COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

CS201210314

COMPANY NAME

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

PRINCIPAL OFFICE *(No./Street/Barangay/City/Town/Province)*

3RD FLOOR, JTKC CENTER, 2155 CHINO ROCES AVE., MAKATI CITY

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
–	(02) 818-6772	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
27	April 30	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Johnson A. Sanhi Jr.	Johnson.sanhi.jr@titanmining.com	(02) 818-6772	–

CONTACT PERSON'S ADDRESS

3rd Floor, JTKC Center, 2155 Chino Roces Ave., Makati City

NOTE 1: *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2: *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt shall not excuse the corporation from liability for its deficiencies.*

Coal Asia Holdings
Reliable energy resources through responsible mining

"STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS"

The Management of Coal Asia Holdings Incorporated and Subsidiary (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements as of and for the years ended December 31, 2016 and 2015, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors is responsible in overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

Reyes Tacandong & Co., the independent auditor and appointed by the stockholders, has examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders and has expressed its opinion on the fairness of presentation upon completion of such examination.

Signature: ______________________
HARALD R. TOMINTZ
Chairman of the Board

Signature: ______________________
JOHNSON A. SANHI JR.
President

Signature: ______________________
VICTOR JIN-SOO LEE
Chief Financial Officer

SUBSCRIBED AND SWORN TO BEFORE ME, this MAR 2 3 2017 day of ______ at Makati ... to me his/ her Government issued ID ______.

ATTY. GERVACIO B. ORTIZ JR.
Notary Public City of Makati
Until December 31, 2018
IBP No. 656115 Lifetime Member
MCLE Compliance No. V-0006594
Appointment No. M-104 (2017-2018)
PTR No. 5909514 Jan. 3, 2017
Makati City Roll No. 40091
101 Urban Ave. Campos Rueda Bldg.
Brgy. Pio Del Pilar, Makati City

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Book No. XVI
Series 2017

BOA/PRC Accreditation No. 4782
December 29, 2015, valid until December 31, 2018
SEC Accreditation No. 0207-FR-2 (Group A)
September 27, 2016, valid until September 27, 2019

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Coal Asia Holdings Incorporated
3rd Floor, JTKC Center
2155 Chino Roces Ave., Makati City

Opinion

We have audited the accompanying consolidated financial statements of Coal Asia Holdings Incorporated and Subsidiary (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2016, 2015 and 2014, and notes to the consolidated financial statements, including summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at December 31, 2016 and 2015, and their financial performance and their cash flows for the years ended December 31, 2016, 2015 and 2014 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements as at and for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

- *Impairment of Nonfinancial Assets*

  As at December 31, 2016, the Group has not yet started its commercial operations. As at report date, the Group is securing final requirements for the conversion of the Coal Operating Contract (COC) No. 159 to development and production phase. On the other hand, the Group has submitted results of its exploration and work programs of COC No. 166 to the Department of Energy (DOE) for review and evaluation. The Group is required to review the recoverable amount of its nonfinancial assets whenever there is an indication of impairment losses. This is significant to our audits because nonfinancial assets consisting of coal reserves, exploration and evaluation asset, property and equipment, and intangible assets, aggregating ₱3,873.7 million as at December 31, 2016 is material to the consolidated financial statements. The ability of the Group to recover these assets depends on the conversion of the coal operating contracts to development and production phase. Moreover, the assessment and determination process for impairment are complex and involves significant judgment and estimates.

  We have reviewed the management's determination of impairment indicators and management's assessment on the recoverability of these nonfinancial assets particularly of its value in use projections. Further, we have reviewed the status and reserve estimates of each coal operating contract as at December 31, 2016, including the Group's plan, as certified by the Group's exploration head.

Other Information

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REYES TACANDONG & CO.

Carolina A. Angeles
CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
Tax Identification No. 205-067-976-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 0658-AR-2 Group A
Valid until April 14, 2017
BIR Accreditation No. 08-005144-7-2017
Valid until January 13, 2020
PTR No. 5908528
Issued January 3, 2017, Makati City

March 23, 2017
Makati City, Metro Manila

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2016	2015
ASSETS			
Current Assets			
Cash	5	**₱6,906,425**	₱9,795,965
Advances to affiliates	16	**1,646,248**	1,265,628
Funds held in escrow	6	**37,869,019**	87,133,562
Other current assets	7	**3,818,304**	2,028,993
Total Current Assets		**50,239,996**	100,224,148
Noncurrent Assets			
Coal reserves	4	**3,131,596,101**	3,131,596,101
Exploration and evaluation asset	8	**480,756,581**	413,845,460
Property and equipment	9	**261,324,664**	305,609,793
Net deferred tax assets	19	**10,772,888**	8,538,906
Intangible assets	10	**–**	193,018
Total Noncurrent Assets		**3,884,450,234**	3,859,783,278
		₱3,934,690,230	₱3,960,007,426
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	11	**₱8,996,848**	₱10,691,381
Current portion of loans payable	12	**10,581,920**	9,081,038
Advances from an affiliate	16	**25,820**	25,820
Income tax payable		**121,749**	10,387
Total Current Liabilities		**19,726,337**	19,808,626
Noncurrent Liabilities			
Loan payable - net of current portion	12	**5,629,445**	15,757,962
Retirement benefit liability	15	**3,700,619**	4,621,200
Total Noncurrent Liabilities		**9,330,064**	20,379,162
Total Liabilities		29,056,401	40,187,788
Equity			
Capital stock		**4,000,000,004**	4,000,000,004
Deficit		**(94,531,491)**	(80,563,764)
Other comprehensive income	15	**165,316**	383,398
Total Equity		**3,905,633,829**	3,919,819,638
		₱3,934,690,230	₱3,960,007,426

See accompanying Notes to Consolidated Financial Statements.

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2016**	2015	2014
GENERAL AND ADMINISTRATIVE EXPENSES	13	**(₱20,921,125)**	(₱20,071,989)	(₱13,549,163)
INTEREST INCOME	5	**745,832**	1,473,194	1,494,419
INTEREST EXPENSE	12	**(1,898,675)**	(1,379,696)	–
OTHER INCOME	21	**6,087,472**	519,357	26,354
LOSS BEFORE INCOME TAX		**(15,986,496)**	(19,459,134)	(12,028,390)
INCOME TAX EXPENSE (BENEFIT)	19			
Current		**121,749**	10,387	527
Deferred		**(2,140,518)**	(3,503,689)	(2,666,433)
		(2,018,769)	(3,493,302)	(2,665,906)
NET LOSS		**(13,967,727)**	(15,965,832)	(9,362,484)
OTHER COMPREHENSIVE INCOME (LOSS)				
Not to be reclassified to profit or loss in subsequent periods				
Remeasurement gain (loss) on retirement benefit liability - net of deferred tax	15	**(218,082)**	581,482	344,390
TOTAL COMPREHENSIVE LOSS		**(₱14,185,809)**	(₱15,384,350)	(₱9,018,094)
BASIC/DILUTED LOSS PER SHARE	20	**(₱0.003)**	(₱0.004)	(₱0.002)

See accompanying Notes to Consolidated Financial Statements.

