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**SECURITIES AND EXCHANGE COMMISSION**

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SEC Registration Number

COAL ASIA HOLDINGS INCORPORATED
AND SUBSIDIARY

(Company's Full Name)

3 F J T K C CENTER 2 1 5 5 Chino Roces
Avenue, Makati City

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

Johnson A. Sanhi Jr.

(Contact Person)

818-6772

(Company Telephone Number)

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Amended Articles Number/Section

Total Amount of Borrowings

28

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

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COAL ASIA HOLDINGS INCORPORATED

SEC FORM 17-Q

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

1. For the quarterly period ended June 30, 2018
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 Not
Applicable
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

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

Yes ☒ No ☐

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

Philippine Stock Exchange — Common Shares

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes ☒ No ☐

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

Yes ☒ No ☐

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COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF JUNE 30, 2018
(With Comparative Figures as of December 31, 2017)

	Note	Unaudited June 30, 2018	Audited December 31, 2017
ASSETS			
Current Assets			
Cash and cash equivalents	5	₱23,353,944	₱30,954,930
Advances to related parties	16	1,877,792	1,555,438
Funds held in escrow	6	645,575	5,628,653
Other current assets	7	1,124,955	4,749,308
Total Current Assets		27,002,266	42,888,329
Noncurrent Assets			
Coal reserves	4	3,131,596,101	3,131,596,101
Exploration and evaluation asset	8	561,967,520	534,956,340
Property and equipment	9	201,185,702	222,560,983
Net deferred tax assets	19	12,541,560	12,541,560
Other noncurrent asset	7	2,719,464	2,719,464
Total Noncurrent Assets		3,910,010,347	3,904,374,448
		₱3,937,012,613	₱3,947,262,777
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	11	₱8,881,907	₱9,713,412
Current portion of loan payable	12	965,121	5,629,445
Advances from related parties	16	30,025,377	30,025,377
Income tax payable		—	17,687
Total Current Liabilities		39,872,405	45,385,921
Noncurrent Liabilities			
Retirement benefits liability	15	4,219,642	4,219,642
Total Noncurrent Liabilities		4,219,642	4,219,642
Total Liabilities		44,092,047	49,605,563
Equity			
Capital stock		4,000,000,004	4,000,000,004
Deficit		(107,244,754)	(102,508,106)
Other equity reserve	15	165,316	165,316
Total Equity		3,892,920,566	3,897,657,214
		₱3,937,012,613	₱3,947,262,777

See accompanying Notes to Consolidated Financial Statements.

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2018
(With Comparative Figures for the Year Ended December 31, 2017)

		Unaudited	Audited
	Note	June 30, 2018	December 31, 2017
GENERAL AND ADMINISTRATIVE EXPENSES	13	(P4,918,250)	(P9,907,962)
INTEREST INCOME	5	294,203	295,135
INTEREST EXPENSE	12	(112,601)	(999,139)
OTHER INCOME	21	—	884,366
LOSS BEFORE INCOME TAX		(4,736,648)	(9,727,600)
PROVISION FOR (BENEFIT FROM) INCOME TAX	19		
Current		—	17,687
Deferred		—	(1,768,672)
		—	(1,750,985)
NET LOSS		(4,736,648)	(7,976,615)
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Not to be reclassified to profit or loss in subsequent periods</i>			
Remeasurement gain (loss) on retirement benefits liability - net of deferred tax	15	—	—
TOTAL COMPREHENSIVE LOSS		(P4,736,648)	(P7,976,615)
BASIC/DILUTED LOSS PER SHARE	20	(P0.00)	(P0.00)

See accompanying Notes to Consolidated Financial Statements.

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2018
(With Comparative Figures for the Six Months Ended June 30, 2017)

		Unaudited June 30	
	Note	2018	2017
GENERAL AND ADMINISTRATIVE EXPENSES	13	(P4,918,250)	(P6,745,544)
INTEREST INCOME	5	294,203	162,784
INTEREST EXPENSE	12	(112,601)	(631,493)
OTHER INCOME	21	—	495,126
LOSS BEFORE INCOME TAX		(4,736,648)	(6,719,127)
PROVISION FOR (BENEFIT FROM) INCOME TAX	19		
Current		—	—
Deferred		—	—
		—	—
NET LOSS		(4,736,648)	(6,719,127)
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Not to be reclassified to profit or loss in subsequent periods</i>			
Remeasurement gain (loss) on retirement benefits liability - net of deferred tax	15	—	—
TOTAL COMPREHENSIVE LOSS		(P4,736,648)	(P6,719,127)
BASIC/DILUTED LOSS PER SHARE	20	(P0.00)	(P0.00)

See accompanying Notes to Consolidated Financial Statements

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 2018
(With Comparative Figures for the Three Months Ended June 30, 2017)

		Unaudited June 30	
	Note	2018	2017
GENERAL AND ADMINISTRATIVE EXPENSES	13	(P1,828,029)	(P3,455,156)
INTEREST INCOME	5	279,983	70,587
INTEREST EXPENSE	12	(46,136)	(286,876)
OTHER INCOME	21	—	—
LOSS BEFORE INCOME TAX		(1,594,182)	(3,671,445)
PROVISION FOR (BENEFIT FROM) INCOME TAX	19		
Current		—	—
Deferred		—	—
NET LOSS		(1,594,182)	(3,671,445)
OTHER COMPREHENSIVE INCOME (LOSS)			
Not to be reclassified to profit or loss in subsequent periods			
Remeasurement gain (loss) on retirement benefits liability - net of deferred tax	15	—	—
TOTAL COMPREHENSIVE LOSS		(P1,594,182)	(P3,671,445)
BASIC/DILUTED LOSS PER SHARE	20	(P0.00)	(P0.00)

See accompanying Notes to Consolidated Financial Statements.

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

FOR THE SIX MONTHS ENDED JUNE 30, 2018
(With Comparative Figures for the Year Ended December 31, 2017)

		Unaudited	Audited
	Note	June 30, 2018	December 31, 2017
CAPITAL STOCK - 1 par value			
Authorized - 5,000,000,000 shares			
Issued and outstanding - 4,000,000,004 shares			
		₱4,000,000,004	₱4,000,000,004
DEFICIT			
Balances at beginning of year		(102,508,106)	(94,531,491)
Net loss		(4,736,648)	(7,976,615)
Balances at end of year		(107,244,754)	(102,508,106)
OTHER COMPREHENSIVE INCOME (LOSS)			
Balances at beginning of year	15	165,316	165,316
Remeasurement gain (loss) on retirement benefits liability		—	—
Balances at end of year		165,316	165,316
		₱3,892,920,566	₱3,897,657,214

See accompanying Notes to Consolidated Financial Statements

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

FOR THE SIX MONTHS ENDED JUNE 30, 2018
(With Comparative Figures for the Six Months Ended June 30, 2017)

	Unaudited June 30	
	2018	2017
CAPITAL STOCK – ₱1 par value		
Authorized – 5,000,000,000 shares		
Issued and outstanding – 4,000,000,004 shares	₱4,000,000,004	₱4,000,000,004
DEFICIT		
Balances at beginning of year	(102,508,106)	(94,531,491)
Net loss	(4,736,648)	(6,719,127)
Balances at end of year	(107,244,754)	(101,250,618)
OTHER COMPREHENSIVE INCOME (LOSS)		
Balances at beginning of year	165,316	165,316
Remeasurement gain (loss) on retirement benefit liability	–	–
Balances at end of year	165,316	165,316
	₱ 3,892,920,566	₱ 3,898,914,702

See accompanying Notes to Consolidated Financial Statements.

