1 2017 (Unaudited)	Variance	Remarks
Coal (Parent)	6,676	6,676	0%	No changes.

Treasury Shares

	FY 2016 (Audited)	H1 2017 (Unaudited)	Variance	Remarks
Coal (Parent)	388	388	0%	Purchase of 3.46 million SCC shares in 2016

Remeasurement Gain / (Losses) on Pension Plan

	FY 2016 (Audited)	H1 2017 (Unaudited)	Variance	Remarks
Coal	(24)	(24)	0%	No movement.
SCPC	(2)	(2)	0%	No movement.
SLPGC	3	3	0%	No movement.
Total	**(23)**	**(23)**	**0%**	No movement.

Retained Earnings / (Losses)

	FY 2016 (Audited)	H1 2017 (Unaudited)	Variance	Remarks
Coal	16,546	17,579	6%	Strong H1 profitability resulted to increase in retained earnings, even after payment of dividends amounting to Php5.3 B.
SCPC	6,730	7,389	10%	Remain increasing since no cash dividend declared amidst good earnings
SLPGC	3,689	4,679	27%	Remain increasing since no cash dividend declared amidst good earnings
Others	(6)	(156)	2569%	Losses of pre-operating subsidiaries
Total	**26,959**	**29,491**	**9%**	Growth fueled by robust coal and power earnings

IV. PERFORMANCE INDICATORS:

1. **Net Income After Tax** – The Company continues to show remarkable operating and financial performance. Net profitability increased by 24% YoY.

2. **Dividend Payout** – Strong profitability and high liquidity enables the Company to continue paying generous dividends. On March 27, the board of directors declared Php5 dividend per share, increasing by 25% from last year's Php 4 per share. Payout ratio is 53%, vis-à-vis the Company's policy of at least 20%.

3. **Debt-to-Equity Ratio** – The slight increase in total debts was sufficiently matched by robust earnings during the period which effectively augmented Equity. As a result, DE improved to 0.85x from 0.92x as at the start of the year.

4. **Net Profit Margin** – Net profit margin remains strong at 40% with high earnings from the coal business and significant contribution by SCPC.

5. **Current Ratio** – Healthy cash position and drop in Accounts Payable and current portion of long-term loans improved Current Ratio to 1.69 at the end of the period from 1.35 at the start of the year. 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, 2017

JUNALINA S. TABOR
Chief Finance Officer
(Principal Financial Officer)
Date: August 11, 2017

LEANDRO D. COSTALES
Comptroller
(Principal Accounting Officer)
Date: August 11, 2017

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	112,244	77,157	-	-	35,087	35,961
HOLCIM	174,612	77,047	97,565	-	-	-
CCC	77,513	77,126	-	-	387	-
CEDC	236,364	77,527	146,792	-	12,044	-
TPC	136,838	67,735	67,507	-	1,596	-
PEDC	7,377	-	7,377	-	-	-
ECC	200,360	56,033	116,622	27,705	-	-
NCC	40,387	19,052	-	21,335	-	-
LRI / RCC / RCBM	133,923	32,489	101,434	-	-	-
JPC	112,550	55,329	57,221	-	-	-
SLTEC	47,437	39,903	5,080	2,454	-	-
VTPI	-	-	-	-	-	-
POWER						
MERALCO	1,553,013	1,155,775	-	-	397,238	828,992
MPOWER	1,270,477	378,368	69,111	7,626	815,372	-
GNPOWER	550,538	527,863	-	-	22,674	-
PEMC	194,714	158,187	36,527	-	-	-
PSALM	56,180	-	-	-	56,180	-
BATELEC	88,055	87,007	-	-	1,047	-
VECO	5,641	5,641	-	-	-	-
POZZOLANIC	27,464	27,244	-	-	219	-
TRANSPACIFIC	11,858	5,233	5,577	1,048	-	-
JORAM	2,502	2,502	-	-	-	-
ECSCO	1,291	1,291	-	-	-	-
	5,041,339	**2,928,511**	**710,815**	**60,167**	**1,341,846**	**864,952**
Less: Allowance for doubtful account	864,952					
	4,176,386					
B. NON - TRADE RECEIVABLES						
COAL	-	-	-	-	-	-
Advances-Contractors	51,879	51,879	-	-	-	-
Advances-For liquidation	10,429	10,429	-	-	-	-
Advances-SSS Claims/Med and others	879	879	-	-	-	-
	-	-	-	-	-	-
POWER		-				
Advances - officers & employees	2,300	2,300	-	-	-	-
Advances-For liquidation	2,682	2,682	-	-	-	-
Advances-SSS Claims	65	65	-	-	-	-
Other receivables	387	387	-	-	-	-
OTHERS	-	-	-	-	-	-
	68,621	**68,621**			67,677	
Less: Allowance for D/A-AR Others	5,815					
Net NON - TRADE RECEIVABLE	**62,806**					
C. DUE FROM AFFILIATED COMPANIES	76,353					
NET RECEIVABLES (A + B + C))	**4,315,545**					