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	**2016**	2015	2014
CAPITAL STOCK - ₱1 par value				
Authorized - 5,000,000,000 shares				
Issued and outstanding - 4,000,000,004 shares		**₱4,000,000,004**	₱4,000,000,004	₱4,000,000,004
DEFICIT				
Balances at beginning of year		**(80,563,764)**	(64,597,932)	(55,235,448)
Net loss		**(13,967,727)**	(15,965,832)	(9,362,484)
Balances at end of year		**(94,531,491)**	(80,563,764)	(64,597,932)
OTHER COMPREHENSIVE INCOME (LOSS)				
Balances at beginning of year	15	**383,398**	(198,084)	(542,474)
Remeasurement gain (loss) on retirement benefit liability		**(218,082)**	581,482	344,390
Balances at end of year		**165,316**	383,398	(198,084)
		₱3,905,633,829	₱3,919,819,638	₱3,935,203,988

See accompanying Notes to Consolidated Financial Statements.

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2016**	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax		**(₱15,986,496)**	(₱19,459,134)	(₱12,028,390)
Adjustments for:				
Interest expense	12	**1,898,675**	1,379,696	–
Interest income	5	**(745,832)**	(1,473,194)	(1,494,419)
Depreciation and amortization	9	**518,539**	1,032,264	1,135,643
Retirement benefit cost	15	**(222,663)**	190,612	127,424
Provision for unrecoverable input VAT	7	**136,156**	1,565,102	–
Gain on sale of property and equipment		**–**	–	(26,354)
Operating loss before change in working capital		**(14,401,621)**	(16,764,654)	(12,286,096)
Decrease (increase) in:				
Advances to affiliates		**(380,620)**	(1,265,628)	1,590,651
Funds held in escrow		**49,264,543**	(54,732,447)	185,398,854
Other current assets		**(1,925,467)**	(313,209)	2,264,964
Decrease in trade and other payables		**(1,694,533)**	(77,919)	(18,300,120)
Net cash generated from (used for) operations		**30,862,302**	(73,153,857)	158,668,253
Interest paid		**(1,898,675)**	(1,034,078)	–
Income tax paid		**(10,387)**	(527)	–
Interest received		**745,832**	1,473,194	1,494,419
Net cash provided by (used in) operating activities		**29,699,072**	(72,715,268)	160,162,672
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to exploration and evaluation asset	8	**(23,960,977)**	(44,644,959)	(34,210,027)
Acquisitions of property and equipment	9	**–**	(3,590,579)	(72,338,045)
Proceeds from sale of property and equipment		**–**	–	50,000
Net cash used in investing activities		**(23,960,977)**	(48,235,538)	(106,498,072)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of loan		**(8,627,635)**	(5,473,000)	–
Proceeds from loan availed	12	**–**	30,312,000	–
Payment of advances from an affiliate		**–**	–	(1,795,925)
Net cash provided by (used in) financing activities		**(8,627,635)**	24,839,000	(1,795,925)
NET INCREASE (DECREASE) IN CASH		**(2,889,540)**	(96,111,806)	51,868,675
CASH AT BEGINNING OF YEAR		**9,795,965**	105,907,771	54,039,096
CASH AT END OF YEAR		**₱6,906,425**	₱9,795,965	₱105,907,771
NONCASH FINANCIAL INFORMATION				
Additions to exploration and evaluation asset	8	**₱42,950,144**	₱44,337,697	₱24,103,113

See accompanying Notes to Consolidated Financial Statements.

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

General Information

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

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

On October 23, 2012, the Parent Company became a publicly listed company. As at December 31, 2016 and 2015, 4,000,000,004 common shares of the Parent Company at ₱1 par value are listed in the Philippine Stock Exchange (PSE). Of those shares, 20% are publicly-owned in 2016 and 2015.

Status of Operations

The Group has two Coal Operating Contracts (COC) located in Davao Oriental (COC No. 159) and Zamboanga Sibugay (COC No. 166)

The Group has applied for a change in status of the COCs from exploration and evaluation stage to development and production stage. As at December 31, 2016, the Group is working to secure all requirements for the conversion of the status of the COCs.

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

The consolidated financial statements of the Group as at and for the years ended December 31, 2016 and 2015 were approved and authorized for issue by the Board of Directors (BOD) on March 23, 2017.

2. Summary of Significant Accounting and Reporting Policies

Basis of Preparation

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

Measurement Bases

The consolidated financial statements are presented in Philippine Peso, which is the Group's functional and presentation currency. All values represent absolute amounts, unless otherwise indicated.

The consolidated financial statements have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and the fair value of the consideration received in exchange for incurring a liability. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date.

Fair value is the 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 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 on the most advantageous market must be accessible to 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 best interest.

A fair value measurement of 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 participants 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 consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

Further information about the assumptions made in measuring fair value is included in Note 18 to the consolidated financial statements.

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2016:

- Amendments to PAS 1, *Presentation of Financial Statements: Disclosure Initiative* – The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

- Amendments to PAS 16, *Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation,* and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Amortization* – The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.

- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* – The amendments reinstate the equity method option allowing entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

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

New and Amended PFRS Not Yet Adopted

Relevant new and amended PFRS which are not yet effective for the year ending December 31, 2016 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2017:

- Amendments to PAS 7, *Statement of Cash Flows - Disclosure Initiative* – The amendments require entities to provide information that enable the users of financial statements to evaluate changes in liabilities arising from their financing activities.

- Amendments to PAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses* – The amendments clarify the accounting for deferred tax assets related to unrealized losses on debt instruments measured at fair value, to address diversity in practice.

Effective for annual periods beginning on or after January 1, 2018 -

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

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

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

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

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

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

Effective for annual periods beginning on or after January 1, 2019 -

- PFRS 16, *Leases* – Significant change introduced by the new standard is that almost all leases will be brought onto lessees' balance sheets under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

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

Basis of Consolidation

The consolidated financial statements include the accounts of wholly-owned subsidiary and the Parent Company.

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

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

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

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

Financial Assets and Financial Liabilities
Financial assets and financial liabilities are accounted for as follows:

a. Recognition

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

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

b. Classification

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

As at December 31, 2016 and 2015, the Group does not have financial assets and liabilities at FVPL, AFS financial assets and HTM investments.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market, other than those held for trading or classified as AFS. After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in profit or loss.

The Group has classified its cash, advances to affiliates, time certificates of deposit included in funds held in escrow and restricted cash and other receivables presented under "Other current assets" account under this category.

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

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

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

c. Reclassifications

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

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

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

d. Impairment of Financial Assets

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

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

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

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

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

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the financial asset does not exceed its amortized cost at the reversal date.

e. Derecognition

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

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

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

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

f. Offsetting

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

Other Current Assets

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

Input VAT. Input VAT represents VAT imposed on the Group by its suppliers for the acquisition of goods and services as required by Philippine taxation laws and regulations.

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

Coal Reserves

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

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

Exploration and Evaluation Asset

Pre-license costs. Pre-license costs relate to costs incurred before the Group has obtained the legal rights to explore in a specific area. Such costs may include the acquisition of exploration data and the associated costs of analyzing that data. These costs are expensed in the period in which they are incurred.

Exploration and Evaluation Assets. Exploration and evaluation asset is carried at cost less accumulated impairment losses, if any.

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

Exploration and evaluation activity includes:

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

Exploration and evaluation expenditures are recognized as asset when future economic benefit is more likely than not to be realized. These costs include materials and fuels used, surveying costs, drilling costs and payments made to contractors. The Group capitalizes any further evaluation costs incurred to exploration and evaluation asset up to the point when a commercial reserve is established.

Exploration and evaluation asset is transferred to development cost under "Property and equipment" account in the consolidated statements of financial position when the technical feasibility and commercial viability of extracting the coal reserve are demonstrable. Exploration and evaluation expenditures are assessed for impairment before these are reclassified to exploration and evaluation asset. Any impairment loss is recognized in profit or loss.