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2018
(With Comparative Figures for the Six Months Ended June 30, 2017)

		Unaudited June 30	
	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		(4,736,648)	(6,719,127)
Adjustments for:			
Interest expense	12	112,601	631,493
Interest income	5	(294,203)	(162,784)
Depreciation and amortization	9	43,696	116,725
Retirement benefits cost (income)	15	—	—
Provision for unrecoverable input VAT	7	60,000	66,960
Operating loss before change in working capital		(4,814,554)	(6,066,733)
Decrease (increase) in:			
Funds held in escrow		4,983,078	16,839,996
Other current assets		3,564,353	(1,924,629)
Restricted cash		—	—
Increase (decrease) in trade and other payables		(831,505)	(787,639)
Net cash generated from (used for) operations		2,901,372	8,060,995
Interest paid		(112,601)	(631,493)
Income tax paid		(17,687)	(121,749)
Interest received		294,203	162,784
Net cash provided by (used in) operating activities		3,065,287	7,470,537
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to exploration and evaluation asset		(5,679,595)	(4,316,356)
Collections (advances) to related parties		(322,354)	836,223
Net cash used in investing activities		(6,001,949)	(3,480,133)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of loan	12	(4,664,324)	(5,151,991)
Net cash provided by (used in) financing activities		(4,664,324)	(5,151,991)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(7,600,986)	(1,161,587)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		30,954,930	6,906,425
CASH AND CASH EQUIVALENTS AT END OF YEAR		23,353,944	5,744,838
NONCASH FINANCIAL INFORMATION			
Additions to exploration and evaluation asset	8	21,331,582	21,781,837

See accompanying Notes to Consolidated Financial Statements

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

General Information

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

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

On October 23, 2012, the Parent Company became a publicly listed company. As at December 31, 2017 and 2016, 4,000,000,004 common shares of the Parent Company at ₱1 par value are listed in the Philippine Stock Exchange (PSE). Of those shares, 19.99% are publicly-owned as at December 31, 2017 and 2016.

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

Status of Operations

As at June 30, 2018, the Group has two Coal Operating Contracts (COC) located in Davao Oriental (COC No. 159) and Zamboanga Sibugay (COC No. 166). The Group has applied for a change in status of the COCs from exploration and evaluation stage to development and production stage.

COC No. 159. On May 19, 2017, the National Commission on Indigenous People (NCIP) reiterated its recommendation to undergo the free, prior and informed consent process before the issuance of Certificate of Non-overlap (CNO) on certain areas covered by the COC which are within an ancestral domain. The CNO is the final requirement for the conversion of COC No. 159. The Group maintained its position that the areas were covered by titled properties and were lawfully acquired by the Group.

On April 4, 2017, the Group discussed with the Department of Energy (DOE) the delineation of the development and production area covered by certificates of land title and requested for the conversion of these areas to development and production phase. To facilitate the evaluation, the DOE requested certain documents including the Revised Feasibility Study, Mine Development Plan and Copies of Land Titles. The Group submitted all the requirements to the DOE on October 19, 2017. As at report date, the conversion of the title properties to development and production phase is pending approval of the DOE.

COC No. 166. In 2017, the Group has submitted all the requirements for the conversion to the DOE. As at report date, the conversion is still subject to the approval of the DOE.

The significant delays in the conversion of the COCs to development and production phase have significantly reduced the Group's operating funds. Remaining balance of funds held in escrow, representing unutilized portion of proceeds from the Parent Company's IPO amounted to ₱.7 million and ₱5.6 million as at June 30, 2018 and December 31, 2017, respectively. These conditions indicate a material uncertainty that may cast a significant doubt on the Group's ability to commence commercial operations and continue as a going concern.

The Group's management, however, are confident that the conversion to development and production stage of areas covered by the COCs will be approved by the DOE.

Moreover, stockholders have committed to provide continuous financial support to meet not only the Group's pre-operating activities but also the start-up of the development and production phase when these COCs are approved.

2. Summary of Significant Accounting and Reporting Policies

Basis of Preparation

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

Measurement Bases

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

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

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

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

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

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

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

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

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

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

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

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

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

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Group adopted effective for annual periods beginning on or after January 1, 2017:

- Amendments to PAS 7, *Statement of Cash Flows - Disclosure Initiative* – The amendments require entities to provide information that enable the users of financial statements to evaluate changes in liabilities arising from their financing activities.
- Amendments to PAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses* – The amendments clarify the accounting for deferred tax assets related to unrealized losses on debt instruments measured at fair value, to address diversity in practice.

- Amendment to PFRS 12, *Disclosures of Interests in Other Entities - Clarification of the Scope of the Standard* – The amendment is part of the Annual Improvements to PFRS 2014-2016 Cycle and clarifies that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

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

New and Amended PFRS in Issue But Not Yet Effective

Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2017 and have not been applied in preparing the consolidated financial statements are summarized below.

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

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

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

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

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

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

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

- PFRS 15, *Revenue from Contract with Customers* – The new standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue* and related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).

- Amendment to PFRS 15, *Revenue from Contract with Customers* - Clarification to PFRS 15 – The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

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

- PFRS 16, *Leases* - Significant change introduced by the new standard is that almost all leases will be brought onto lessees' balance sheets under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.
- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides requirements in addition to those set in PAS 12, *Income Taxes* by specifying how to determine the accounting tax position when there is uncertainty over tax treatments. It requires an entity to (a) determine whether uncertain tax positions are assessed separately or as a group, and (b) assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings. If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. Otherwise, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

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

Basis of Consolidation

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

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

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

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

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

Financial Assets and Financial Liabilities

Financial assets and financial liabilities are accounted for as follows:

a. Recognition

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

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

b. Classification

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

As at December 31, 2017 and 2016, the Group does not have financial assets and liabilities at FVPL, AFS financial assets and HTM investments.

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

The Group has classified its cash and cash equivalents, advances to related parties, time deposit included in funds held in escrow, receivable from an officer, receivables from incidental sale of coal and other receivables presented under "Other current assets" account and restricted cash presented as "Other noncurrent asset" account under this category.

