COVER SHEET

C S 2 0 1 2 0 3 1 4

SEC Registration Number

C O A L   A S I A   H O L D I N G S   I N C O R P O R A T I O N

A N D   S U B S I D I A R Y

(Company's Full Name)

3 F   J T K C   C E N T E R   2 2 1 5   C h i n o   R o c e S

A v e n u e ,   M a k a t i   C i t y

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

Johnson A. Sanhi Jr.

(Contact Person)

818-6772

(Company Telephone Number)

1 2 3 1

Month *Day*

(Fiscal Year)

1 7 - Q

(Form Type)

0 4 3 0

Month *Day*

(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

COAL ASIA HOLDINGS INCORPORATED

SEC FORM 17-Q

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

1. For the quarterly period ended **June 30, 2014**

2. Commission identification number CS 201210314 3. BIR TIN: **008-297-271-000**

4. Exact name of issuer as specified in its charter **COAL ASIA HOLDINGS INCORPORATED**

5. Province, country or other jurisdiction of incorporation or organization Philippines

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office Postal Code: **1231**

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

8. Issuer's telephone number, including area code **(02) 818-6772**

9. Former name, former address and former fiscal year, if changed since last report
   N.A.

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common	**4,000,000,004**

11. Are any or all of the securities listed on a Stock Exchange?

    Yes **[•]** No [ ]

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

    Philippine Stock Exchange - **Common Shares**

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
    Yes [**x**] No []

    (b) has been subject to such filing requirements for the past ninety (90) days.
    Yes **[x]** No [ ]

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COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY					
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVEINCOME					
FOR THE SIX MONTHS ENDED JUNE 30, 2014					
(with Comparative Figures for the Year Ended December 31, 2013)					
			Unaudited		Audited
	Note		2014		2013
SALES		P	-	P	
COST OF SALES			-		
GROSS PROFIT			-		
GENERAL AND ADMINISTRATIVE EXPENSES	15		(6,275,188)		(12,357,506)
INTEREST INCOME	7		850,216		7,351,805
REALIZED GAIN ON SALE ON AFS FINANCIAL ASSETS			-		967,108
OTHER INCOME			26,353		
LOSS BEFORE INCOME TAX		P	(5,398,619)	P	(4,038,593)
INCOME TAX EXPENSE (BENEFIT)	21				
Current			-		-
Deferred			-		(2,130,181)
					(2,130,181)
NET LOSS		P	**(5,398,619)**	P	**(1,908,412)**
OTHER COMPREHENSIVE INCOME (LOSS)			-		-
To be reclassified to profit or loss in subesquent periods					
Reclassification adjustment relating to AFS feinancial					
assets sold during the year	8				(756,038.00)
Net unrealized gain on AFS financial assets					
in funds held in escrow					
Not to be reclassified to profit or loss in subsequent					
periods					
Remeasurement loss on retirement benefit liability					
(net of deferred tax amounting to ₱232,489 in 2013	17				(542,474.00)
TOTAL COMPREHENSIVE INCOME (LOSS)		P	**(5,398,619)**	P	**(3,206,924)**
BASIC LOSS PER SHARE			(0.00)		(0.00)

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2014

(w/ Comparative Figures for December 31, 2013)

	Notes		UNAUDITED	AUDITED
ASSETS			30-Jun	31-Dec
			2014	2013
Current Assets				
Cash	7	P	4,266,523	54,039,096
Advances to affiliates	18		-	1,590,651
Funds held in escrow	8		213,449,682	217,799,969
Prepayment and other current assets	9		5,668,178	5,545,850
Total Current Assets		P	223,384,384	278,975,566
Noncurrent Assets				
Exploration and evaluation asset	10	P	291,436,267	266,549,664
Property and equipment	11		300,841,418	296,416,032
Intangible asset	12		1,173,080	1,565,104
Coal reserves	6		3,131,596,101	3,131,596,101
Deferred tax assets	21		2,765,587	2,765,587
Total Noncurrent Assets		P	3,727,812,454	3,698,892,488
		P	3,951,196,837	3,977,868,054
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	13	P	8,246,446	28,723,802
Advances from an affiliate	18		1,026,502	1,821,745
Income tax payable			-	-
Total Current Liabilities		P	9,272,947	30,545,547
Noncurrent Liability				
Retirement benefit liability	17	P	3,100,425	3,100,425
Total Liabilities		P	12,373,372	33,645,972
Equity				
Capital Stock		P	4,000,000,004.00	4,000,000,004.00
Deficit			(60,634,065)	(55,235,448)
Remeasurement loss on retirement benefit liability			(542,474.00)	(542,474.00)
Total Equity		P	3,938,823,465	3,944,222,082
		P	3,951,196,837	3,977,868,054

See accompanying notes to consolidated financial statements

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVEINCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2014
(with Comparative Figures for the Six Months Ended June 30, 2013)

		2014		2013
SALES	P	-	P	
COST OF SALES		-		
GROSS PROFIT		-		
GENERAL AND ADMINISTRATIVE EXPENSES		(6,275,188)		(6,446,428)
INTEREST INCOME		850,216		4,350,738
REALIZED GAIN ON SALE ON AFS FINANCIAL ASSETS		-		967,108
OTHER INCOME		26,353		
LOSS BEFORE INCOME TAX	P	(5,398,619)	P	(1,128,582)
INCOME TAX EXPENSE (BENEFIT)				
Current		-		-
Deferred		-		-
NET LOSS	P	(5,398,619)	P	(1,128,582)
OTHER COMPREHENSIVE INCOME (LOSS)		-		-
TOTAL COMPREHENSIVE INCOME (LOSS)	P	(5,398,619)	P	(1,128,582)
BASIC LOSS PER SHARE		(0.001)		(0.00028)