ANNEX B

SEMIRARA MINING AND POWER CORPORATION
FINANCIAL RISK MANAGEMENT DISCLOSURES
As of June 30, 2017

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, 2017.

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):

	06/30/2017	12/31/2016
Domestic Market	51.50%	41.08%
Export Market	48.50%	58.92%

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, 2017 and December 31, 2016 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 2017 and 2016.

	Effect on income before income tax	
Based on ending coal inventory Change in coal price	06/30/2017	12/31/2016
Increase by 52% in 2017 and 35% in 2016	23,047,391,557	555,060,791
Decrease by 52% in 2017 and 35% in 2016	(23,047,391,557)	555,060,791)

	Effect on income Before income tax	
Based on coal sales volume Change in coal price	06/30/2017	12/31/2016
Increase by 52% in 2017 and 35% in 2016	7,113,335,806	4,416,543,681
Decrease by 52% in 2017 and 35% in 2016	(7,113,335,806)	(4,416,543,681)

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.

The following table demonstrates the sensitivity of the Group’s income before tax to a reasonably possible change in interest rates on June 30, 2017 and 2016, with all variables held constant, through the impact on floating rate borrowings.

	June 30, 2017						
	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%	5,270,967	-	-	-	-	5,270,967
Short-term debt at floating rate		1,600,000					1,600,000
Long-term debt at floating rate							
$27.06 million loan (USD)	Floating rate to be repriced every 90 days			1,365,580		-	1,365,580
$25.21 million loan (USD)	Floating rate to be repriced every 90 days	63,629	1,209,426			-	1,273,054
$17.16 million loan (USD)	Floating rate to be repriced every 90 days			866,252			- 866,252
P2.1 billion loan	Floating rate to be repriced 3.37%				1,968,750		1,968,750
P1.4 billion loan	PDST-R2 benchmark rate for three-year treasury securities 3.5-3.85% + 0.50%			1,400,000			1,400,000
Mortgage payable at floating rate	PDST-F benchmark yield for three-month treasury securities + 1.00%	1,695,878	1,697,498	1,699,179	1,700,923	1,702,731	8,496,209
			-	-			-
		3,359,507	2,906,924	5,331,011	3,669,673	1,702,731	16,969,845

	December 31, 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%	6,988,169	–	-	-	-	6,988,169
Long-term debt at floating rate							
$26.54 million loan (USD)	Floating rate to be repriced every 90 days		1,319,641	-	-		1,319,641 -
$27.06 million loan (USD)	Floating rate to be repriced every 90 days		-	1,345,287	-		1,345,287
$17.16 million loan (USD)	Floating rate to be repriced every 90 days	-	-	853,380	-		853,380
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	2,559,902	9,343,559
	PDST-F benchmark yield for 3-month treasury securities 1.75%	128,000		-	-		128,000
		1,821,556	3,014,731	3,895,347	1,698,331	2,559,902	12,989,867

The following table demonstrates the sensitivity of the Group's income before tax to a reasonably possible change in interest rates on June 30, 2017 and 2016, with all variables held constant, through the impact on floating rate borrowings.

	Effect on income before income tax	
Basis points (in thousands)	06.30.2017	12.31.2016
+100	(169,698)	(129,899)
-100	169,698	129,899

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, 2017 and 2016 based on undiscounted contractual payments:

LIQUIDITY RISK					**More than**	
June 30, 2017	**Within 6 months**	**Next 6 months**	**1-2 years**	**2-3 years**	**3 years**	**Total**
Cash and cash equivalents	5,270,967					5,270,967
Receivables						
Trade - outside parties	5,041,339		-	-	-	5,041,339
Trade - related parties	76,353					76,353
Others	67,677					67,677
Investment in sinking fund	4,466				-	4,466
Environmental guarantee fund					3,520	3,520
	10,460,802	-	-	-	3,520	10,464,322
Trade and other payables						
Trade	6,605,390	-	-	-	-	6,605,390
Accrued expenses and other payables	143,734	-	-	-	-	143,734
Due to related parties	1,148,808	-	-	-	-	1,148,808
Short term loans	1,600,000	-	-	-	-	1,600,000
Long term debt at floating rate						-
$27.06 million loan (USD) with interest payable in arrears	10,242	10,242	1,386,064			1,406,547
$25.21 million loan (USD) with interest payable in arrears	9,548	9,548	82,724	1,227,567		1,329,388
$17.16 million loan (USD) with interest payable in arrears	6,497	6,497	879,246			892,240
Php1.40 billion loan with interest payable in arrears	26,950	26,950	53,900	1,453,900		1,561,700
Php1.97 billion loan with interest payable in arrears	35,384	35,384	70,768	70,768	2,057,210	2,269,514
PDST-F benchmark yield for 3-month treasury securities + 1.00%	987,698	974,985	1,747,581	1,749,281	4,138,833	9,598,379
	10,574,251	1,063,606	4,220,283	4,501,516	6,196,043	26,555,698
	(113,448)	(1,063,606)	(4,220,283)	(4,501,516)	(6,192,523)	(16,091,376)
December 31, 2016						
Cash and cash equivalents	6,988,169					6,988,169
Receivables						-
Trade - outside parties	5,017,276	461,259			3,541	5,482,076
Trade - related parties	76,578					76,578
Others	119,838	-				119,838
Environmental guarantee fund					3,520	3,520
Investment in sinking fund	68,716					68,716
	12,270,578	461,259	-	-	7,061	12,738,898
Trade and other payables						
Trade	6,218,172	–	419,329	-	-	6,637,501
Accrued expenses and other payables	538,329	-	-	-		538,329
Due to related parties	2,983,410	-	423,814	-		3,407,223
Short term loans	1,606,400	-	-	-		1,606,400
Long term debt at floating rate	-	-	-	-		-
	-	-	-	-		-
$27.06 million loan (USD) with interest payable in arrears	11,066	11,066	22,133	1,356,353		1,400,618
$26.54 million loan (USD) with interest payable in arrears	8,510	8,510	1,328,052	-		1,345,073
$17.16 million loan (USD) with interest payable in arrears	6,755	6,755	13,510	861,260		888,280
P2,100.00 million loan with interest payable in arrears	35,384	35,384	70,768	70,768	2,188,460	2,400,764
PDST-F benchmark yield for 3-month treasury securities + 1.00%	987,698	974,985	1,747,581	1,749,281	4,561,833	10,021,379
PDST-F benchmark yield for 3-month treasury securities + 1.75%	129,640					129,640
	12,525,364	1,036,701	4,025,186	4,037,662	6,750,293	28,375,206
	(254,787)	(575,442)	(4,025,186)	(4,037,662)	(6,743,232)	(15,636,309)

(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, 37.11% and 21.08% of the Group’s sales as of June 30, 2017 and 2016, respectively, were denominated in US$ whereas approximately 23.59% and 16.45% of debts as of June 30, 2017 and 2016, 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, 2017			December 31, 2016		
			Peso				Peso
		U.S. Dollar	**Equivalent**		U.S. Dollar		Equivalent
Assets							
Cash and cash equivalents	**$**	**22,530,808**	**1,137,287,579**		63,213,830		3,142,991,628
Trade receivables		**2,223,662**	**112,243,778**		17,693,667		879,729,123
	$	**24,754,470**	**1,249,531,358**		80,907,497		4,022,720,751
Liabilities							
Trade payables	**$**	**(10,156,799)**	**(512,684,760)**		(14,874,729)		(739,571,526)
Long-term debt (including current portion)		**(69,435,350)**	**(3,504,886,485)**		(70,762,423)		(3,518,307,672)
	$	**(79,592,149)**	**(4,017,571,245)**		(85,637,152)		(4,257,879,198)
Net foreign currency denominated assets (liabilities)	**$**	**104,346,619**	**5,267,102,602**	$	(4,729,655)	$	(235,158,447)

The spot exchange rates used in June 30, 2017 and December 31, 2016 were P50.477 and P49.72 to US$1 respectively.

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, 2017 and 2016.