Property and Equipment

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

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

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

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

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

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

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

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

Intangible Assets

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

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

Impairment of Nonfinancial Assets

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

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

The recoverable amount of a nonfinancial asset is the greater of its value in use or its fair value less costs to sell. Value in use is the present value of future cash flows expected to be derived from an asset while the fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Capital Stock

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

Deficit

Deficit represents the cumulative balance of net losses.

Revenue Recognition

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

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

Gain on Sale of Coal. Gain on sale of coal is recognized when risks and rewards of ownership of goods have passed to the buyer and the amount of revenue can be measured reliably.

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

Cost and Expense Recognition

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

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

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

Operating Leases

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

Employee Benefits

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

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

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

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

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

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

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

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

Income Tax

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

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

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

Related Parties
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Basic and Diluted Loss Per Share
Basic loss per share is computed by dividing the net loss for the period attributable to equity holders of the Group by the weighted average number of issued and outstanding and subscribed common shares during the period, with retroactive adjustment for any stock dividends declared. Diluted loss per share is computed in the same manner, adjusted for the effects of convertible securities. The Group has no dilutive instruments.

Segment Reporting
Operating segments are components of the Group: (a) that engage in business activities from which they may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the Group); (b) whose operating results are regularly reviewed by the Group's senior management, its chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available.

For purposes of segment reporting, the Group's operating segment is related to mining operations.

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

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

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

3. Significant Accounting Judgments and Estimates

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

The following are the significant accounting judgments and estimates made by the Group:

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

Rent expense for the years ended December 31, 2016, 2015 and 2014 amounted to ₱4.6 million, ₱4.3 million and ₱4.1 million, respectively (see Notes 13 and 21).

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

As at December 31, 2016 and 2015, exploration and evaluation asset amounted to ₱480.8 million and ₱413.8 million, respectively (see Note 8).

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

Based on management's assessment as at December 31, 2016 and 2015, there is no change in estimated useful lives of property and equipment and intangible assets during the period. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

As at December 31, 2016 and 2015, property and equipment, excluding land, net of accumulated depreciation, amounted to ₱243.2 million and ₱287.5 million, respectively (see Note 9).

As at December 31, 2016 and 2015, carrying amount of intangible assets is nil and ₱0.2 million, respectively (see Note 10).

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

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

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

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

The carrying amount of coal reserves amounted to ₱3,131.6 million as at December 31, 2016 and 2015 (see Note 4).

Impairment of Nonfinancial Assets. The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of the assets or group of assets may not be recoverable. The relevant factors that the Group considers in deciding whether to perform an asset impairment review include, among others, the following:

- Significant underperformance of a business in relation to expectations;
- Significant negative industry or economic trends; and
- Significant changes or planned changes in the use of the assets.

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

Recoverable amount of an asset is higher of is its fair value less cost to sell or value in use. Value in use is determined as the present value of estimated future cash flows expected to be generated from the Group's expected mining operations. The estimated cash flows are discounted using pre-tax discount rates that reflect the current assessment of the time value of money and the risks specific to the asset.

Impairment of input VAT amounted to ₱1.7 million, ₱1.6 million and nil in 2016, 2015 and 2014, respectively. The carrying amount of input VAT is nil as at December 31, 2016 and 2015 (see Note 7).

No impairment loss on other nonfinancial assets was recognized in 2016 and 2015. The carrying amounts of other nonfinancial assets are as follows:

	Note	**2016**	2015
Coal reserves	4	**₱3,131,596,101**	₱3,131,596,101
Exploration and evaluation asset	8	**480,756,581**	413,845,460
Property and equipment	9	**261,324,664**	305,609,793
Intangible assets	10	**–**	193,018
		₱3,873,677,346	₱3,851,244,372

Estimation of Retirement Benefit Costs. The determination of the obligation and cost of retirement and other long-term employee benefits is dependent on the assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 15 to the consolidated financial statements and include, among others, discount rates and salary increase rates. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The retirement benefit liability as at December 31, 2016 and 2015 amounted to ₱3.7 million and ₱4.6 million, respectively (see Note 15).

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

As at December 31, 2016 and 2015, the Group has deferred tax assets amounting to ₱10.8 million and ₱8.5 million, respectively (see Note 19). The Group did not recognize deferred tax assets amounting to ₱3.0 million and ₱3.1 million as at December 31, 2016 and 2015, respectively, as management has assessed that the Group may not be able to utilize these deductible temporary differences against future taxable income (see Note 19).

Contingencies. The estimate of the probable costs for the resolution of possible claims have been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results.

There are on–going litigations filed against the Group that would not have a material adverse impact on the Group's financial condition and results of operations.

4. Coal Reserves

The Parent Company acquired TMEC in 2012 (see Note 1) in exchange for Parent Company's common shares valued at ₱3,200.0 million. The Company recognized the portion of consideration amounting to ₱3,131.6 million as coal reserves.

In 2016, the Group carried out a review of the recoverable amount of its nonfinancial assets consisting of coal reserves, exploration and evaluation assets, property and equipment, and intangible assets (assets belonging to the cash generating unit). The recoverable amount of these nonfinancial assets was determined based on value in use projections over the mine's estimated life. Based on the review, management determined that there are no impairment losses on these nonfinancial assets.

5. Cash

This account consists of:

	2016	2015
Cash on hand	**₱174,990**	₱422,042
Cash in bank	**6,731,435**	9,373,923
	₱6,906,425	₱9,795,965

Cash in bank earns interest at the prevailing market interest rates.

Interest income consists of:

	Note	**2016**	2015	2014
Cash in bank		**₱10,375**	₱28,804	₱204,876
Cash equivalents		**–**	267,434	288,056
Funds held in escrow	6	**735,457**	1,176,956	1,001,487
		₱745,832	₱1,473,194	₱1,494,419

6. Funds Held in Escrow

The Group appointed a commercial bank as its custodian to manage and administer the proceeds of the initial public offering (IPO).

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

The funds held in escrow consist of the following:

	2016	2015
Assets:		
Time certificates of deposit - other bank	**₱37,324,562**	₱86,596,870
Time certificates of deposit - own bank	**544,452**	536,687
Other assets	**5**	5
	₱37,869,019	₱87,133,562
Equity:		
Principal	**₱24,761,420**	₱74,761,420
Net accumulated income	**13,107,599**	12,372,142
	₱37,869,019	₱87,133,562

Net withdrawals of principal from the fund held in escrow amounted to ₱50.0 million and ₱47.0 million in 2016 and 2015, respectively.

Interest income earned amounted to ₱0.7 million, ₱1.2 million and ₱1.0 million in 2016, 2015 and 2014, respectively (see Note 5).

7. Other Current Assets

This account consists of:

	2016	2015
Restricted cash	**₱2,693,122**	₱1,051,370
Input VAT	**1,701,258**	1,565,102
Receivables from sale of coal	**517,500**	98,505
Prepayments	**131,662**	495,670
Advances to officers and employees	**90,593**	182,466
Other receivables	**385,427**	200,982
	5,519,562	3,594,095
Less allowance for unrecoverable input VAT	**1,701,258**	1,565,102
	₱3,818,304	₱2,028,993

Restricted cash includes cash bond required by the National Commission on Indigenous Peoples (NCIP) upon the application of the Group's permit to proceed with its development phase for COC No. 159 and cash in banks set aside to settle obligations arising from a certain court case.