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY				
UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION				
June 30, 2014				
(w/ Comparative Figures for June 30, 2013)				
		UNAUDITED		**UNAUDITED**
ASSETS		30-Jun		30-Jun
		2014		2013
Current Assets				
Cash	P	4,266,523	P	53,463,517
Advances to affiliates		-		26,391,281
Funds held in escrow		213,449,682		396,071,498
Prepayment and other current assets		5,668,178		2,535,560
Total Current Assets		223,384,384		478,461,856
Noncurrent Assets				
Exploration and evaluation asset		291,436,267		198,753,041
Property and equipment		300,841,418		145,277,351
Intangible asset		1,173,080		1,957,129
Coal reserves		3,131,596,101		3,131,596,101
Deferred tax assets		2,765,587		402,917
Total Noncurrent Assets		3,727,812,454		3,477,986,539
		3,951,196,837		3,956,448,395
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables		8,246,446		9,560,954
Advances from an affiliate		1,026,502		-
Income tax payable		-		-
Total Current Liabilities		9,272,947		9,560,954
Noncurrent Liability				
Retirement benefit liability		3,100,425		1,343,055
Total Liabilities		12,373,372		10,904,009
Equity				
Capital Stock		4,000,000,004.00		4,000,000,004.00
Deficit		(60,634,065.31)		(54,455,618.00)
Remeasurement loss on retirement benefit liability		(542,474.00)		-
Total Equity		3,938,823,465		3,945,544,386
		3,951,196,837		3,956,448,395
See accompanying notes to consolidated financial statements				

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED JUNE 30, 2014
(with Comparative Figures for the Quarter Ended June 30, 2013)

		Unaudited		Unaudited
		2014		2013
SALES	P	-	P	
COST OF SALES		-		
GROSS PROFIT		-		
GENERAL AND ADMINISTRATIVE EXPENSES		(3,637,958)		(2,919,313)
INTEREST INCOME		298,575		1,694,678
REALIZED GAIN ON SALE ON AFS FINANCIAL ASSETS		-		215,184
OTHER INCOME		26,353		
LOSS BEFORE INCOME TAX	P	(3,313,030)	P	(1,009,451)
INCOME TAX EXPENSE (BENEFIT)				
Current		-		-
Deferred		-		-
NET LOSS	P	(3,313,030)	P	(1,009,451)
OTHER COMPREHENSIVE INCOME (LOSS)		-		-
TOTAL COMPREHENSIVE INCOME (LOSS)	P	(3,313,030)	P	(1,009,451)
BASIC LOSS PER SHARE		(0.001)		(0.00025)

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30

		2014	2013
CAPITAL STOCK - P1 par value			
Authorized - 5,000,000,000 shares			
Issued and outstanding - 4,000,000,004 shares	P	4,000,000,004	4,000,000,004
DEFICIT			
Net Loss for the period June 11-December 31, 2012			(53,327,036)
Net Loss for December 31, 2013		(55,235,447)	
Beginning Balance, January 1	P	3,944,764,557	3,946,672,968
Net loss for the period		(5,398,619)	(1,128,582)
Other Comprehensive Income			
Remeasurement loss on retirement benefit liability		(542,474)	
	P	3,938,823,464	3,945,544,386

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY			
UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS			
FOR THE SIX MONTHS ENDED JUNE 30			
		Unaudited	**Unaudited**
		2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	P	(5,398,619)	(1,128,582)
Adjustments for			
Depreciation and amortization		553,971	556,641
Interest Income		(850,216)	(4,350,738)
Gain on AFS financial assets in funds held in escrow		-	(967,108)
Operating loss before working capital changes		(5,694,864)	(5,889,787)
Decrease (increase) in:			
Receivables		-	(796,987)
Advances to affiliates		1,590,651	(24,410,716)
Funds held in escrow		5,000,000	136,800,000
Prepayments and other current assets		(122,328)	(157,110)
Trade and other payables		(20,477,356)	(3,674,325)
Income tax payable		-	(579,788)
Net cash used in operations		(19,703,898)	101,291,287
Interest received		200,502	9,923
Net cash used in operating activities	P	(19,503,395)	101,301,210.00
CASH FLOWS FROM INVESTING ACTIVIITES			
Acquisitions of property and equipment		(14,955,696)	(5,691,206)
Additions to exploration and evaluation asset		(14,518,238)	(52,449,487)
Acquisition of intangible asset		-	(2,082,664)
Net cash used in investing activities	P	(29,473,934)	(60,223,357)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances from an affiliate		(795,243)	(40,821,745)
Net cash flows from financing activities		(795,243)	(40,821,745)
NET INCREASE (DECREASE) IN CASH		(49,772,573)	256,108
CASH AT BEGINNING OF YEAR		54,039,096	53,207,409
CASH AT END OF PERIOD		4,266,523	53,463,517

See accompanying Notes to Consolidated Financial Statements

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting Entity

Coal Asia Holdings Incorporated (the Parent Company or CAHI) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on June 11, 2012. The Parent Company was organized primarily to be a holding company of Titan Mining and Energy Corporation (the Subsidiary or TMEC). 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.

The Parent Company and the stockholders of TMEC entered into a Deed of Assignment on May 28, 2012. The Parent Company issued 3,200,000,000 common shares at a par value of ₱1 in exchange for and in full consideration of the 87,500,000 common shares at a par value of ₱1 of TMEC (see Note 5) to acquire 100% ownership.

On September 12, 2012, the Board of Directors of the Philippine Stock Exchange, Inc. (PSE) approved the application of the Parent Company for the listing of 4,000,000,004 common shares with a par value of ₱1 per share, of which 3,200,000,004 common shares were issued and outstanding and 800,000,000 common shares were offered to the public on a primary basis for Initial Public Offering (IPO).

On October 23, 2012, the Parent Company became a publicly listed company. As at December 31, 2013 and 2012, 4,000,000,004 shares of the Parent Company are listed in the PSE.

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

The consolidated financial statements of the Group as at December 31, 2013 and 2012 were approved and authorized for issuance by the Board of Directors (BOD) on April 24, 2014.

2. Basis of Preparation and Statement of Compliance

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

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

3. **Summary of Changes in PFRS**

Adoption of New and Revised PFRS

The Group adopted the following new and revised PFRS, which became effective as at January 1, 2013. These are summarized below.

- PAS 1, *Financial Statement Presentation, Presentation of Items of Other Comprehensive Income* - The amendment changed the presentation of items in Other Comprehensive Income. Items that will be reclassified to profit or loss at a future point in time are presented separately from items that cannot be reclassified.

- PAS 19, *Employee Benefits* (Amendment) - There werenumerous changes ranging from the fundamental changes such as removing the corridor mechanism in the recognition of actuarial gains or losses and the concept of expected returns on plan assets to simple clarifications and re-wording. The amended standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk.

  The Group reviewed its existing employee benefits and determined that the amended standard has no significant impact on its prior year financial statements. Accordingly, the amended standard was applied prospectively beginning January 1, 2013.

- PFRS 10, *Consolidated Financial Statements* - The standard replaces the portion of PAS 27, *Consolidated and Separate Financial Statements,* that addresses the accounting for consolidated financial statements and SIC-12, *Consolidation - Special Purpose Entities*. It establishes a single control model that applies to all entities including special purpose entities. Management has to exercise significant judgment to determine which entities are controlled, and are required to be consolidated by a parent company.