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

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

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

c. Impairment of Financial Assets

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

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

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

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

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

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

d. Derecognition

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

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

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

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

e. Offsetting

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

Other Current Assets

Other current assets include input value-added tax (VAT), advances to officers and employees and prepayments.

Input VAT. Input VAT represents tax imposed on the Group by its suppliers for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is recognized as an asset and will be used to offset the Group's current VAT liability. Input VAT is stated at net realizable value (NRV).

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

Advances to Officers and Employees. Advances to officers and employees pertain to expenses paid by the Group on behalf of its officers and employees. These are initially recorded at transaction price and subsequently measured at the undiscounted amount of cash or other considerations expected to be received.

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

Exploration and Evaluation Asset

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

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

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

Exploration and evaluation activity includes:

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

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

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

No amortization was charged during the exploration and evaluation phase.

Property and Equipment

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

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

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

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

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

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

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

Fully depreciated assets are retained in the accounts until these are no longer in use and no further change for depreciation is made in respect of these assets.

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

Intangible Asset

Intangible asset is 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 computer software is amortized on a straight-line basis over three years.

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 asset with finite useful lives are recognized as part of current and future operations.

Impairment of Nonfinancial Assets

The nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount exceeds its estimated recoverable amounts, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount of the asset is the higher of an asset's fair value less cost of disposal or value in use. In assessing value in use, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statement of comprehensive income.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. However, that increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation and amortization charge is adjusted in future years to allocate the asset's revised carrying amount, on a systematic basis over its remaining useful life.

Exploration and Evaluation Assets. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. One or more of the following facts and circumstances indicate that exploration and evaluation assets require impairment test:

- a. the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future and is not expected to be renewed.
- b. substantive expenditure on further exploration for and evaluation of coal reserves in the specific area is neither budgeted nor planned.
- c. exploration for and evaluation of coal reserves in the specific area have not led to the discovery of commercially viable qualities of coal reserves and the entity has decided to discontinue such activities in the specific area.
- d. sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Capital Stock

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

Deficit

Deficit represents the cumulative balance of net losses.

Revenue Recognition

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

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

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

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

Cost and Expense Recognition

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

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

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

Operating Leases

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

Employee Benefits

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

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

Retirement Benefits Cost. The retirement benefits 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 and income, gains and losses on curtailments and non-routine settlements; and interest expense in profit or loss. Net interest is calculated by applying the discount rate to the net retirement liability or asset.

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

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

Income Tax

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

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

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

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

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

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

Related Parties

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

Basic and Diluted Loss Per Share

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

Segment Reporting

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

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

Provisions and Contingencies

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

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

Events After the Reporting Date

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

3. Significant Accounting Judgment, Accounting Estimate and Assumptions

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. Judgment 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.

While the Group has assessed that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Changes in accounting estimates are recognized in the period in which the estimate is revised if the change affects only that period or in the period of the change and future periods if the revision affects both current and future periods.

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

Determination of Operating Segments. Determination of operating segments is based on the information about components of the Group that management uses to make decisions about the operating matters. Operating segments use internal reports that are regularly reviewed by the Group's chief operating decision maker. The Group is organized into one reportable segment which is related to coal mining operations. All significant operating decisions are based upon the analysis of the Group as one segment. Accordingly, the financial information about the sole business segment is equivalent to the consolidated financial statements of the Group.

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

Rent expense amounted to ₱0.4 million, ₱0.3 in June 30, 2018 and 2017, respectively (see Note 21).

Determination of Impairment Loss on Receivable from an Officer, Receivables from Incidental Sale of Coal and Advances to Related parties. The Group maintains provision for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables. The level of this provision is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, significant financial difficulties or bankruptcy and known market factors. The Group identifies and provides for specific accounts that are doubtful of collection and reviews the age and status of the remaining receivables and establishes a provision considering, among others, historical collection and write-off experience.

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, 2018 and December 31, 2017, exploration and evaluation asset amounted to ₱562.0 million and ₱535.0 million, respectively (see Note 8).

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

Based on management's assessment, there is no change in estimated useful lives of property and equipment and intangible asset in June 30, 2018. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

Depreciation and amortization amounted to ₱21.4 million and ₱44.4 million in June 30, 2018 and December 31, 2017, respectively. As at June 30, 2018 and December 31, 2017, depreciable property and equipment, net of accumulated depreciation, amounted to ₱201.2 million and ₱222.6 million, respectively (see Note 9).

The carrying amount of intangible asset is nil as at June 30, 2018 (see Note 10).

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

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

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

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

The carrying amount of coal reserves amounted to ₱3,131.6 million as at June 30, 2018 (see Note 4).

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

- Significant underperformance of a business in relation to expectations;
- Significant negative industry or economic trends;
- Significant changes or planned changes in the use of the assets;
- Significant changes in the estimation of coal reserves;
- Expiration of the right to explore the areas;
- Significant unbudgeted or unplanned expenditures for exploration and evaluation; and
- Management's decision to discontinue activities in specific areas.

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

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

Allowance for unrecoverable input VAT amounted to ₱1.9 million and ₱1.8 million as at June 30, 2018 and December 31, 2017, respectively. The carrying amount of input VAT is nil as at June 30, 2018 (see Note 7).

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

No retirement benefits cost (income) recognized during the period.

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.

The Group did not recognize deferred tax assets amounting to P3.4 million as at June 30, 2018 and December 31, 2017, as management has assessed that the Group may not be able to utilize these deductible temporary differences against future taxable income. As at June 30, 2018 and December 31, 2017, the Group recognized deferred tax assets, net of unrecognized deferred tax, amounting to P13.9 (see Note 19).

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

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

4. Coal Reserves

The Parent Company acquired TMEC in 2012 (see Note 1) in exchange for Parent Company's common shares valued at P3,200.0 million. The Parent Company recognized the portion of consideration amounting to P3,131.6 million as coal reserves.

In 2017, the Group carried out a review of the recoverable amount of its coal reserves, exploration and evaluation assets, property and equipment, and intangible assets. The impairment test is based on value in use calculations using discounted cash flow approach from the Group's operations.

The key assumptions used to determine the value in use of the nonfinancial assets are as follows:

	2017
Coal price	\$55/MT
Foreign exchange rate	P49.93:\$1
Discount rate	12.60%
Estimated coal reserves	7.3 MMT

The cash flow projections are based on the most recent feasibility study approved by the senior management and submitted to the DOE. The values assigned to each key assumption are estimated with reference to recent external market information.

Average forecast period for COC No. 159 and COC No. 166 is at 9 years and 5 years, respectively. The average forecast period for COC No. 159 is greater than 5 years as the management can reliably estimate the cash flow for the entire duration. The terminal value was computed based on a zero-growth assumption for forecasts beyond the average forecast period.