Receivables from sale of coal pertain to uncollected proceeds from sale of incidentally produced coal in accordance with the Permits to Transport and Sell (PTS) issued by the Department of Energy (DOE) (see Note 21).

The input VAT is fully provided with allowance for unrecoverability in 2016 and 2015. Management has assessed that the Group will not be able to utilize its input VAT.

Movements in allowance for unrecoverable input VAT are as follow:

	Note	2016	2015
Balance at beginning of year		**₱1,565,102**	₱–
Provision for unrecoverable input VAT	13	**136,156**	1,565,102
Balance at end of year		**₱1,701,258**	₱1,565,102

Other receivables pertain to receivables from third parties. These are non-interest bearing and are generally collected within one year.

8. Exploration and Evaluation Asset

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

COC Nos. 159 and 166 provide a certain minimum work expenditure obligations covered by the work program of exploration phase (see Note 21).

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

Balances and movements of this account are as follows:

	2016	2015
Balances at beginning of year	**₱413,845,460**	₱324,862,804
Additions	**66,911,121**	88,982,656
Balances at end of year	**₱480,756,581**	₱413,845,460

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

	Note	2016	2015
Depreciation and amortization	9	**₱43,959,608**	₱43,045,511
Personnel costs	14	**13,585,957**	19,376,369
Professional fees		**1,852,667**	2,306,111
Utilities		**398,825**	460,882
Others		**7,114,064**	23,793,783
		₱66,911,121	₱88,982,656

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

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

	Note	2016	2015
Depreciation and amortization	9	**₱43,959,608**	₱43,045,511
Retirement benefit cost (income)	15	**(1,009,464)**	1,292,186
		₱42,950,144	₱44,337,697

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

	2016	2015
Total assets	**₱763,852,824**	₱733,171,319
Total liabilities	**537,037,194**	501,231,044
Expenses	**13,019,438**	13,964,630
Net cash used in operating activities	**(10,688,056)**	(13,246,636)
Net cash used in investing activities	**(23,960,977)**	(48,235,538)
Net cash provided by financing activities	**38,410,706**	58,291,159

Based on the review, management determined that there are no impairment losses in exploration and evaluation asset (see Note 4).

9. Property and Equipment

Balances and movements of this account are as follows:

	2016									
	Land	Drilling Equipment	Land Improvements	Laboratory and Camp Buildings	Survey Equipment and Machineries	Laboratory and Testing Equipment	Transportation Equipment	Office Furniture and Equipment	Construction in Progress	Total
Cost										
Balances at beginning and end of year	₱18,139,580	₱194,212,031	₱132,639,195	₱25,429,304	₱3,264,334	₱12,606,310	₱9,794,774	₱1,818,835	₱1,837,481	₱399,741,844
Accumulated Depreciation										
Balances at beginning of year	–	64,002,342	12,022,042	2,331,020	1,756,337	4,739,836	7,867,686	1,412,788	–	94,132,051
Depreciation	–	24,387,311	13,263,920	2,542,930	415,086	2,482,090	991,954	201,838	–	44,285,129
Balances at end of year	–	88,389,653	25,285,962	4,873,950	2,171,423	7,221,926	8,859,640	1,614,626	–	138,417,180
Carrying Amount	₱18,139,580	₱105,822,378	₱107,353,233	₱20,555,354	₱1,092,911	₱5,384,384	₱935,134	₱204,209	₱1,837,481	₱261,324,664

	2015									
	Land	Drilling Equipment	Land Improvements	Laboratory and Camp Buildings	Survey Equipment and Machineries	Laboratory and Testing Equipment	Transportation Equipment	Office Furniture and Equipment	Construction in Progress	Total
Cost										
Balances at beginning of year	₱16,340,424	₱194,186,648	₱–	₱–	₱3,290,809	₱12,606,310	₱9,794,774	₱1,512,146	₱158,465,529	₱396,196,640
Additions	1,799,156	25,383	–	–	18,900	–	–	306,689	1,440,451	3,590,579
Disposals	–	–	–	–	(45,375)	–	–	–	–	(45,375)
Reclassifications	–	–	132,639,195	25,429,304	–	–	–	–	(158,068,499)	–
Balances at end of year	18,139,580	194,212,031	132,639,195	25,429,304	3,264,334	12,606,310	9,794,774	1,818,835	1,837,481	399,741,844
Accumulated Depreciation										
Balances at beginning of year	–	39,621,030	–	–	1,247,668	2,218,576	6,515,723	1,084,690	–	50,687,687
Depreciation	–	24,381,312	12,022,042	2,331,020	554,044	2,521,260	1,351,963	328,098	–	43,489,739
Disposals	–	–	–	–	(45,375)	–	–	–	–	(45,375)
Balances at end of year	–	64,002,342	12,022,042	2,331,020	1,756,337	4,739,836	7,867,686	1,412,788	–	94,132,051
Carrying Amount	₱18,139,580	₱130,209,689	₱120,617,153	₱23,098,284	₱1,507,997	₱7,866,474	₱1,927,088	₱406,047	₱1,837,481	₱305,609,793

Details of depreciation and amortization are as follows:

	Note	2016	2015	2014
Property and equipment		**₱44,285,129**	₱43,489,739	₱23,221,478
Intangible asset	10	**193,018**	588,036	784,050
		₱44,478,147	₱44,077,775	₱24,005,528

Depreciation and amortization are charged as follows:

	Note	2016	2015	2014
Exploration and evaluation asset	8	**₱43,959,608**	₱43,045,511	₱22,869,885
General and administrative expenses	13	**518,539**	1,032,264	1,135,643
		₱44,478,147	₱44,077,775	₱24,005,528

Fully depreciated property and equipment that are still being used by the Group amounted to ₱1.4 million as at December 31, 2016 and 2015.

Certain equipment with an aggregate carrying amount of ₱21.6 million and ₱25.3 million as at December 31, 2016 and 2015, respectively, were used as collateral for the loan (see Note 12).

Based on the review, management determined that there are no impairment losses in exploration and evaluation asset (see Note 4).

10. Intangible Assets

Balances and movements of this account are as follows:

	Note	2016	2015
Cost		**₱2,352,148**	₱2,352,148
Accumulated Amortization			
Balances at beginning of year		**2,159,130**	1,571,094
Amortization	9	**193,018**	588,036
Balances at end of year		**2,352,148**	2,159,130
Carrying Amount		**₱–**	₱193,018

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

11. Trade and Other Payables

This account consists of:

	2016	2015
Trade	**₱8,352,777**	₱9,436,025
Accrual	**451,311**	876,782
Withholding taxes payable	**150,355**	257,881
Other statutory payables	**42,405**	120,693
	₱8,996,848	₱10,691,381

Trade and other payables are noninterest-bearing and are normally settled throughout the year.

12. **Loan Payable**

In 2015, the Group obtained a loan of ₱30.3 million from a local financing company to finance the acquisition of trucks and heavy equipment.

The loan, which bears an annual interest rate of 9%, is payable in 36 monthly instalments starting May 30, 2015.

The loan payable is presented in the statement of financial position as follows:

	2016	2015
Current	**₱10,581,920**	₱9,081,038
Noncurrent	**5,629,445**	15,757,962
	₱16,211,365	₱24,839,000

Total interest expense amounted to ₱1.9 million and ₱1.4 million in 2016 and 2015, respectively.

The loan is secured by a continuing suretyship by the Parent Company. It is collateralized by the equipment purchased which are included under "Property and equipment" account with an aggregate carrying amount of ₱21.6 million and ₱25.3 million as at December 31, 2016 and 2015, respectively (see Note 9).