- PFRS 12, *Disclosure of Interests in Other Entities* - The standard includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosure requirements that were previously included in PAS 31, *Interests in Joint Ventures* and PAS 28, *Investments in Associates and Joint Ventures*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

- Amendments to PFRS 10, PFRS 11, *Joint Arrangements*, and PFRS 12*: Transition Guidance* - The amendments provide additional transition relief in PFRS 10, PFRS 11, and PFRS 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments removed the requirement to present comparative information for periods before PFRS 12 is first applied.

- PAS 27,*Separate Financial Statements* (as revised in 2011) - As a consequence of the new PFRS 10 and PFRS 12, PAS 27 is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.

- PFRS 7, *Financial Instruments Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments)- The amendment requires entities to disclose information that will enable users to evaluate the effect or potential effect of netting arrangements on an entity's financial position. The new disclosure is required for all recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

- PFRS 13*, Fair Value Measurement* - The standard establishes a single source of guidance under PFRS for all fair value measurements. It does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted.

- IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* - This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset.

- Improvements to PFRS

  The omnibus amendments to PFRS issued in May 2012, which are effective for annual periods beginning on or after January 1, 2013, were issued primarily to clarify accounting and disclosure requirements to assure consistency in the application of the following standards.

  - PAS 1, *Presentation of Financial Statements*
  - PAS 16, *Property, Plant and Equipment*
  - PAS 32, *Financial Instrument: Presentation*
  - PAS 34, *Interim Financial Reporting*

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

<u>New and Revised PFRS Not Yet Adopted</u>
Relevant new and revised PFRS which are not yet effective for the year ended December 31, 2013 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2014:

- Amendments to PFRS 10, PFRS 12 and PAS 27*: Investment Entities* - The amendments provide an exception from the requirements of consolidation for investment entities and instead require these entities to present their investments in subsidiaries as a net investment that is measured at fair value. Investment entity refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both.

- Amendments to PAS 32*: Offsetting Financial Assets and Financial Liabilities* -The amendments address inconsistencies in current practice when applying the offsetting criteria in PAS 32. The amendments clarify (1) the meaning of 'currently has a legally enforceable right of offset'; and (2) that some gross settlement systems may be considered equivalent to net settlement.

Effective for annual periods beginning on or after January 1, 2015:

- PFRS 9, *Financial Instruments: Classification and Measurement*- This standard is the first phase in replacing PAS 39, *Financial Instruments: Recognition and Measurement*, and applies to classification and measurement of financial assets as defined in PAS 39.

Under prevailing circumstances, the adoption of the foregoing new and revised PFRS is not expected to have any material effect on the consolidated financial statements.

4. Summary of Significant Accounting Policies

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

Basis of Consolidation
The consolidated financial statements include the accounts of the Parent Company and its wholly-owned subsidiary, TMEC. The financial statements of TMEC is prepared for the same reporting period as the Parent Company, using uniform accounting policies for the like transactions and other events in similar circumstances. All intercompany balances and transactions, including intercompany income and expenses and unrealized gain and losses, are eliminated in full.

A subsidiary is an entity in which the Parent Company has control. The Parent Company controls a subsidiary if it is exposed, or has rights to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary.

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

a. Recognition

Financial instruments are recognized in the consolidated statements of financial position when the Group becomes a party to the contractual provision of the instruments. Financial instruments are initially recognized at fair value. Transaction costs directly attributable to its acquisitionor 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 model value is only recognized in profit or loss when the inputs become observable, or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the "Day 1" difference.

b. Classification

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

As at December 31, 2013, the Group does not have financial assets and liabilities at FVPL, AFS financial assets and HTM investments.

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

Classified under loans and receivables are cash, receivables, funds held in escrow (excluding AFS financial assets) and advances to affiliates.

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

The Group has classified its investments in government securities included in funds held in escrow account as AFS financial assets as at December 31, 2012.

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) and advances from an affiliate are classified 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. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. 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.

AFS Financial Assets. For equity investments classified as AFS financial assets, the Group assesses at each reporting date whether indications of impairment exists. An impairment indicator of equity investments classified as AFS financial assets is when there is a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative losses previously recognized as other comprehensive income is reclassified to profit or loss. Increase in fair value after impairment is recognized directly in equity as other comprehensive income.

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
- theGroup has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the assets, or (b) has neither transferred nor retained substantially all the risk and rewards of the asset, but has transferred control over the asset.

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

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

f. Offsetting

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

Fair value measurement

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

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

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

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

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

Funds Held in Escrow
The Group's funds held in escrow are composed of deposits with BangkoSentral ng Pilipinas (BSP) and banks and investment in debt securities. The fund's investment in government securities are classified as AFS financial assets. Premiums or discounts are amortized over the life of the investments using the effective interest method. Unrealized gains and losses arising from the fair valuation of AFS financial assets are recognized in OCI until the financial assets are derecognized.

Business Combinations
Business combination is accounted for using the acquisition method in accordance with PFRS 3.

Common control business combinations are accounted for using acquisition method of accounting if the transaction has a commercial substance. Under the acquisition method of accounting, the cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are measured initially at fair values at the date of acquisition, irrespective of the extent of any minority interest.

As part of allocating the cost of the combination, the acquiree's identifiable assets, liabilities and contingent liabilities are measured by the acquirer at their fair values at the acquisition date. If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts the combination using provisional values. Adjustments to these provisional values as a result of completing the initial accounting shall be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date and goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted. If the cost of acquisition is less than the fair value of the net assets of the acquiree, the difference is recognized directly in the consolidated statements of comprehensive income.

Coal Inventory

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

Prepayments

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

Value-added Tax (VAT)

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

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; or

- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable to the taxation authority is classified as "Prepayments and other current assets" in the consolidated statements of financial position.

Exploration and Evaluation Asset

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

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

Exploration and evaluation activity includes:

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

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

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.

Property and Equipment

Property and equipment, except land, are carried at cost less accumulated depreciation and 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
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.

Intangibles

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

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

Impairment of Nonfinancial Assets

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

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

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

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

Capital Stock

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

Deficit

Deficit represents the cumulative balance of loss.

Loss Per Share (LPS)

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

Segment Reporting

The Group's operating business is organized and managed according to the nature of the activities.