Based on the impairment test performed, management assessed that the recoverable amounts of the coal reserves and other nonfinancial assets exceed its carrying amount. Management also believes that no reasonably possible change in any of the key assumptions would cause the carrying amounts of the nonfinancial assets to materially exceed their respective recoverable amounts.

In 2012, the Group obtained an independent valuation report to estimate the value of TMEC's coal reserves in accordance with the PSE Guidelines for Fairness Opinions and Valuation Reports. The valuation was determined using the discounted cash flow approach based on assumptions and information secured from the Competent Persons Reports on the Davao Oriental and Zamboanga Sibugay Projects and available market information.

The independent valuation determined the value of the Group's coal reserves at ₱12.5 billion.

5. Cash and Cash Equivalents

This account consists of:

	June 30, 2018	December 31, 2017
Cash on hand	₱14,264	₱126,720
Cash in banks	3,363,422	828,210
Cash equivalents	19,976,259	30,000,000
	₱23,353,944	₱30,954,930

Cash in banks earn interest at the prevailing market interest rates.

Cash equivalents refer to a two-month time deposit in a local bank which earns interest of 2.5% annually.

6. Funds Held in Escrow

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

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

	June 30, 2018	December 31, 2017
Assets:		
Time certificates of deposit - other bank	P-	P5,074,581
Time certificates of deposit - own bank	645,570	554,067
Other assets	5	5
	645,575	5,628,653
Equity:		
Principal	(12,738,580)	(7,738,580)
Net accumulated income	13,384,155	13,367,233
	P645,575	P5,628,653

Net withdrawals of principal from the fund held in escrow amounted to P5.0 million and P32.5 million in June 30, 2018 and December 31, 2017, respectively.

Interest income earned amounted to P0.01 million and P0.09 million in June 30, 2018 and 2017, respectively.

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

7. Other Current and Noncurrent Assets

This account consists of:

	June 30, 2018	December 31, 2017
Current:		
Receivable from an officer	-	4,274,551
Input VAT	1,864,218	1,804,218
Receivables from incidental sale of coal	150,728	150,728
Advances to officers and employees	130,073	91,570
Prepayments	28,256	60,049
Other receivables	797,897	172,410
	2,971,173	6,553,526
Less allowance for unrecoverable input VAT	(1,846,218)	(1,804,218)
	1,124,955	4,749,308
Noncurrent -		
Restricted cash	2,719,464	2,719,464

Receivable from an officer pertains to the advances made for business purposes.

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

The input VAT is fully provided with allowance for unrecoverability in June 30, 2018. Management has assessed that the Group will not be able to utilize its input VAT.

Movements in allowance for unrecoverable input VAT are as follow:

	Note	June 30, 2018	December 31, 2017
Balance at beginning of year		₱1,804,218	₱1,701,258
Provision	13	60,000	102,960
Balance at end of year		₱1,864,218	₱1,804,218

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

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

8. Exploration and Evaluation Asset

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

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

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

Balances and movements of this account are as follows:

	June 30, 2018	December 31, 2017
Balances at beginning of year	₱534,956,340	₱480,756,581
Additions	27,011,180	54,199,759
Balances at end of period	₱ 561,967,520	₱534,956,340

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

	Note	June 30, 2018	December 31, 2017
Depreciation and amortization	9	P21,331,585	P43,986,526
Personnel costs	14	2,668,203	6,687,748
Professional fees		—	2,149,854
Utilities		—	121,615
Others		3,011,392	1,254,016
		P 27,011,180	P54,199,759

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

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

	Note	June 30, 2018	December 31, 2017
Depreciation and amortization	9	P21,331,585	P43,986,526
Retirement benefits cost (income)	15	—	390,509
		P21,331,585	P44,377,035

The financial information as at and for the period ended June 30, 2018 and 2017 from the exploration and evaluation of coal resources are as follows:

	June 30, 2018	June 30, 2017
Total assets	P 784,343,107	P768,137,340
Total liabilities	565,151,977	45,419,693
Other income (from incidental sales)	—	495,126
Expenses	3,395,422	4,595,386
Net cash used in operating activities	958,388	6,195,617
Net cash used in investing activities	5,679,597	4,316,354
Net cash provided by financing activities	9,335,676	9,209,668

Based on the review of the recoverable amount of the Group's nonfinancial assets, management determined that there are no impairment losses in exploration and evaluation asset (see Note 4).

9. Property and Equipment

Balances and movements of this account are as follows:

June 30, 2018											
Cost	Land	Survey Equipment and					Laboratory and Testing Equipment	Transportation Equipment	Office Furniture and Equipment	Construction in Progress	Total
		Drilling Equipment	Land Improvements	Camp Buildings	Machineries	Equipment					
Balances at beginning of year	18,139,580	194,212,031	139,921,695	25,429,304	3,264,334	12,606,310	9,794,774	1,818,835	-	-	405,186,863
Additions	-	-	-	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-	-	-	-
Balances at end of year	18,139,580	194,212,031	139,921,695	25,429,304	3,264,334	12,606,310	9,794,774	1,818,835	-	-	405,186,863
Accumulated Depreciation	-	-	-	-	-	-	-	-	-	-	-
Balances at beginning of year	-	112,776,964	39,044,795	7,416,882	2,589,226	9,273,119	9,779,534	1,745,360	-	-	182,625,880
Depreciation	-	12,193,656	6,631,960	1,271,466	208,905	1,025,596	15,240	28,458	-	-	21,375,281
Balances at end of period	-	124,970,620	45,676,755	8,688,348	2,798,131	10,298,715	9,794,774	1,773,818	-	-	204,001,161
Carrying Amount	18,139,580	69,241,411	94,244,940	16,740,956	466,203	2,307,595	-	45,017	-	-	201,185,702
December 31, 2017											
Cost	Land	Survey Equipment and					Laboratory and Testing Equipment	Transportation Equipment	Office Furniture and Equipment	Construction in Progress	Total
		Drilling Equipment	Land Improvements	Camp Buildings	Machineries	Equipment					
Balances at beginning of year	18,139,580	194,212,031	132,639,195	25,429,304	3,264,334	12,606,310	9,794,774	1,818,835	1,837,481	-	399,741,844
Additions	-	-	5,445,019	-	-	-	-	-	-	-	5,445,019
Reclassification	-	-	1,837,481	-	-	-	-	-	(1,837,481)	-	-
Balances at end of year	18,139,580	194,212,031	139,921,695	25,429,304	3,264,334	12,606,310	9,794,774	1,818,835	-	-	405,186,863
Accumulated Depreciation	-	-	-	-	-	-	-	-	-	-	-
Balances at beginning of year	-	88,389,653	25,285,962	4,873,950	2,171,423	7,221,926	8,859,640	1,614,626	-	-	138,417,180
Depreciation	-	24,387,311	13,758,833	2,542,932	417,803	2,051,193	919,894	130,734	-	-	44,208,700
Balances at end of year	-	112,776,964	39,044,795	7,416,882	2,589,226	9,273,119	9,779,534	1,745,360	-	-	182,625,880
Carrying Amount	18,139,580	169,824,720	126,162,862	22,886,372	3,264,334	10,555,117	8,874,880	1,689,109	-	-	360,000,000