The loan is subject to certain covenants, such as non-availment of other loan facilities, among others. The Group is in compliance with all of its loan covenants as at December 31, 2016 and 2015.

13. **General and Administrative Expenses**

This account consists of:

	Note	**2016**	2015	2014
Representation and entertainment		**₱6,862,712**	₱2,547,183	₱1,847,119
Rental	21	**4,557,665**	4,324,518	4,061,286
Personnel costs	14	**3,889,135**	4,828,236	2,573,599
Professional fees		**1,514,442**	1,405,864	1,701,028
Transportation and communication		**887,325**	913,372	266,533
Depreciation and amortization	9	**518,539**	1,032,264	1,135,643
Listing fee		**250,000**	384,000	336,000
Safekeeping fee		**216,250**	167,000	101,000
Janitorial services		**214,349**	249,362	242,085
Insurance		**184,805**	156,380	–
Repairs and maintenance		**166,920**	47,599	22,739
Provision for unrecoverable input VAT	7	**136,156**	1,565,102	–
Meals		**129,943**	339,500	274,319
Office supplies		**62,541**	278,211	129,291
Seminar and membership fees		**48,500**	44,317	36,000

(Forward)

	Note	2016	2015	2014
Taxes and licenses		**₱238,705**	₱1,059,727	₱201,668
Directors fee		**45,000**	40,000	100,000
Bank charges		**1,625**	13,987	300
Others		**996,513**	675,367	520,553
		₱20,921,125	₱20,071,989	₱13,549,163

14. Personnel Costs

Personnel costs charged to "Exploration and evaluation asset" account in the consolidated statements of financial position consist of:

	Note	2016	2015	2014
Salaries and wages		**₱14,148,346**	₱17,649,599	₱16,404,376
Retirement benefit cost (income)	15	**(1,009,464)**	1,292,186	1,233,228
Employee benefits		**447,075**	434,584	305,753
		₱13,585,957	₱19,376,369	₱17,943,357

Personnel costs classified under "General and administrative expenses" account in the consolidated statements of comprehensive income consists of:

	Note	2016	2015	2014
Salaries and wages		**₱3,973,762**	₱4,493,750	₱2,359,985
Retirement benefit cost (income)	15	**(222,663)**	190,612	127,424
Employee benefits		**138,036**	143,874	86,190
		₱3,889,135	₱4,828,236	₱2,573,599

15. Retirement Benefit Liability

The Group has an unfunded defined benefit plan covering all of qualified regular employees of TMEC. The benefits are based on years of service and compensation. The plan provides for a lump-sum benefit payment upon retirement which shall not be less than the minimum mandated retirement benefit plan under Republic Act (RA) No. 7641 Retirement Pay Law. The latest actuarial valuation as at December 31, 2016 was prepared by an independent actuary using the projected unit credit method.

There are no unusual or significant risks to which the retirement liability exposes the subsidiary. However, in the event a benefit claim arises under the retirement liability, the benefit shall be due and payable from the subsidiary.

The following tables summarize the components of the retirement benefits cost recognized in consolidated statements of comprehensive income in 2016, 2015 and 2014 and the liability amounts recognized in the consolidated statements of financial position.

The components of retirement benefit cost (income) are as follows:

	2016	2015	2014
Past service income	**(₱2,956,014)**	₱–	₱–
Current service cost	**1,483,122**	1,287,916	1,222,373
Interest cost	**240,765**	194,882	138,279
	(₱1,232,127)	₱1,482,798	₱1,360,652

Retirement benefit costs are charged as follows:

	Note	**2016**	2015	2014
Exploration and evaluation asset	8	**(₱1,009,464)**	₱1,292,186	₱1,233,228
General and administrative expenses	14	**(222,663)**	190,612	127,424
		(₱1,232,127)	₱1,482,798	₱1,360,652

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

	2016	2015
Balances at beginning of year	**₱4,621,200**	₱3,969,091
Past service income	**(2,956,014)**	–
Current service cost	**1,483,122**	1,287,916
Interest cost	**240,765**	194,882
Remeasurement (gains) losses:		
Experience adjustments	**351,185**	(660,709)
Change in assumptions	**(39,639)**	(169,980)
Balances at end of year	**₱3,700,619**	₱4,621,200

The cumulative remeasurement loss (gain) recognized as other comprehensive loss as at December 31, 2016 and 2015 are as follows:

	2016		
	Cumulative Remeasurement Losses (Gains)	**Deferred Tax**	**Net**
Balances at beginning of year	**(₱547,712)**	**(₱164,314)**	**(₱383,398)**
Remeasurement loss	**311,546**	**93,464**	**218,082**
Balances at end of year	**(₱236,166)**	**(₱70,850)**	**(₱165,316)**

	2015		
	Cumulative Remeasurement Losses (Gains)	Deferred Tax	Net
Balances at beginning of year	₱282,977	₱84,893	₱198,084
Remeasurement gain	(830,689)	(249,207)	(581,482)
Balances at end of year	(₱547,712)	(₱164,314)	(₱383,398)

	2014		
	Cumulative Remeasurement Losses (Gains)	Deferred Tax	Net
Balances at beginning of year	₱774,963	₱232,489	₱542,474
Remeasurement gain	(491,986)	(147,596)	(344,390)
Balances at end of year	(₱282,977)	(₱84,893)	₱198,084

The principal actuarial assumptions used to determine the retirement benefit cost as at December 31, 2016 and 2015 are as follows:

	2016	2015
Discount rate	**5.00%**	5.21%
Salary increase rate	**5.00%**	8.00%

Sensitivity analysis on retirement benefit liability as at December 31, 2016 is as follows:

	Change in Assumption	Effect on defined benefit liability
Discount rate	(12.00%)	(₱442,924)
	14.80%)	548,257
Salary increase rate	13.40%	496,987
	(11.20%)	(414,411)

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the defined benefit liability at the end of each reporting date after adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged.

The table below shows the maturity analysis of the undiscounted benefit payments:

	2016	2015
More than one year to five years	**₱1,167,797**	₱4,454,126
More than five years	**2,238,734**	3,522,915
	₱3,406,531	₱7,977,041

The weighted average duration of the retirement benefit liability is 13.4 years and 12.1 years as at December 31, 2016 and 2015, respectively.

The Group does not expect to make retirement benefits payments during the next reporting period.

16. Related Party Transactions

The significant transactions of the Group, in the normal course of business, with its related parties, and the outstanding balances from related parties arising from such transactions are as follows:

	Nature of Transactions	Amount of Transactions 2016	Amount of Transactions 2015	Outstanding Balance 2016	Outstanding Balance 2015
Advances to affiliates - Entities under Common Ownership	Advances for working capital	**₱847,556**	₱1,265,628	**₱1,646,248**	₱1,265,628
Trade and other payables - Entities under Common Control	Rental	**₱4,557,665**	₱4,324,518	**₱–**	₱–
Advances from affiliates - Entities under Common Ownership	Advances for working capital	**₱–**	₱–	**₱25,820**	₱25,820

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

The advances of the Parent Company to TMEC amounting to ₱508.3 million and ₱461.2 million as at December 31, 2016 and 2015, respectively, were eliminated during consolidation. No impairment loss was recognized in 2016, 2015 and 2014.