Revenue Recognition

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

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

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

Cost and Expense Recognition

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

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

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

Employee Benefits

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

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

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

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

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

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

The retirement benefit liability is the present value of the retirement liability. The present value of the defined benefit obligation 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.

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.

Income Taxes

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

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry forward 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 carry forward 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 Party Transactions

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

Provisions and Contingencies

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

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

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

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5. **Significant Accounting Judgments and Estimates**

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

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

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

Rent expense for period ended June 30, 2014 and for the period ended December 31, 2013 amounted to ₱2,030,643 and ₱3,610,032, respectively (see Note 23).

Estimation of Mineral Resources. The Group estimates its mineral resources 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 ₱3,131,596,101 as at December 31, 2013 and 2012 (see Note 5).

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

As at June 30, 2014 and December 31, 2013, exploration and evaluation asset amounted to ₱ 291,436,267 and ₱266,549,664, respectively (see Note 10).

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

Based on management's assessment as at December 31, 2013, there is no change in estimated useful lives of property and equipment during the period. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

As at June 30, 2014 and December 31, 2013, property and equipment, net of accumulated depreciation, amounted to ₱300,841,418 and ₱296,416,032, respectively (see Note 11).

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

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

As at June 30, 2014 and December 31, 2013, nonfinancial assets which consist of exploration and evaluation asset, property and equipment, intangible assets and coal reserves amounted to ₱3,725,046,867and ₱3,696,126,901, respectively (see Notes 5, 10, 11 and 12).

No impairment losses were recognized on nonfinancial assets in 2013.

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, 2013, the Group has deferred tax assets amounting to ₱2,765,587 (see Note 21).

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

The retirement benefit liability as at December 31, 2013 amounted to ₱3,100,425 (see Note 17).

6. Business Combination

The stockholders of TMEC assigned in favor of the Parent Company the 100% ownership in TMEC on May 28, 2012 (see Note 1). The cost of the acquisition is composed of common shares of CAHI amounting to ₱3.2 billion and directly attributable costs amounting to ₱16.0 million (see Note 15).

The fair value of the identifiable assets and liabilities of TMEC at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were:

	Fair Value Recognized on Acquisition	Carrying Amount
Cash	₱2,927,400	₱2,927,400
Trade and other receivables	315,020	315,020
Coal inventory	820,545	820,545
Advances to affiliates	1,861,756	1,861,756
Prepayments and other current assets	545,041	545,041
Exploration and evaluation asset	94,403,455	94,403,455
Property and equipment	43,997,275	43,997,275
Coal reserves	3,131,596,101	–
Deferred tax assets	1,583,103	1,583,103
Total Assets	3,278,049,696	146,453,595
Trade and other payables	6,225,672	6,225,672
Advances from affiliates	55,015,735	55,015,735
Income tax payable	133,500	133,500
Retirement benefit liability	674,789	674,789
Total Liabilities	62,049,696	62,049,696
Net assets acquired	₱3,216,000,000	₱84,403,899

The acquisition of the investment is considered as a noncash transaction in the consolidated statements of cash flows.

The Group obtained an independent valuation report using the discounted cash flow approach to estimate the value of the coal reserves. The expected net present value of the coal reserve is ₱12.5 billion, of which the Parent Company recognized only ₱3.1 billion representing the excess of the consideration over the net assets acquired.

The revenue included in the consolidated statements of comprehensive income since June 11, 2012 contributed by TMEC amounted to ₱50,486,990. TMEC also contributed net income of ₱8,238,716 over the same period.

Had TMEC been consolidated from January 1, 2012, the consolidated statements of comprehensive income as at December 31, 2012 would have included additional revenue of ₱12,837,507 and additional net income of ₱2,175,357.

7. Cash

This account consists of:

	June 30, 2014	2013
Cash in bank	**₱3,533,809**	₱53,698,272
Cash on hand	**732,714**	340,824
	₱4,266,523	₱54,039,096

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

Interest income consists of:

	June 30, 2014	2013
Cash in bank	**₱200,502**	₱1,265,925
Funds held in escrow	**649,714**	6,085,880
	₱850,216	₱7,351,805

8. Funds Held in Escrow

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

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

The funds held in escrow consist of the following:

	June 30, 2014	2013
Assets:		
Due from BSP	**₱–**	₱-
Cash in bank	**213,430,915**	217,635,441
AFS financial assets	**-**	-
Other assets	**18,767**	164,528
	₱213,449,682	₱217,799,969
Liability -		
Due to Bureau of Internal Revenue	**₱–**	₱-
Equity:		
Principal	**202,605,930**	207,605,930
Net accumulated income	**10,843,752**	10,194,039
Net unrealized gains on AFS financial assets	**–**	-
	213,449,682	217,799,969
	₱213,449,682	₱217,799,969

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

9. **Prepayments and Other Current Assets**

This account consists of:

	June 30, 2014	2013
Advances to landowners	**₱2,652,000**	₱3,024,755
Input VAT	**1,291,202**	1,180,208
Receivables from employees	**1,584,075**	1,140,338
Prepayments for:		
Insurance	**114,401**	168,445
Rental	**25,500**	25,500
Others	**1,000**	6,604
	₱6,757,963	₱5,545,850

Advances to landowners are normally liquidated once the ownership of the land is transferred to the Company. Receivables from employees are normally settled within a year. Performance bond represents payments to a surety to guarantee the faithful performance of the Group with all the provisions of the Coal Operating Contracts (COC).

10. **Exploration and Evaluation Asset**

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

COC Nos. 159, 166 and 167 provide a certain minimum work expenditure obligations covered by the work program of exploration phase (see Note 23).

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

Movements of this account are as follows:

	Note	June 30, 2014	2013
Balance at beginning of period		**₱266,549,664**	₱137,755,851
Acquired through business combination	6	**–**	-
Additions for the period		**24,886,603**	128,793,813
Balance at end of period		**₱291,436,267**	₱266,549,664

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

	Note	June 30, 2014	2013
Depreciation and amortization	11	**₱10,368,365**	₱17,054,530
Retirement benefit costs	16	**-**	818,048
Total		**₱10,368,365**	₱17,872,578

The Group obtained an independent valuation report using the discounted cash flow approach to estimate the value of the coal reserves. The expected net present value of the coal reserve is estimated at ₱12.5 billion.

The Group obtained an enterprise valuation report dated March 15, 2013 to estimate the enterprise value of COC No. 159, Coal Blocks Nos. 217 (Macopa) and 136 (Bactinan). Discounted cash flow approach was used in the valuation of the coal reserve. The expected net present value of the coal reserve of COC No. 159, Coal Blocks Nos. 217 (Macopa) and 136 (Bactinan) is estimated at ₱4.1 billion.