Details of depreciation and amortization are as follows:

	Note	June 30, 2018	December 31, 2017
Property and equipment		P21,375,281	P44,208,700
Intangible asset	10	–	–
		P21,375,281	P44,208,700

Depreciation and amortization are charged as follows:

	Note	June 30, 2018	December 31, 2017
Exploration and evaluation asset	8	P21,331,582	P43,986,526
General and administrative expenses	13	43,699	222,174
		P21,375,281	P44,208,700

Certain equipment with an aggregate carrying amount of P8.6 million and P12.4 million as at June 30, 2018 and December 31, 2017, respectively, were used as collateral for the loan (see Note 12).

Based on the review of the recoverable amount of the Group's nonfinancial assets, management determined that there are no impairment losses in property and equipment (see Note 4).

10. Intangible Asset

Balance and movement of this account are as follows:

	Note	June 30, 2018	December 31, 2017
Cost		P2,352,148	P2,352,148
Accumulated Amortization			
Balance at beginning of year		2,352,148	2,352,148
Amortization	9	–	–
Balance at end of year		2,352,148	2,352,148
Carrying Amount		P–	P–

Intangible asset pertains to computer software used in the exploration of coal reserves.

11. Trade and Other Payables

This account consists of:

	June 30, 2018	December 31, 2017
Trade	₱8,192,389	₱8,258,189
Accrued expenses	553,964	1,250,885
Withholding taxes payable	113,835	164,078
Other statutory payables	21,719	40,260
	₱ 8,881,907	₱9,713,412

Trade payables are noninterest-bearing and are due and demandable.

Accrued expenses pertain to accruals for security and janitorial services and interest which are expected to be settled within one year.

Other statutory payables pertain to the payable to other government agencies which are normally settled in the following month.

12. Loan Payable

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

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

The loan payable is presented as follows:

	June 30, 2018	December 31, 2017
Current	₱965,121	₱5,629,445
Noncurrent	—	—
	₱965,121	₱5,629,445

Interest expense amounted to ₱0.1 million and ₱0.3 million in June 30, 2018 and 2017, respectively.

Certain equipment with an aggregate carrying amount of ₱8.6 million and ₱12.4 million as at June 30, 2018 and December 31, 2017, respectively, were used as collateral for the loan (see Note 9).

The loan is subject to certain covenants, such as non-availing of other loan facilities, among others. The Group is in compliance with all of its loan covenants as at June 30, 2018.

Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes:

	2017	Financing Cash Flows	Fair Value Adjustments	Non-cash Changes		June 30, 2018
				Foreign Exchange Changes	Other Changes	
Advances from related parties	₱30,025,377	₱—	₱—	₱—	₱—	₱30,025,377
Loan payable	5,629,445	(4,664,324)	—	—	—	965,121
	₱35,654,822	₱4664,324)	₱—	₱—	₱—	₱30,990,498

13. General and Administrative Expenses

This account consists of:

	Note	June 30, 2018	December 31, 2017
Personnel costs	14	₱1,826,315	₱4,238,912
Professional fees		895,888	2,170,319
Rental	21	379,042	758,095
Transportation and communication		146,211	507,256
Taxes and licenses		98,021	315,999
Listing fee		256,720	258,000
Depreciation and amortization	9	43,699	222,174
Safekeeping fee		48,000	208,700
Outside services		82,008	205,016
Representation and entertainment		465,141	106,721
Provision for unrecoverable input VAT	7	60,000	102,960
Insurance		40,156	93,777
Repairs and maintenance		45,331	83,022
Seminar and membership fees		36,000	36,000
Directors fee		—	25,000
Office supplies		10,675	11,623
Others		485,043	564,388
		₱4,918,250	₱9,907,962

14. Personnel Costs

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

	Note	June 30, 2018	December 31, 2017
Salaries and wages		₱ 2,607,256	₱6,171,320
Retirement benefits cost (income)	15	—	390,509
Employee benefits		60,947	125,919
		₱2,668,203	₱6,687,748

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

	Note	June 30, 2018	December 31, 2017
Salaries and wages		₱1,733,046	₱3,973,762
Retirement benefits cost (income)	15	–	(222,663)
Employee benefits		93,269	138,036
		₱1,826,315	₱3,889,135

15. Retirement Benefits Liability

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

The following tables summarize the components of the retirement benefits cost recognized in 2017 and the retirement benefits liability as at December 31, 2017.

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

	2017
Current service cost	₱324,984
Interest cost	194,039
Past service income	–
	₱519,023

Retirement benefits costs (income) are charged as follows:

	Note	2017
Exploration and evaluation asset	8	₱390,509
General and administrative expenses	14	128,514
		₱519,023

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

	2017
Balance at beginning of year	₱3,700,619
Current service cost	324,984
Interest cost	194,039
Past service income	–
Remeasurement (gains) losses:	
Experience adjustments	–
Change in assumptions	–
Balance at end of year	₱4,219,642

The cumulative remeasurement loss (gain) recognized as other comprehensive loss as at December 31, 2017 as follows:

2017

	Cumulative Remeasurement Gain	Deferred Tax	Net
Balances at beginning and end of year	(P236,166)	(P70,850)	(P165,316)

The principal actuarial assumptions used to determine the retirement benefits cost as at December 31, 2017 and 2016 are as follows:

	2017
Discount rate	5.24%
Salary increase rate	8.00%

Sensitivity analysis on retirement benefits liability as at December 31, 2017 is as follows:

	Change in Assumption	Effect on defined benefit liability
Discount rate	(1.00%)	P139,969
	1.00%	(116,246)
Salary increase rate	1.00%	17,990
	(1.00%)	(17,990)

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

The table below shows the 10-year maturity analysis of expected future benefit payments:

	Expected Benefit Payments
More than one year to five years	P1,167,797
More than five years to ten years	2,238,734

The weighted average duration of the retirement benefits liability is 13.4 years as at December 31, 2017.

16. Related Party Transactions

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

	Nature of Transactions	Amount of Transactions		Outstanding Balances	
		June 30, 2018	December 31, 2017	June 30, 2018	December 31, 2017
Advances to related parties -					
Entities under Common Ownership	Advances for working capital	P 322,354	P2,653,141	P 1,877,792	P1,555,438
Advances from related parties:					
Stockholders	Advances for working capital	P-	P30,000,000	P30,000,000	P30,000,000
Entities under Common Ownership	Advances for working capital	-	-	25,377	25,377
		P-	P30,000,000	P30,025,377	P30,025,377
Trade payables -					

Entities under Common Ownership	Rental	P 379,042	P758,095	P-	P-
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Advances to/from related parties are unsecured, noninterest-bearing, generally settled in cash and due on demand. No impairment loss on advances to related parties was recognized in June 30, 2018 and December 31, 2017.