Reasonably possible change in foreign exchange		Increase (decrease) in profit before tax	
rate for every unit of Philippine Peso		**June 30, 2017**	December 31, 2016
	2	**208,693,237**	(9,459,310)
	(2)	**(208,693,237)**	9,459,310

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:

	06.30.2017	12.31.2016
Trade receivable - outside parties	**97.20%**	96.38%
Trade receivable - related parties	**1.47%**	1.64%
Others	**1.32%**	1.98%
Total	**100.00%**	100.00%

As of June 30, 2017 and 2016, the credit quality per class of financial assets is as follows:

	06.30.2017				
	Neither Past Due nor Impaired		**Substandard Grade**	**Past due and/or Individually Impaired**	**Total**
	Grade A	**Grade B**			
Cash in banks and cash equivalents	**5,270,967**	-	-	-	**5,270,967**
Receivables:					-
Trade receivables - outside parties	**2,928,511**	**770,982**	-	**1,341,846**	**5,041,339**
Trade receivables - related parties	**76,353**	-	-	-	**76,353**
Others	**62,806**	-	-	**5,815**	**68,621**
Environmental guarantee fund	**3,520**	-	-	-	**3,520**
Investment in sinking fund	**4,466**	-	-	-	**4,466**
Total	**8,346,623**	**770,982**	-	**1,347,662**	**10,465,266**

	12.31.2016				
	Neither Past Due nor Impaired		**Substandard**	**Past due and/or Individually**	
	Grade A	**Grade B**	**Grade**	**Impaired**	**Total**
Cash in banks and cash equivalents	**6,988,169**				**6,988,169**
Receivables:					-
Trade receivables - outside parties	**4,382,456**			**2,638,577**	**7,021,032**
Trade receivables - related parties	**57,826**			**18751.667**	**76,578**
Others	**76,930**			**5,815**	**82,746**
Environmental guarantee fund	**3,520**				**3,520**
Investment in sinking fund	**68,716**				**68,716**
Total (000)	**11,577,618**	-	-	**2,663,144**	**14,240,762**

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, 2017 and 2016, the aging analyses of the Group's past due and/or impaired receivables presented per class are as follows:

	06.30.2017			
	Past Due but not Impaired		Impaired Financial	
	<45 days	45-135 days	Assets	Total
Receivables				
Trade receivables - outside parties		-	1,341,846	1,341,846
Others	-	-	5,815	5,815
Total (000)	-	-	1,347,662	1,347,662

	12.31.2016			
	Past Due but not Impaired		Impaired Financial	
	<45 days	45-135 days	Assets	Total
Receivables				
Trade receivables - outside parties	563,758	535,862	1,538,956	2,638,577
Others		18,752	5,815	24,567
Total (000)	563,758	554,614	1,544,771	2,663,143

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, 2017 and 2016.

	6/30/2017	12/31/2016
Interest Bearing Loan	**16,964,859,262**	16,689,746,853
Total equity	**36,823,851,712**	34,286,311,249
Debt to Equity Ratio	**46.07%**	48.68%
EPS	**7.38**	11.28

The aggressive expansion and investment strategies of the Group resulted to higher Debt-to-Equity ratios in 2017 and 2016. 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, 2017 and 2016:

	6/30/2017	12/31/2016
Total paid-up capital	**7,744,277,411**	7,744,277,411
Remeasurement losses on pension plan	**(23,403,644)**	(23,403,645)
Retained earnings - unappropriated	**21,690,524,973**	19,152,984,511
Retained earnings - appropriated	**7,800,000,000**	7,800,000,000
Treasury Shares	**(387,547,028)**	(387,547,028)
	36,823,851,713	34,286,311,249

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. Most of these financial instruments are relatively short-term in nature.

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, 2017 and 2016, 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, 2017 and 2016 the Group does not have financial instruments measured at fair value.

ANNEX C

SEMIRARA MINING CORPORATION AND SUBSIDIARIES
COMPARATIVE FINANCIAL SOUNDNESS INDICATORS
AS OF June 30, 2017 AND 2016

	2017	2016
i. Liquidity ratios:		
Current ratio	1.69	1.07
Quick ratio	1.14	0.75
ii. Leverage ratios:		
Debt-to-equity ratio (interest bearing loan/equity	0.46	0.69
Debt-to-equity ratio (total debt/equity)	0.80	1.08
Interest coverage ratio	28.02	27.19
iii. Management ratios:		
Accounts receivable turnover ratio	4.00	4.82
Return on assets ratio	0.12	0.11
Return on equity ratio	0.22	0.23
iv. Asset-to-equity ratio	1.80	2.08
v. Profitability ratios:		
Gross margin ratio	0.60	0.60
Net profit margin ratio	0.40	0.38
Earnings per share	7.4	5.95
vi. Solvency ratios		
Current liabilities to net worth ratio	34%	54%
Total liabilities to net worth ratio	80%	108%