In 2013 prior to the expiration of the COCs, the Group applied for a change in status of COC No. 159 from exploration and evaluation stage to development and production stage while COC No. 166 was renewed for further exploration and evaluation. The Company is waiting for the approval of DOE as of report date (see Note 23)

11. **Property and Equipment**

Movements of this account are as follows:

	2013							
	Land	Drilling Equipment	Survey Equipment and Machineries	Laboratory and Testing Equipment	Transportation Equipment	Office Furniture and Equipment	Construction in Progress	Total
Cost								
Balances at beginning of period	–	144,560,182	1,139,079	2,350,344	9,478,974	993,008	–	158,521,587
Additions	7,274,196	11,204,000	2,060,800	9,346,352	0	150,079	134,985,781	165,021,208
Balances at end of period	7,274,196	155,764,182	3,199,879	11,696,696	9,936,174	1,143,087	134,985,781	323,999,995
Accumulated Depreciation								
Balances at beginning of period	–	5,754,711	671,273	509,241	2,693,472	594,427	–	10,223,124
Depreciation	–	14,456,319	232,346	470,069	1,971,995	230,110	–	17,360,839
Balances at end of period	–	20,211,030	903,619	979,310	4,665,467	824,537	–	27,583,963
Carrying Amount	7,274,196	135,553,152	2,296,260	10,717,386	5,270,707	318,550	134,985,781	296,416,032
Additions June 30, 2014	5,539,154.00	215,000.00	10,000	101,166.00	(23,646.00)	223,100	8,890,922	14,955,696.18
Depreciation June 30,2014		(9,095,340.00)	(94,834.00)	(235,034.00)	(988,876.00)	(116,226.00)		(10,530,310.00)
Carrying Amount as of June 30, 2014	12,813,350	126,672,812	2,211,426	10,583,518	4,258,185	425,424	143,876,703	300,841,418

Depreciation and amortization are charged as follows:

	Note	**June 30, 2014**	2013
Exploration and evaluation asset	10	**₱10,368,365**	₱17,054,530
General and administrative expenses	15	**161,945**	1,090,359
Total		**₱10,530,310**	₱18,144,889

12. **Intangible Assets**

Movement of the account follows:

	June 30, 2014	2013
Cost		
Balances at beginning of period	**₱2,352,148**	₱269,484
Additions	**-**	2,082,664
Balances at end of period	**2,352,148**	2,352,148
Accumulated Amortization		
Balances at beginning of period	**787,044**	2,994
Amortization	**392,024**	784,050
Balances at end of period	**1,179,068**	787,044
Carrying Amount	**₱1,173,080**	₱1,565,104

13. **Trade and Other Payables**

This account consists of:

	June 30, 2014	2013
Trade	**₱818,672**	₱13,307,383
Accruals for:		
Exploration cost	**6,957,370**	14,488,994
Salary	**99,016**	-
Others		156,701
Withholding taxes payable	**319,976**	723,024
Other statutory payables	**51,412**	47,700
	₱8,246,446	₱28,723,802

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

14. **General and Administrative Expenses**

This account consists of:

	Note	**2014 June 30**	2013 (One Year)
Rental	23	**₱2,030,643**	₱3,610,032
Personnel costs	16	**1,079,218**	3,175,642
Professional fees		**978,250**	2,082,927
Depreciation and amortization	11	**553,971**	1,090,359
Listing fee		**336,000**	408,000
Representation and entertainment		**402,225**	326,832
Janitorial services		**82,943**	242,689
Transportation and communication		**100,492**	206,340
Taxes and licenses		**230,362**	170,810
Registration and filing fee	6	**-**	-
Selling expense		**-**	-
Others		**481,084**	1,043,875
		₱6,275,188	₱12,357,506

15. **Personnel Costs**

Personnel costs charged to "General and Administrative Expenses" account consists of:

	Note	**2014 June 30**	2013
Salaries and wages		**₱1,043,523**	₱18,824,866
Employee benefits		**35,695**	261,260
Retirement benefit cost	17	**-**	818,048
		₱1,079,218	₱19,904,174

16. **Retirement Benefit Liability**

The Group has an unfunded defined benefit plan covering all of its regular employees. The benefits are based on years of service and compensation. The plan provides for lump-sum benefit payments 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, 2013 was prepared by an independent actuary using the projected unit credit method.

The following tables summarize the components of the retirement benefits cost recognized in consolidated statements of comprehensive income in 2013 and the liability amounts recognized in the consolidated statements of financial position.

The components of retirement benefit cost are as follows:

	2013
Current service cost	₱874,367
Interest cost	108,040
Retirement benefit cost	₱982,407

Retirement benefit costs amounting to ₱818,048 and ₱529,437 were capitalized to "Exploration and evaluation asset" account in 2013.

The changes in the present value of the defined benefit obligation are as follows:

	2013
Balance at beginning of period	₱1,343,055
Current service cost	874,367
Interest cost	108,040
Actuarial (gains) losses:	
Experience adjustments	949,972
Change in assumptions	(175,009)
Assumed through business combination	-
Balance at end of period	₱1,100,425

The remeasurement loss on retirement benefit liability recognized in other comprehensive income amounted to ₱542,474 (net of tax amounting to ₱232,489) as at December 31, 2013.

The principal actuarial assumptions used to determine the retirement benefit cost as at January 1 are as follows:

	2013
Discount rate	4.46%
Salary increase rate	8.00%

Sensitivity analysis on defined benefit obligation as at December 31, 2013 is as follows:

	Change in Assumption	Effect on defined benefit liability
Discount rate	+1.00%	(₱361,234)
	-1.00%	458,825
Salary increase rate	+1.00%	410,714
	-1.00%	(333,823)

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.

17. Related Party Transactions

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

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

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

The advances of the Parent Company to TMEC amounting to ₱320,351,884 were eliminated during consolidation.

Key Management Personnel Compensation

The salaries of key management personnel of the Group amounted to ₱1,592,427 as at March 2014

18. 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, receivables, trade and other payables (excluding statutory payables) and advances from an affiliate.

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

Financial Risk Management Objectives and Policies

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

The Group has neither past due nor impaired receivables from any counterparties as at December 31, 2013

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 financial liabilities of the Group based on remaining contractual obligations or on the estimated timing of net cash flows as at December 31, 2013 amounting to ₱29,774,823 (excluding statutory payable of ₱770,724 as at December 31, 2013) are on demand.