Key Management Personnel Compensation

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

	2016	2015	2014
Salaries and wages	**₱8,916,522**	₱8,220,522	₱7,570,517
Retirement benefits	**496,250**	446,624	502,065
	₱9,412,772	₱8,667,146	₱8,072,582

17. Financial Assets and Liabilities

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

Financial Risk Management Objectives and Policies

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

Credit Risk. The Group's exposure to credit risk arises from the failure on the part of its counterparty in fulfilling its financial commitments to the Group under the prevailing contractual terms. Financial instruments that potentially subject the Group to credit risk consist primarily of cash, advances to affiliates, time certificates of deposit included in funds held in escrow and other receivables. The Group's maximum exposure is equal to the carrying amount of these instruments.

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

	2016			
	Neither Past Due nor Impaired		Past Due but	
	High Grade	Standard Grade	not Impaired	Total
Loans and receivables:				
Cash*	₱6,731,435	₱–	₱–	₱6,731,435
Advances to affiliates	1,646,248	–	–	1,646,248
Funds held in escrow	37,869,019	–	–	37,869,019
Restricted cash**	2,693,122	–	–	2,693,122
Receivables from sale of coal**	517,500	–	–	517,500
Other receivables**	–	385,427	–	385,427
	₱49,457,324	₱385,427	₱–	₱49,842,751

**Excluding cash on hand amounting to ₱0.2 million as at December 31, 2016.*
*** Presented under "Other current assets" account in the consolidated statements of financial position.*

	2015			
	Neither Past Due nor Impaired		Past Due but	
	High Grade	Standard Grade	not Impaired	Total
Loans and receivables:				
Cash*	₱9,373,923	₱–	₱–	₱9,373,923
Advances to affiliates	1,265,628	–	–	1,265,628
Funds held in escrow	87,133,562	–	–	87,133,562
Restricted cash**	1,051,370	–	–	1,051,370
Receivables from sale of coal**	98,505	–	–	98,505
Other receivables**	–	200,982	–	200,982
	₱98,922,988	₱200,982	₱–	₱99,123,970

**Excluding cash on hand amounting to ₱0.4 million as at December 31, 2015.*
*** Presented under "Other current assets" account in the consolidated statements of financial position.*

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

Liquidity Risk. Liquidity risk arises from the Group's inability to raise sufficient funds at the least possible cost to meet its financial commitments. The Group's objectives in liquidity management are: (a) to ensure that adequate funds are available to meet expiring obligations; (b) to meet the commitments as they arise without incurring unnecessary costs; and (c) to be able to access additional funding when needed at the least possible cost.

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

	2016			
	On Demand	Within 1 Year	Over 1 Year	Total
Loans payable*	₱–	₱11,606,680	₱5,783,484	₱17,390,164
Trade and other payables**	8,804,088	–	–	8,804,088
Advances from an affiliate	25,820	–	–	25,820
	₱8,829,908	₱11,606,680	₱5,783,484	₱26,220,072

**Including future interest payments.*
***Excluding statutory payables amounting to ₱0.2 million as at December 31, 2016.*

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

**Including future interest payments.*
***Excluding statutory payables amounting to ₱0.4 million as at December 31, 2015.*

Interest Rate Risk. Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Group's market risk policy requires it to manage interest rate risk by maintaining appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest-bearing financial assets and liabilities. Any gap between the maturities of fixed and variable rate instruments is effectively managed by the Group. Interest rate changes are not expected to significantly affect the Group's income before income tax.

Capital Management

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

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

In determining reasonable leverage, the Group evaluates its cost of capital and manages its level of debt to maintain an optional cost of capital based in current conditions. The Group considers its equity, excluding remeasurement loss on retirement benefit liability, as capital amounting to ₱3,905.5 million and ₱3,919.4 million as at December 31, 2016 and 2015, respectively.

The TMEC is subject to externally-imposed capital requirements applicable to applicants for exploration permits. The minimum paid-up capital is ₱6.25 million. The TMEC has fully complied with the capital requirements during the reported financial periods and no changes were made to its capital base, objectives, policies and processes from the previous year.

18. Fair Value Measurement of Financial Instruments

The following financial assets and liabilities approximate their fair values due to the short-term nature of these financial instruments:

	2016	2015
Financial Assets		
Loans and receivables:		
Cash	**₱6,906,425**	₱9,795,965
Advances to affiliates	**1,646,248**	1,265,628
Funds held in escrow	**37,869,019**	87,133,562
Restricted cash	**2,693,122**	1,051,370
Receivables from sale of coal	**517,500**	98,505
Other receivables	**385,427**	200,982
	₱50,017,741	₱99,546,012
Financial Liabilities		
Other financial liabilities at amortized cost:		
Trade and other payables*	**₱8,804,088**	₱10,312,807
Advances from an affiliate	**25,820**	25,820
	₱8,829,908	₱10,338,627

**Excluding statutory payables amounting to ₱0.2 million and ₱0.4 million as at December 31, 2016 and 2015, respectively.*

Set out below is a comparison of carrying amounts and fair values of loans payable as at December 31, 2016 and 2015:

	2016		2015	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Liabilities				
Other financial liabilities at amortized cost:				
Loans payable	**₱16,211,365**	**₱16,958,958**	₱24,839,000	₱27,587,499

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

Loans payable. The fair value of the Group's loans payable were determined by discounting the sum of all future cash flows using prevailing market rates of interest for instruments with similar maturities. The discount rate used was 3.6% in 2016 and 2015. The fair value was determined using significant observable inputs (Level 2 of the fair value hierarchy).

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

19. Income Taxes

TMEC is entitled to the following incentives under the COC:

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

The Group's current income taxes in 2016, 2015 and 2014 amounting to ₱121,749, ₱10,387 and ₱527 respectively, pertain to MCIT.

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

	2016	2015
Deferred tax assets:		
NOLCO	**₱13,838,094**	₱11,763,102
Retirement benefit liability	**1,110,186**	1,386,360
Excess MCIT over RCIT	**132,663**	10,914
	15,080,943	13,160,376
Less unrecognized deferred tax assets	**3,039,859**	3,050,435
	12,041,084	10,109,941
Deferred tax liability -		
Retirement benefit liability attributable to exploration and evaluation asset	**1,268,196**	1,571,035
	₱10,772,888	₱8,538,906

Details of the related NOLCO from the Parent Company are as follows:

Year Incurred	Amount	Incurred	Expired	Balance	Expiry Date
2016	₱–	₱3,001,494	₱–	₱3,001,494	2019
2015	4,342,035	–	–	4,342,035	2018
2014	2,789,334	–	–	2,789,334	2017
2013	3,036,748	–	3,036,748	–	2016
	₱10,168,117	₱3,001,494	₱3,036,748	₱10,132,863	

Deferred tax assets on NOLCO from the Parent Company amounting to ₱3.0 million and ₱3.1 million as at December 31, 2016 and 2015, respectively, have not been recognized because management has assessed that the Group may not be able to utilize these deductible temporary differences against future tax liabilities.

Details of NOLCO from TMEC are as follows:

Year Incurred	Amount	Incurred	Expired	Balance	Expiry Date
2016	₱–	₱6,951,892	₱–	₱6,951,892	2021
2015	11,453,725	–	–	11,453,725	2020
2014	8,758,932	–	–	8,758,932	2019
2013	8,829,567	–	–	8,829,567	2018
	₱29,042,224	₱6,951,892	₱–	₱35,994,116	

Details of the Group's excess MCIT over RCIT are as follows:

Year Incurred	Amount	Incurred	Expired	Balance	Expiry Date
2016	₱–	₱121,749	₱–	₱121,749	2019
2015	10,387	–	–	10,387	2018
2014	527	–	–	527	2017
	₱10,914	₱121,749	₱–	₱132,663	

Section 34 (D)(3) of the Tax Code grants mining companies other than oil and gas wells to carry over net operating loss incurred in any of the first ten years of operation as a deduction from taxable income for the next five years immediately following the year of loss.