Trade payables to related parties are unsecured, noninterest-bearing, generally settled in cash and are due and demandable.

The advances of the Parent Company to TMEC amounting to P551.4 million and P537.4 million as at June 30, 2018 and December 31, 2017, respectively, were eliminated during consolidation. No impairment loss on these advances was recognized in the period.

17. Financial Assets and Liabilities

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

Financial Risk Management Objectives and Policies

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

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

The following tables summarize the credit quality of the Group's financial assets as at June 30, 2018 and December 31, 2017:

June 30, 2018					
High Grade		Standard Grade	Past Due but not Impaired	Neither Past Due nor Impaired	
				Impaired	Total
Loans and receivables:					
Cash and cash equivalents*	P 23,339,681	P-	P-	P-	P 23,339,681
Advances to related parties	1,877,792	-	-	-	1,877,792
Funds held in escrow	645,575	-	-	-	645,575
Receivable from an officer**	130,073	-	-	-	130,073
Receivables from incidental sale of coal**	150,728	-	-	-	150,728
Other receivables**	-	815,897	-	-	815,897
Restricted cash***	2,719,464	-	-	-	2,719,464
	P 28,863,314	P 815,897	P-	P-	P 29,679,210

December 31, 2017					
High Grade		Standard Grade	Past Due but not Impaired	Neither Past Due nor Impaired	
				Impaired	Total
Loans and receivables:					
Cash and cash equivalents*	P30,828,210	P-	P-	P-	P30,828,210
Advances to related parties	1,555,438	-	-	-	1,555,438
Funds held in escrow	5,628,653	-	-	-	5,628,653
Receivable from an officer**	4,274,551	-	-	-	4,274,551
Receivables from incidental sale of coal**	150,728	-	-	-	150,728
Other receivables**	-	172,410	-	-	172,410

Restricted cash***	2,719,464	–	–	–	2,719,464
	P45,157,044	P172,410	P–	P–	P45,329,454

*Excluding cash on hand amounting to P0.01 million and P0.10 million as at June 30, 2018 and December 31, 2017, respectively

** Presented under "Other current assets" account

*** Presented under "Other noncurrent asset" account

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

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

The table below summarizes the maturity profile of the financial liabilities of the Group based on remaining contractual undiscounted cash flows as at June 30, 2018 and December 31, 2017:

	June 30, 2018			
	On Demand	Within 1 Year	Over 1 Year	Total
Other financial liabilities at amortized cost:				
Trade and other payables*	P 8,693,128	P–	P–	P 8,693,128
Advances from related parties	30,025,377	–	–	30,025,377
Loan payable**	–	975,857	–	975,857
	P 38,718,505	P965,121	P–	P 39,694,362

*Excluding statutory payables amounting to P0.1 million as at June 30, 2018

**Including future interest payments

	2017			
	On Demand	Within 1 Year	Over 1 Year	Total
Other financial liabilities at amortized cost:				
Trade and other payables*	P9,509,074	P–	P–	P9,509,074
Advances from related parties	30,025,377	–	–	30,025,377
Loan payable**	–	5,783,484	–	5,783,484
	P39,534,451	P5,783,484	P–	P45,317,935

*Excluding statutory payables amounting to P0.2 million as at December 31, 2017

**Including future interest payments

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

Capital Management

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

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

In determining reasonable leverage, the Group evaluates its cost of capital and manages its level of debt to maintain an optimal cost of capital based in current conditions. The Group considers its equity, excluding other equity reserve, as capital amounting to P3,892.9 million and P3,897.7 million as at June 30, 2018 and December 31, 2017, respectively.

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

18. Fair Value Measurement of Financial Instruments

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

	June 30, 2018	December 31, 2017
Financial Assets		
Loans and receivables:		
Cash and cash equivalents	₱23,339,681	₱30,954,930
Advances to related parties	1,877,792	1,555,438
Funds held in escrow	645,575	5,628,653
Receivable from an officer	130,073	4,274,551
Receivables from incidental sale of coal	150,728	150,728
Other receivables	815,897	172,410
Restricted cash	2,719,464	2,719,464
	₱29,679,210	₱45,456,174
Financial Liabilities		
Other financial liabilities at amortized cost:		
Trade and other payables*	₱ 8,693,128	₱9,509,074
Advances from related parties	30,025,377	30,025,377
	₱ 38,718,505	₱39,534,451

*Excluding statutory payables amounting to ₱0.1 and ₱0.2 million as at June 30, 2018 and December 31, 2017, respectively.

Presented below is a comparison of carrying amounts and fair values of loan payable as at June 30, 2018 and December 31, 2017.

	June 30, 2018		December 31, 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities				
Other financial liabilities at amortized cost -				
Loan payable	₱965,121	₱965,121	₱5,629,445	₱5,629,445

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

Loan Payable. The fair value of the Group's loan payable was determined by discounting the sum of all future cash flows using prevailing market interest rates for instruments with similar maturities. The discount rate used was 3.9% in 2016. The fair value was determined using significant observable inputs (Level 2 of the fair value hierarchy).

Other Current Financial Assets and Liabilities. The carrying amounts of cash and cash equivalents,

advances to related parties, time deposit included in funds held in escrow, receivable from an officer, restricted cash, receivables from incidental sale of coal, other receivables, trade and other payables (excluding statutory payables) and advances from related parties approximate their fair values due to the short-term nature of these financial instruments.

19. Income Taxes

TMEC is entitled to the following incentives under the COC:

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

20. Basic and Diluted Loss Per Share

Basic and diluted loss per share are computed as follows:

	June 30, 2018	June 30, 2017
Net loss	₱ 4,736,648	₱3,047,682
Divided by weighted average number of common shares outstanding	4,000,000,004	4,000,000,004
Basic/diluted loss per share	₱0.001	₱0.001

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

21. Commitments and Contingencies

The Group has the following contractual commitments:

Lease Agreement

The Group has a lease agreement with its related party under common control, JTKC Equities, Inc., valid until July 31, 2015 and renewable upon mutual consent of both parties. In 2017, the Group renewed the lease agreement but with lesser area. Rental expense amounted to ₱0.4 million and ₱0.3 million in June 30, 2018 and 2017, respectively (see Note 13).

COCs with DOE

The Government, through the DOE, awarded COCs to TMEC. The exploration phase under the COCs is for 2 years and can be extended for another 2 years upon the approval of the DOE. The development and production phase commences when the DOE and TMEC agrees on the existence of Coal Reserves in Commercial Quantity subject to the terms and conditions in the COC. As at December 31, 2017, TMEC has two COCs (COC No. 159 and COC No. 166).