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 as capital amounting to ₱3,944,764,556 as at December 31, 2013

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

19. Fair Value Measurement of Financial Instruments

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

Current Financial Assets and Liabilities. The carrying amounts of cash, trade receivables, advances to related parties, trade and other payables (excluding statutory payables) and advances from a related party approximate their fair values due to the short-term nature of these financial instruments.

AFS Financial Assets. Fair values are generally based on quoted market prices. If the market prices are not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow method.

The Group uses other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, for determining and disclosing the fair value of financial instruments

20. Income Taxes

The Group 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 tax in 2012 amounting to ₱1,927,529 pertains to RCIT. No current income tax in 2013 due to the Group's loss position.

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

	2013
Deferred tax assets:	
NOLCO	₱2,648,870
Retirement benefit liability	930,128
	3,578,998
Deferred tax liability -	
Retirement benefit liability attributable to exploration asset	813,411
	₱2,765,587

The NOLCO amounting to ₱8,829,567 can be carried forward and claimed as deduction against regular taxable income until 2018. NOLCO amounting to ₱1,401,461 was applied against RCIT in 2012.

21. Basic Loss Per Share

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

	2014 (June 30)	2013
Net loss	**₱5,398,619**	₱1,908,412
Divided by weighted average number of common shares outstanding	**4,000,000,004**	4,000,000,004
Basic loss per share	**₱0.000**	₱0.000

22. Commitments

The Group has the following contractual commitments:

<u>Lease Agreement</u>
The Group has a lease agreement with its affiliate, JTKC Equities, Inc., until July 31, 2014 renewable upon mutual consent of both parties. Rental expense amounted to ₱3,610,032 in 2013.

<u>Operating Contracts with DOE</u>
The Government, through the Department of Energy (DOE), awarded COCs to the Group. 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 DOE and the Group agrees on the existence of Coal Reserves in Commercial Quantity subject to the terms and conditions in the COC.

COC Nos. 159, 166 and 167 were extended for another 2 years in 2011 with the approval of DOE while COC Nos. 158 and 168 were given up by the Group due to non-prospectivity of the areas for coal. In 2013 prior to the expiration of the COCs, the Group applied for a change in status of COC No. 159 from exploration and evaluation stage to development and production stage while COC No. 166

was renewed for further exploration and evaluation. The applications are pending approval by the DOE as of the report date. The DOE, however, terminated COC No. 167 because of the Group's purported nonfulfillment of its work obligations. The Group has filed for a motion for reconsideration and for the reinstatement of the said COC. The DOE has certified that the Group has filed an appeal citing additional work performed on the property and that 50% of the COC No. 167 is agricultural land, hence it is not available to any exploration activity. Moreover, the presence of armed conflict by the Abu Sayaff hampered the Group's movement in the area. The DOE will be conducting its field investigation.

The Group believes that the termination of COC Nos. 158 and 168 will not result to an obligation that will materially affect its financial position and results of operations and that COC No. 167 will be reinstated.

COC No. 159 covers 7,000 hectares in Davao Oriental while COC Nos. 166 and 167 which are located Zamboanga Sibugay covers 4,000 hectares and 2,000 hectares, respectively. Activities done throughout the year includes geological mapping, subsurface investigation, drilling and geodetic survey. As at December 31, 2013, the Group has spent ₱266,549,664 for the direct implementation of the Work Program of the exploration phase of these COCs.

The DOE is paid, as share of the Government, the balance of the gross income after deducting all operating expenses and the Group'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. The Group is 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.

23. **Operating Segments**

For management reporting purposes, the Group is organized based on its activities and has one operating segment which is the coal mining segment. This segment undertakes the exploration and evaluation activities of the coal reserves of the Group and is concentrated to one location which is within the Philippines.

MANAGEMENT'S DISCUSSION ON COAL'S FINANCIAL	
Summary of Financial Information	
The following table presents the summary financial information for	
COAL from January 1 – June 30, 2014	

COAL's Summary Unaudited Consolidated Financial Information	
as at June 30, 2014	
Amounts are Php	
Consolidated Statement of Comprehensive Income	
Sales	-
Cost of Sales	-
Gross Profit	-
Operating Income	-
Income (loss) before income tax	(5,389,619)
Net Income (loss)	(5,389,619)
Consolidated Statement of Financial Position	
Assets	
Cash	4,266,523
Receivables	-
Funds held in escrow	213,449,682
Advances to Affiliates	-
Prepayments and other current assets	5,668,179
Total Current Assets	**223,384,384**
Exploration and evaluation assets	291,436,267
Property, plant and equipment -net	300,841,418
Intangible asset	1,173,080
Coal Reserves	3,131,596,101
Deferred Tax Asset	2,765,587
Total Non-Current Assets	**3,727,812,453**
TOTAL ASSETS	**3,951,196,837**
Liabilities and Equity	
Trade and other payables	8,246,446
Advances from related parties	1,026,502
Income tax payable	-
Total Current Liabilities	**9,272,947**
Retirement benefit liability	3,100,425
Total Non-Current Liability	**3,100,425**
Capital Stock	4,000,000,004
Deficit	(60,634,065)
Remeasurement loss on retirement benefit	
liability	(542,474)
Stockholders' Equity	**3,938,823,465**
TOTAL LIABILITIES AND EQUITY	**3,951,196,837**
Key Indicators	
Gross Profit Margin (%)	-
Net Income (loss) Margin (%)	-
Return on Asset (%)	(0.00)
Return on Equity(%)	(0.00)
Current Ratio(x)	24
Total Liabilities to Equity (x)	0.00
Earnings Per Share (Basic) (Php 0.0000)	(0.00)
Book Value Per Share (Php 0.0000)	0.98

MANAGEMENT'S DISCUSSION ON COAL'S FINANCIALS

Unaudited Consolidated Statement of Comprehensive Income for the Six Months Ended June 30, 2014

Sales/Cost of Sales/Gross Profit

TMEC working on the conversion of COCs from exploration to development

General and Administrative Expenses

General and Administrative expenses amounted to P 6.28 million for thesix months ended June30, 2014. These expenses were comprised primarily of the PSE Listing Fee, Office Rental,Consultancy Fee, Depreciation Expense and Salaries and Wages.

Operating Income and Operating Loss Margin

The Company incurred an Operating Loss of₱6.30 million.

Interest Income

Interest income amounted to ₱.85 million, which came from interest earned from bank deposits and funds held in escrow.