A reconciliation between the income tax expense based on statutory income tax rate and the effective income tax rate on income before tax is as follows:

	2016	2015	2014
Income tax at statutory tax rate	**(₱4,795,949)**	(₱5,837,740)	(₱3,608,517)
Income tax effects of:			
Nondeductible expenses	**2,100,482**	1,483,786	554,137
Expired NOLCO	**911,024**	18,830,744	–
Change in unrecognized deferred tax assets	**(10,576)**	(17,528,134)	836,800
Interest income already subjected to final tax	**(223,750)**	(441,958)	(448,326)
	(₱2,018,769)	(₱3,493,302)	(₱2,665,906)

20. Loss Per Share

Basic and diluted earnings per share are computed as follows:

	2016	2015	2014
Net loss	**₱13,967,727**	₱15,965,832	₱9,362,484
Divided by weighted average number of common shares outstanding	**4,000,000,004**	4,000,000,004	4,000,000,004
Basic/Diluted loss per share	**₱0.003**	₱0.004	₱0.002

Diluted loss per share equal the basic loss per share as the Group does not have any dilutive potential common shares at the end of each period.

21. Commitments and Contingencies

The Group has the following contractual commitments:

Lease Agreement
The Group has a lease agreement with its affiliate, JTKC Equities, Inc., valid until July 31, 2015 and renewable upon mutual consent of both parties. The lease agreement was renewed in 2015. Rental expense amounted to ₱4.6 million in 2016, ₱4.3 million in 2015 and ₱4.1 million in 2014 (see Note 13).

COCs with DOE
The Government, through the DOE, awarded COCs to TMEC. The exploration phase under the COCs is for 2 years and can be extended for another 2 years upon the approval of the DOE. The development and production phase commences when the DOE and TMEC agrees on the existence of Coal Reserves in Commercial Quantity subject to the terms and conditions in the COC. As at December 31, 2016, TMEC has two remaining COCs (COC Nos. 159 and 166).

COC No. 159 covers 7,000 hectares in Davao Oriental while COC No. 166 which is located in Zamboanga, Sibugay covers 4,000 hectares. Activities done in 2016 and 2015 include surface geological investigation which involves surface field geologic mapping, geodetic surveying and trenching and subsurface geologic investigation through cored diamond drilling. As at December 31, 2016 and 2015, TMEC has spent ₱480.8 million and ₱413.8 million, respectively, for the direct implementation of the work program for the exploration phase of these COCs.

COC No. 159. In 2013, TMEC applied for a change in status of COC No. 159 from exploration and evaluation stage to development and production stage. TMEC has submitted to the DOE the Final Exploration Report, 10-Year Work Program and Feasibility Study and Environmental Compliance Certificate (ECC) as issued by the Department of Environment and Natural Resources (DENR). TMEC is still working to secure the NCIP Certificate of Non-Overlap, the final requirement for the conversion of COC No. 159, with a re-endorsement to the NCIP on its application made by the DOE as of report date. As at December 31, 2016, TMEC is still in the process of securing the NCIP Certificate of Non-Overlap.

In 2016 and 2015, the DOE granted various PTS for incidentally produced coal within TMEC's COC No. 159 area. Gain on sale of incidental coal presented under "Other income" account in the consolidated statement of comprehensive income amounted to ₱6.1 million, ₱0.5 million and nil in 2016, 2015 and 2014, respectively.

Under Presidential Decree 972, *The Coal Development Act of 1976*, as government share, the DOE will be paid the balance of the gross income after deducting all operating expenses and operator's fee and special allowance. The operating expenses shall not exceed 90% of the gross income. Excess operating expenses can be recovered from the gross income in succeeding years. TMEC will be entitled to a fee and a special allowance, the net amount of which shall not exceed 40% and 30%, respectively, of the net operating income. TMEC remitted ₱58,379 and ₱26,344 in 2016 and 2015, respectively.

COC No. 166. In 2014, COC No. 166's term for exploration expired. TMEC, however, is working on the extension of the COC. As required, TMEC has submitted to the DOE the Result of Exploration covering the exploration activities conducted and estimates of the resultant coal resource and reserve of the property, which have been verified by the DOE.

In 2016, TMEC submitted the five-year Mining Plan and Feasibility Study (MPFS). The DOE reviewed and assessed the submitted MPFS and requested additional requirements such as annual development and production commitments and its corresponding annual costs, among others. As at report date, TMEC is in process of complying with these requirements.

Terminated COCs. In 2015, TMEC gave up COC No. 167 due to non-prospectivity. TMEC believes that the termination of this will not result to an obligation that will materially affect its financial position and results of operations.

In 2016, the DOE waived penalties on unfulfilled work obligations for COCs terminated prior to 2015.

Contingencies

The Group is currently involved in various legal proceedings, which are normal to its business. The Group does not believe these proceedings will have a material adverse effect on the Group's financial position.

BOA/PRC Accreditation No. 4782
December 29, 2015, valid until December 31, 2018
SEC Accreditation No. 0207-FR-2 (Group A)
September 27, 2016, valid until September 27, 2019

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REPORT OF INDEPENDENT AUDITOR TO ACCOMPANY CONSOLIDATED FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Stockholders and the Board of Directors
Coal Asia Holdings Incorporated
3rd Floor, JTKC Center
2155 Chino Roces Ave., Makati City

We have audited the accompanying consolidated financial statements of Coal Asia Holdings Incorporated (the Company) and Subsidiary as at and for the year ended December 31, 2016, on which we have rendered our report dated March 23, 2017.

In compliance with Securities Regulation Code Rule 68, we are stating that the Company has twenty-two (22) stockholders owning one hundred (100) or more shares each.

REYES TACANDONG & CO.

CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
Tax Identification No. 205-067-976-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 0658-AR-2 Group A
Valid until April 14, 2017
BIR Accreditation No. 08-005144-7-2017
Valid until January 13, 2020
PTR No. 5908528
Issued January 3, 2017, Makati City

March 23, 2017
Makati City, Metro Manila

REPORT OF INDEPENDENT AUDITOR
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Coal Asia Holdings Incorporated
3rd Floor, JTKC Center
2155 Chino Roces Ave., Makati City

We have audited in accordance with Philippines Standards on Auditing, the consolidated financial statements of Coal Asia Holdings Incorporated and Subsidiary (the Group) as at and for the year ended December 31, 2016 and issued our report dated March 23, 2017. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying supplementary schedules are the responsibility of the Group's management. These supplementary schedules include the following:

- Adoption of Effective Accounting Standards and Interpretations
- Financial Soundness Indicators
- Conglomerate Map
- Reconciliation of Retained Earnings Available for Dividend Declaration
- Proceeds from initial offering:
  (i) Gross and net proceeds as disclosed in the final prospectus;
  (ii) Actual gross and net proceeds;
  (iii) Use of proceeds; and
  (iv) Balance of the proceeds as at the end of the reporting period.
- Schedules required by Part II of SRC Rule 68, as Amended

These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, as amended, and are not part of the basic consolidated financial statements. This information have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves. In our opinion, the information is fairly stated in all material respect in relation to the basic consolidated financial statements taken as a whole.

REYES TACANDONG & CO.