COC No. 159 covers 7,000 hectares in Davao Oriental while COC No. 166 which is located in Zamboanga, Sibugay covers 4,000 hectares. Completed activities include surface geological investigation which involves surface field geologic mapping, geodetic surveying and trenching and subsurface geologic investigation through cored diamond drilling. As at December 31, 2017 and 2016, TMEC has incurred ₱535.0 million and ₱480.8 million, respectively, for the direct implementation of the work program for the exploration phase of these COCs.

COC No. 159. In 2013, TMEC applied for the start-up of the development and production stage in COC No. 159. TMEC has submitted to the DOE the Final Exploration Report, 10-Year Work Program and Feasibility Study and Environmental Compliance Certificate (ECC) as issued by the Department

of Environment and Natural Resources (DENR).

On May 19, 2017, the NCIP refused to acknowledge the titled properties and reiterated the recommendation to undergo the Free Prior Informed Consent (FPIC) process before the issuance of the CNO. The CNO is the final requirement for the conversion of COC No. 159. The Group maintained its position that the areas were covered by titled properties and were lawfully acquired by TMEC.

On April 4, 2017, TMEC discussed with the DOE the delineation of the development and production area covered by certificates of land title and requested for the conversion of these areas to development and production phase. To facilitate the evaluation, the DOE requested certain documents including the Revised Feasibility Study, Mine Development Plan and Copies of Land Titles. TMEC submitted the required documents on October 19, 2017. The DOE is currently reviewing the documents submitted by TMEC as at reporting date.

In 2017 and 2016, the DOE granted various PTS for incidentally produced coal within TMEC's COC No. 159 area. Gain on sale of incidental coal presented under "Other income" account amounted to ₱0.9 million, ₱6.1 million and ₱0.5 million in 2017, 2016 and 2015, respectively.

Under Presidential Decree 972, *The Coal Development Act of 1976*, as Government share, the DOE will be paid the balance of the gross income after deducting all operating expenses and operator's fee and special allowance. The operating expenses shall not exceed 90% of the gross income. Excess operating expenses can be recovered from the gross income in succeeding years. TMEC will be entitled to a fee and a special allowance, the net amount of which shall not exceed 40% and 30%, respectively, of the net operating income. TMEC remitted ₱45,278, ₱179,675 and ₱26,344 in 2017, 2016 and 2015, respectively.

COC 166. In 2014, COC No. 166's term for exploration expired. TMEC, however, is working on the extension of the COC. As required, the Group has submitted to the DOE the Result of Exploration covering the exploration activities conducted and estimates of the resultant coal resource and reserve of the property, which have been verified by the DOE. In 2016, the DOE evaluated the documents submitted and requested additional information to further process the application for conversion.

On March 30, 2017, TMEC submitted the amended five-year Mining Plan Feasibility Study (MPFS). As at report date, the DOE is reviewing the MPFS.

Contingencies

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

22. 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 which is within the Group's country of domicile.

MANAGEMENT'S DISCUSSION ON COAL'S FINANCIALS

Summary of Financial Information

The following table represents the summary of financial information for COAL from January 1 to June 30, 2018.

COAL's Summary Unaudited Consolidated Financial Information as at June 30, 2018	
Amounts are Php	
Consolidated Statement of Comprehensive Income	
Sales	—
Cost of Sales	—
Gross Profit	—
Operating Income	—
Income (loss) before income tax	(4,736,648)
Net Income (loss)	(4,736,648)
Consolidated Statement of Financial Position	
Assets	
Cash	23,353,944
Funds held in escrow	645,575
Advances to Affiliates	1,877,792
Prepayments and other current assets	1,124,955
Total Current Assets	27,002,266
Exploration and evaluation assets	561,967,520
Property, plant and equipment –net	201,185,702
Intangible asset	—
Coal Reserves	3,131,596,101
Deferred Tax Asset	12,541,560
Other Noncurrent Asset	2,719,464
Total Non–Current Assets	3,910,010,347
TOTAL ASSETS	3,937,012,613
Liabilities and Equity	
Trade and other payables	8,881,907
Loan Payable–Current Portion	965,121
Advances from related parties	30,025,377
Income tax payable	—
Total Current Liabilities	39,872,405
Retirement benefit liability	4,219,642
Total Non–Current Liability	4,219,642
Capital Stock	4,000,000,004
Deficit	(107,244,754)
Remeasurement loss on retirement benefit liability	165,316
Stockholders' Equity	3,892,920,566
TOTAL LIABILITIES AND EQUITY	3,937,012,613
Key Indicators	
Gross Profit Margin (%)	—
Net Income (loss) Margin (%)	—
Return on Asset (%)	—
Return on Equity(%)	—
Current Ratio(x)	0.68:1.00
Total Liabilities to Equity (x)	0.01:1.00
Earnings Per Share (Basic) (Php 0.0000)	(0.0012)
Book Value Per Share (Php 0.0000)	0.9732

Other Financial Information

As of and for period ended June 30, 2018:

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

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2018

General and Administrative Expenses

General and Administrative expenses amounted to ₱4.92 million for the six months ended June 30, 2018. These expenses were comprised primarily of personnel costs, professional fee, representation and entertainment, office rental and listing fee for the year 2017.

Operating Income and Operating Loss Margin

The Company incurred an operating loss of ₱4.92 million.

Interest Income

Interest income amounted to ₱0.29 million, which came from interest earned from bank deposits, cash equivalents and funds held in escrow.

Interest Expense

Interest Expense on loan payable for six months ended June 30, 2018 amounting to ₱0.11 million.

Other Income

The Group has no other income earned for the period.

Net Income and Net Income Margin

The net loss of the Group for the period amounted to ₱4.74 million.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2017

As at June 30, 2018, the total assets of the group amounted to ₱3,937.01 million as against ₱3,947.26 million as at December 31, 2017. Total current assets decreased to ₱27.00 million from ₱42.89 million, attributed mainly to the decrease in funds held in escrow used in the development and expense incurred during the period. Noncurrent assets increased to ₱3,910.01 million from ₱3,904.37 million due to the increase in exploration and evaluation assets as at June 30, 2018.

Current liabilities as at the end of the quarter decreased to ₱39.87 million from ₱45.39 million as at December 31, 2017 due to the decrease in trade and other payable and repayment of Group loan. Total equity of the group decreased to ₱3,892.92 million from ₱3,897.66 million due to net loss incurred by the Group for the three months period in year 2018.

CAUSES OF MAJOR MOVEMENTS IN FINANCIAL STATEMENTS

Statement of Financial Position Items (June 30, 2018 vs. December 31, 2017)

Cash and cash equivalents

Cash and cash equivalents decreased by ₱7.60 million or a 25% from ₱30.95 million to ₱23.35 million.