Net Income and Net Income Margin

The Net Loss of the Company for the period amounted to ₱5.40 million.

Unaudited Consolidated Statement of Financial Position as of June 30, 2014

As at June 30, 2014, the Total Assets stood at ₱3.951 billion as against ₱3.977 billion as at December 31, 2013. Total Current Assets decreased to ₱0.026 million from ₱278.98 million, primarily due to the drop in Cash and cash equivalents.

Noncurrent Assets slightly increased to ₱3.727 billion from ₱3.699 million due to the increase in exploration activities and acquisition of property and equipment.

Current Liabilities as at the end of the quarter decreased to ₱9.27 million from ₱30.55 million as at December 31, 2013 due to the decreased in accounts payable, accrued expenses and advances from related parties.

Notes on the COAL's Financial Information

Coal Reserves

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

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

Exploration and Evaluation Asset

Exploration and evaluation 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.

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

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

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

COC #159, COC #166, and COC #167 provide a certain minimum work expenditure obligations covered by the work program of exploration phase.

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

Movements of this account are as follows:

	30-June- 14
Cost at the beginning of the period	266,549,664
Additions for the period	24,886,603
Cost at the end of period	291,436,267

No impairment loss was recognized in 2013.

COAL obtained an independent valuation report to estimate the value of the coal reserves. Discounted cash flow approach was used in the valuation of the coal reserve. The expected net present value of the coal reserve is ₱12.5 billion.

Impairment of Nonfinancial Assets

The carrying amounts of COAL'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 net recoverable value is estimated.

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

The net recoverable value 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 net recoverable value. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized.

Revenue Recognition of Sale of Coal

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

Specifically, revenue from coal sales is recognized when the goods are delivered, the title to the goods has passed to the buyer and the amount of revenue can be measured reasonably.

Other Financial Information

As of and for period ended December 31, 2013:

- No material changes on COAL's financial position (changes of 5.00% or more) can be computed as the Company has only been incorporated on June 11, 2013.
- COAL is not aware of any known trends, or any known demands, commitments, events, or uncertainties that will result in or that are reasonably likely to result in COAL's liquidity increasing or decreasing in any material way.
- It is not aware of any event that would trigger direct or contingent financial obligation that is material to COAL, including any default or acceleration of an obligation.
- All material off-balance sheet transactions, arrangements, obligations and other relationships of COAL with unconsolidated entities or other persons created during the period were considered.
- There were no known trends, events, or uncertainties on net revenues or income from continuing operations.

  Coal Asia Holdings Incorporated.
- COAL is not aware of any significant elements of income and loss that did not arise from COAL's continuing operations.
- COAL is not aware of any seasonal aspects that had a material effect on the financial condition or results of operations.
- COAL is not aware of any seasonal aspects that had a material effect on the financial condition or results of operations.

Key Performance Indicators

COAL uses the same measures that TMEC uses to assess following measures to assess its performance from period to period.

Table 1: Key Performance Indicators of COAL	
Gross Profit Margin (%)	0
Net Income Margin (%)	0
Return on Asset (%)	-0
Return on Equity (%)	-0
Current Ratio (x)	24

Causes of major movements in financial statements

Balance Sheet Items
(June 2014 vs. June 2013)

Cash and cash equivalents-92% decreased from ₱54.04 million to ₱4.27 million

Cash and cash equivalents decreased by ₱49.73 million for exploration and pre development activities.

Advances to affiliates-100 % decreased from ₱1.6 million to nil

Advances to affiliates were collected during the period.

Funds held in escrow-25% decreased from ₱217.80 million to ₱213.45 million

The decrease of funds held in escrow by ₱4.35 million was made for exploration and development activities.

Prepayments and other current assets-2% increased from ₱5.55 million to ₱5.67 million

The increase was due to unliquidated advances of officers and employees.

Exploration and evaluation assets-9.33% increased from ₱266.55 million to ₱291.44 million

The ₱24.88 million increases in exploration and evaluation assets comprised of ₱10.36 million depreciation expenses and ₱14.52 million for exploration and development of COC areas.

Property and Equipment, net-1.5% increased from ₱296.42 million to ₱300.84 million

The increase of property and equipment pertains to acquisition of land and construction and progress.

The increase of ₱14.96 million to property and equipment pertains to acquisition of land and construction in progress and a decrease of ₱10.36 million for depreciation.

Intangible assets-25% decreased from ₱1.57 million to ₱1.17 million

The decrease is due to depreciation

Coal reserves – Nil

Deferred taxes-Nil

Trade and other payables-71% decreased from₱28.72 million to ₱8.25 million

The decrease of ₱20.47 million due to settlement of payables to suppliers.

Advances from affiliates-44% decreased from ₱1.81 million to ₱1.03million

Settlement of advances

Income tax payable-Nil

Retirement benefit liability-Nil

Equity-0.1% decreased from ₱3.944 billion to ₱3.939 billion

Capital position went down by ₱5.40 million due to net loss for the period

Quarter ended June 2014 vs. Quarter ended June 2013

Revenue/Sales-Nil

Cost of sales-Nil

General and Admin expenses-25% increased from ₱2.92 million to ₱3.64 million

Increase in rental.

Interest income-82% decreased from ₱1.70 million to ₱.30 million

The decrease of ₱1.40 million was due to diminishing balance of funds held in escrow.

Net loss-228% increased from ₱1.009 million to ₱3.31 million

Net Loss of the Company for the quarter ended June 2014 was increased due to decrease in interest income

YTD June 2014 vs. YTD June 2013

Revenue/Sales-Nil

Cost of sales-Nil

General and Admin expenses-3% decreased from ₱6.447 million to ₱6.28 million

The slight decrease was due to less personnel cost and professional fees but increase in rental expense.

Interest income-80% decreased from ₱4.35 million to ₱.85 million

The decrease of ₱3.5 million was due to decrease of balance of funds held in escrow.

Net loss-378% increased from ₱1.13 million to ₱5.4 million

Net Loss of the Company as at June 2014 was increased due to decrease in interest income

FINANCIAL CONDITION

YTD June 2014 vs. YTD June 2013

Total assets decreased to ₱3.951 billion by 30June 2014 from ₱3.956 billion as of 30June 2013. Current assets decreased from ₱478.46 million as June 30, 2013 to ₱223.38 million as of end of June 2014.