Carolina A. Angeles

CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
Tax Identification No. 205-067-976-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 0658-AR-2 Group A
Valid until April 14, 2017
BIR Accreditation No. 08-005144-007-2017
Valid until January 13, 2020
PTR No. 5908528
Issued January 3, 2017, Makati City

March 23, 2017
Makati City, Metro Manila

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

SUPPLEMENTARY SCHEDULE OF ADOPTION OF EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS

DECEMBER 31, 2016

Title	Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics	✓		
PFRSs Practice Statement Management Commentary			✓

Philippine Financial Reporting Standards (PFRSs)

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Ventures			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments: Classification and Measurement of Financial Assets	✓		
	Financial Instruments: Classification and Measurement of Financial Liabilities	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10: Transition Guidance	✓		
	Amendments to PFRS 10: Investment Entities	✓		
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities	✓		

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		

Philippine Accounting Standards (PASs)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1 (Revised): Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1 (Revised): Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Property Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19 (Revised): Defined Benefit Plans: Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendment to PAS 24: Related Party Disclosures - Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PAS 27 (Amended): Investment Entities			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Financial Instruments: Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-financial Assets			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendment to PAS 38: Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39: Financial Guarantee Contracts			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39: Reclassification of Financial Assets	✓		
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40: Investment Property - Clarifying the Interrelationship between PFRS 3, Business Combination and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property			✓
PAS 41	Agriculture			✓

Philippine Interpretations

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC-14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓

PHILIPPINE INTERPRETATIONS - SIC

Interpretations	Title	Adopted	Not Adopted	Not Applicable
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases – Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

DECEMBER 31, 2016, 2015 AND 2014

	2016	2015	2014
Current assets	**₱50,239,996**	₱100,224,148	₱141,589,772
Current liabilities	**19,726,337**	19,808,626	10,450,029
Liquidity ratio	**2.55:1**	5.06:1	13.55:1
Net loss before depreciation	**(₱13,449,188)**	(₱14,933,568)	(₱8,226,841)
Total liabilities	**29,056,401**	40,187,788	14,419,120
Solvency ratio	**(0.46):1**	(0.37):1	(0.57):1
Total liabilities	**₱29,056,401**	₱40,187,788	₱14,419,120
Total equity	**3,905,633,829**	3,919,819,638	3,935,203,988
Debt-to-equity ratio	**0.0074:1**	0.0103:1	0.0037:1
Total assets	**₱3,934,690,230**	₱3,960,007,426	₱3,949,623,108
Total equity	**3,905,633,829**	3,919,819,638	3,935,203,988
Asset-to-equity ratio	**1.01:1**	1.01:1	1.00:1
Net loss	**(₱13,967,727)**	(₱15,965,832)	(₱9,362,484)
Total assets	**3,934,690,230**	3,960,007,426	3,949,623,108
Return on asset	**(0.35%)**	(0.40%)	(0.24%)
Net loss	**(₱13,967,727)**	(₱15,965,832)	(₱9,362,484)
Total equity	**3,905,633,829**	3,919,819,638	3,935,203,988
Return on equity	**(0.36%)**	(0.41%)	(0.24%)

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

SUPPLEMENTARY SCHEDULE OF PROCEEDS FROM INITIAL OFFERING

DECEMBER 31, 2016

(i) GROSS AND NET PROCEEDS AS DISCLOSED IN THE FINAL PROSPECTUS

The estimated gross proceeds from the offer will amount to ₱800,000,000. The estimated net proceeds from the offer of the shares, after deducting the estimated related expenses to the offer, will amount to ₱726,868,750 and will accrue to the Group.

The following table shows the breakdown of the estimated offer proceeds:

Gross proceeds	₱800,000,000
Estimated expenses	73,131,250
Net proceeds	₱726,868,750

(ii) ACTUAL GROSS AND NET PROCEEDS

Gross proceeds	₱800,000,000
Actual expenses	51,790,085
Net proceeds	₱748,209,915

(iii) USE OF PROCEEDS

Working capital	₱126,868,750
Exploration work for Davao Oriental Project	523,510,697
Exploration work for Zamboanga Sibugay Project	52,283,378
	₱702,662,825

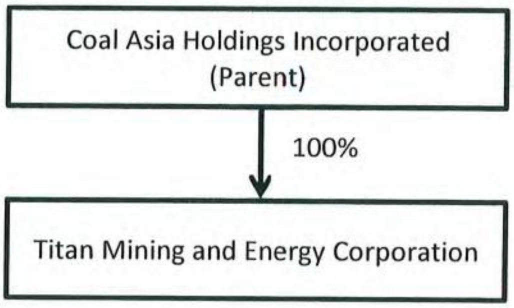
(iv) BALANCE OF PROCEEDS AS AT THE END OF THE REPORTING PERIOD

Net proceeds	₱726,868,750
Accumulated interest income	13,663,094
Disbursements	(702,662,825)
	₱37,869,019

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

CONGLOMERATE MAP

DECEMBER 31, 2016



COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2016

Unappropriated Retained Earnings (Deficit), beginning	(₱65,216,742)
Unappropriated Retained Earnings (Deficit), as adjusted to amount available for dividend declaration, beginning	(65,216,742)
Net income (loss) based on the face of AFS	(9,061,164)
Less: Non-actual/unrealized income net of tax	
Equity in net income of associate/joint venture	–
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents) Unrealized actuarial gain	–
Fair value adjustment (M2M gains)	–
Fair value adjustment of Investment Property resulting to gain Adjustment due to deviation from PFRS/GAAP-gain	–
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–
Add: Non-actual losses	–
Depreciation on revaluation increment (after tax)	–
Adjustment due to deviation from PFRS/GAAP – loss	–
Loss on fair value adjustment of investment property (after tax)	–
Net loss actually earned/realized during the year	(74,277,906)
Less appropriation during the year	–
Unappropriated Retained earnings (deficit) available for dividend declaration, end	(₱74,277,906)

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

SEC Supplementary Schedule as Required by Part II of SRC Rule 68 as Amended

DECEMBER 31, 2016

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COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of the Financial Statements

DECEMBER 31, 2016

Name and designation of debtor	*Balance at beginnning of period*	*Additions*	*Deductions*		*Ending Balance*		*Balance at end of period*
			Amounts collected	*Amounts written off*	*Current*	*Not current*	
Advances to TMEC	₱461,211,916	₱47,038,341	₱–	₱–	₱–	₱508,250,257	₱508,250,257

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

D. Intangible Assets

DECEMBER 31, 2016

			Deduction			
Description	*Beginning balance*	*Additions at cost*	*Charged to cost and expenses*	*Charged to other accounts*	*Other changes additions (deductions)*	*Ending balance*
Computer software	₱193,018	₱–	₱193,018	₱–	₱–	₱–

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

E. Long-term Debt
DECEMBER 31, 2016

Title of Issue and Type of Obligation	*Amount Authorized by Indenture*	*Amount shown under caption "Loans payable - net of current portion " in related balance sheet*	*Amount shown under caption "Loans payable" in related balance sheet*
Term loan	₱30,312,000	₱5,629,445	₱16,211,365 *Stated interest rate – 9% per annum* *Payable in 36 monthly instalments*

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

H. Capital Stock

DECEMBER 31, 2016

Title of Issue	*Number of shares authorized*	*Number of shares issued and outstanding as shown under the related statements of financial position caption*	*Number of shares reserved for options, warrants, conversion and other rights*	*Number of shares held by*		
				Related parties	*Directors, officers and employees*	*Others*
Capital Stock - ₱1 par value	5,000,000,000	4,000,000,004	–	640,000,000	1,280,412,003	2,079,588,001