Advances to related parties

The advances to related parties increased by ₱0.32 million or a 21% from ₱1.56 million to ₱1.88 million.

Funds held in escrow

The decreased of funds held in escrow by ₱4.98 million or a 89% from ₱5.63 million to ₱0.65 million.

Other current assets

The decreased of ₱3.62 million or a 76% decrease from ₱4.75 million to ₱1.12 million was due to collection in receivables of the Group.

Exploration and evaluation assets

The ₱27.01 million increased in exploration and evaluation assets or a 5% increase from ₱534.96 million to ₱561.97 million comprised of ₱21.33 million depreciation expenses and ₱5.68 million for cash-paid on pre – development of COC areas.

Property and Equipment

The net 10% decrease from ₱222.56 million to ₱201.19 million of property and equipment pertains to depreciation. There was no additional purchase of property and equipment during the period.

Liabilities

Total liabilities of the Group went down by ₱5.5 million or 12% from ₱49.61 million to ₱44.09 million due to repayment of loans payable and minimal decreased in trade and other payables.

Equity

Capital position of the Group went down by ₱4.7 million due to net loss for the period

Statement of Financial Performance Items
(Six months ended June 30, 2018 vs. June 30, 2017)

Revenue/Sales—Nil

Cost of sales—Nil

General and Administrative expenses

General and administrative expenses of the Group decreased by ₱1.83 million or 27%.

Interest income

The increase of ₱0.13 million due to interest in cash equivalent of the Group.

Other income

The Group has no other income earned during the period.

Net loss

Net Loss of the Company for the six months ended June 30, 2018 was decreased by 30% compared to previous year of the same quarter due to decreased in general and administrative expenses stated above.

In this interim period:

- There are no known trends, demands, commitments, events or uncertainties that will have material impact on the issuer's liquidity.
- 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.
- 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.
- 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.
- There are no significant elements of income and loss that did not arise from continuing operations.

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY
SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
June 30, 2018 and June 30, 2017

	June 30, 2018	June 30, 2017
Current assets	27,002,266	33,259,859
Current liabilities	39,872,405	18,290,995
Liquidity ratio	0.67:1.00	1.82:1.00
Net loss before depreciation	(4,874,551)	(6,602,402)
Total liabilities	44,092,047	22,995,022
Solvency ratio	(0.11):1.00	(0.29):1.00
Total liabilities	44,092,047	22,995,022
Total equity	3,892,920,566	3,898,914,702
Debt-to-equity ratio	0.01:1.00	0.01:1.00
Total assets	3,937,012,613	3,921,909,724
Total equity	3,892,920,566	3,898,914,702
Asset-to-equity ratio	1.01:1.00	1.01:1.00
Net loss	(4,736,648)	(6,719,127)
Total assets	3,937,012,613	3,921,909,724
Return on asset	(0.00):1.00	(0.00):1.00
Net loss	(4,736,648)	(6,719,127)
Total equity	3,892,920,566	3,898,914,702
Return on Equity	(0.00):1	(0.00):1

COAL ASIA HOLDINGS INCORPORATED
SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED
EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
JUNE 30, 2018

Unappropriated Retained Earnings (Deficit), beginning	(P102,508,106)
Unappropriated Retained Earnings (Deficit), as adjusted to amount available for dividend declaration, beginning	(102,508,106)
Net income (loss) based on the face of UFS	(4,736,648)
Net loss actually earned/realized during the year	(107,244,754)
Less appropriation during the year	—
Unappropriated Retained earnings (deficit) available for dividend declaration, end	(P107,244,754)

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY
AGING OF TRADE AND OTHER RECEIVABLES
JUNE 30, 2018

	Total	Current	1-30 days	31-60 days	61-90 days	120 days or more
Trade Receivable	₱150,728	₱-	₱-	₱-	₱-	₱150,728
Other Receivables	815,897	-	55,375	-	29,958	730,564
Total	₱966,625	₱-	₱55,375	₱-	₱29,958	₱881,292

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY
SEC Supplementary Schedule as Required by Part II of SRC Rule 68 as

JUNE 30, 2018

Table of Contents

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

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

**C. Amounts Receivable from Related Parties which are Eliminated
During the Consolidation of the Financial Statements
JUNE 30, 2018**

Name and designation of debtor	Balance at beginning of period	Additions	Deductions		Ending Balance		Balance at end of period
			Amounts collected	Amounts written off	Current	Not current	
Advances to TMEC	P 537,386,253	P 14,000,000	P—	P—	P 551,411,630	P—	P 551,411,630

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

D. Intangible Assets
JUNE 30, 2018

Description	Beginning balance	Additions at cost	Deduction			Other changes additions (deductions)	Ending balance
			Charged to cost and expenses	Charged to other accounts			
Computer software:							
Cost	P2,352,148	P-	P-	P-		P-	P2,352,148
Accumulated depreciation	(2,352,148)	-	-	-		-	(2,352,148)
Carrying amount	P-	P-	P-	P-		P-	P-

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

E. Long-term Debt
JUNE 30, 2018

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under caption "Loan payable - net of current portion " in related balance sheet	Amount shown under caption "Loan payable" in related balance sheet
Term loan	P30,312,000	P-	P 965,121 Stated interest rate - 9% per annum Payable in 36 monthly instalments

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

H. Capital Stock
JUNE 30, 2018

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related statements of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Capital Stock - P1 par value	5,000,000,000	4,000,000,004	-	1,920,000,000	1,280,412,005	799,587,999

Coal Asia Holdings Incorporated
Utilization of IPO Proceeds
As of June 30, 2018

Net Proceeds
Add: Accumulated Interest Income, June 30, 2018

Less: Disbursements

Balance as of June 30, 2018

Details of Disbursements:

1) **Working Capital** Q4 2012 126,868,750

2) **Davao Oriental Project** Exploration Work Mine Development Cost 168,764,566 392,246,132

3) **Zamboanga Sibugay Project** Exploration Work 52,283,378

740,162,826

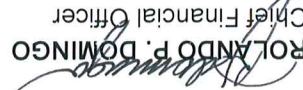
JOHNSON A. SANHI JR.
 President/Chief Operating Officer
 August 7, 2018

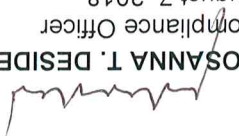
ROLANDO P. DOMINGO
 Chief Financial Officer
 August 7, 2018

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

Issuer: COAL ASIA HOLDINGS INCORPORATED
By:


JOHNSON A. SANHI JR.
President/Chief Operating Officer
August 7, 2018


ROLANDO P. DOMINGO
Chief Financial Officer
August 7, 2018


ROSANNA T. DESIDERIO
Compliance Officer
August 7, 2018