Exploration and evaluation asset increased to ₱291.44 million by June 30 2014 from ₱198.75 million as of 30 June 2013. Property and equipment increased from ₱145.28 million as of June 30, 2013 to ₱300.84 million as of 30 June 2014 due to acquisition of land, machineries and equipment and cost of infrastructure. Intangible asset balance as of 30 June 2014 of ₱1.17million posted a decrease of ₱.78million due to depreciation of computer software.

Total liabilities decreased from ₱9.56 million as of June 30, 2013 to ₱9.27 million as of June 30 2014 due to decreased in Trade and other payables from ₱9.56 million as of June 30, 2013 to ₱8.25 million as of June 30, 2014. Advances from an affiliate have a balance of ₱1.03 million.

In this interim period:

i. There are no known trends, demands, commitments, events or uncertainties that will have material impact on the issuer's liquidity.

ii. There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

iii. There are no off-balance sheet transactions, arrangements, obligations and other relationships of the company with unconsolidated or other persons created during the reporting period.

iv. There are no known trends, events, or uncertainties that have had or that are reasonably expected to have materially favorable or unfavorable impact on net revenues or income from continuing operations.

v. There are no significant elements of income and loss that did not arise from continuing operations.

ADDITIONAL REQUIREMENT (SRC Rule 68)

A schedule showing financial soundness indicators in two comparative period

CURRENT/LIQUIDITY RATIO

Current Ratio	**30-June-14**	**30-June-13**
Current Assets	223,384,384	478,461,856
Current Liabilities	9,272,947	9,560,954
Ratio	24.09	50.04

Quick Ratio	**30-June-14**	**30-June-13**
Cash+A/R+Mkt Securities	4,266,523	53,463,517
Current Liabilities	9,272,947	9,560,954
Ratio	.46	5.60

Cash Ratio	**30-June-14**	**30-June-13**
Cash+Mkt Securities	4,266,523	53,463,517
Current Liabilities	9,272,947	9,560,954
Ratio	.46	5.60

SOLVENCY RATIO

Current Liabilities to Equity Ratio	30-June-14	30-June-13
Current Liabilities	9,272,947	9,560,954
Total Equity	3,938,823,465	3,945,544,386
Ratio	0.002	0.002

Total Liabilities to Equity Ratio	30-June-14	30-June-13
Total Liabilities	12,373,372	10,904,009
Total Equity	3,938,823,465	3,945,544,386
Ratio	0.003	0.003

Fixed Assets to Equity Ratio	30-June-14	30-June-13
Fixed Assets	300,841,418	145,277,351
Total Equity	3,938,823,465	3,945,544,386
Ratio	0.08	0.04

Assets to Equity Ratio	30-June-14	30-June-13
Total Assets	3,951,196,837	3,956,448,395
Total Equity	3,938,823,465	3,945,544,386
Ratio	1.00	1.00

INTEREST COVERAGE RATIO

interest Coverage Ratio	30-June-14	30-June-13
Net Income Before Tax +Interest Exp.	(5,389,619)	(1,128,582)
Interest Expense	-	-
Ratio	0	0

PROFITABILITY RATIO

Return on Sales Ratio	30-June-14	30-June-13
Net Income After Tax	(5,389,619)	(1,128,582)
Net Sales	-	-
Ratio	0	0

Return on Assets (ROA) Ratio	30-June-14	30-June-13
Net Income After Tax	(5,389,619)	(1,128,582)
Total Assets	3,951,196,837	3,956,448,395
Ratio	-0	0

Return on Equity Ratio	30-June-14	30-June-13
Net Income After Tax	(5,389,619)	(1,128,582)
Total Equity	3,938,823,465	3,945,544,386
Ratio	0	0

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

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

June 30, 2014

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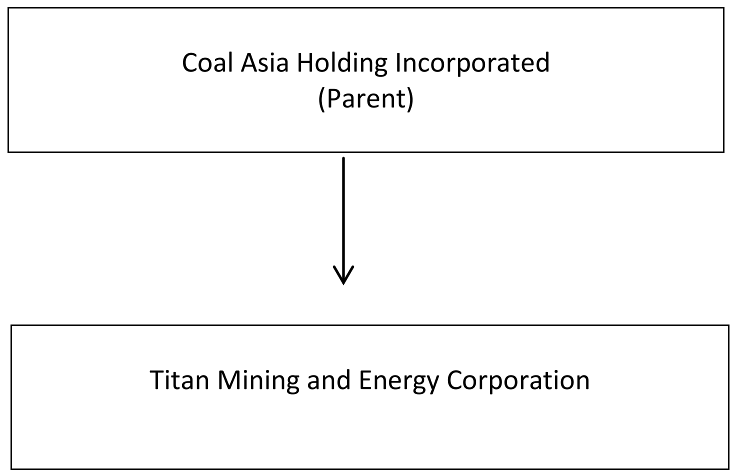
COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

CONGLOMERATE MAP

June 30, 2014



COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

Intangible Assets

JUNE 30, 2014

			Deductions			
Descriptions	*Beginning balance*	*Additions at cost*	*Charged to cost and expenses*	*Charge to other accounts*	*Other changes Additions (deductions)*	*Ending balance*
Computer software	₱1,565,104	-0- ₱392,024	₱ -0-	₱ -0-	₱1,173,080	

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

CAPITAL STOCK

JUNE 30, 2014

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

Coal Asia Holdings, Incorporated
Utilization of IPO Proceeds
As of June 30, 2014

Net Proceeds		726,868,750.00
Less Disbursements		(524,262,825.46)
Balance, June 30, 2014		202,605,924.54

Details of Disbursements:

1) Working Capital		
Q4 2012		126,868,750.00
2) Davao Oriental Project		
Exloration work		
Diamond Drilling	65,903,537.37	
Manpower	19,960,022.19	
Camp Supplies	14,747,321.24	
Others	3,924,492.96	
Mine Development Cost		
Engineering Studies & permitting	11,805,660.80	
Infrastructure	133,211,145.35	
Equipment	85,065,068.27	
Others	10,493,449.23	
Contigency	-	345,110,697.41
3) Zamboanga Sibugay Project		
Exploration work		
Diamond Drilling	35,396,723.75	
Manpower	8,399,885.55	
Camp Supplies	7,146,073.26	
Others	1,340,695.49	52,283,378.05
		524,262,825.46

By:

Rosanna T. Desiderio
Head, Accounting

Johnson A. Sanhi Jr.
Chief Operating Officer

SIGNATURE

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

Issuer: Coal Asia Holdings Incorporated
By:

Johnson A. Sanhi Jr.
President/COO
August 11, 2014

Rosanna T. Desiderio
Accounting Manager
August 11, 2014