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SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No.	CS201210314
Company Name	COAL ASIA HOLDINGS INCORPORATED
Industry Classification	Financial Holding Company Activities
Company Type	Stock Corporation

Document Information

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SEC Registration Number

COAL ASIA HOLDINGS INCORPORATED
AND SUBSIDIARY

(Company's Full Name)

3F JTKC CENTER 2155 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

LCU

Document ID

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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 **September 30, 2019**

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
Common	**4,000,000,004**

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

    Yes [•] No [ ]

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

    Philippine Stock Exchange – **Common Shares**

12. Indicate by check mark whether the registrant:

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

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

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COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	**September 30, 2019 (Unaudited)**	December 31, 2018 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	5	**8,441,374**	10,619,011
Advances to related parties	15	**1,980,912**	1,464,711
Funds held in escrow	6	**672,541**	654,840
Other current assets	7	**313,045**	192,748
Total Current Assets		**11,407,872**	12,931,310
Noncurrent Assets			
Coal reserves	4	**3,131,596,101**	3,131,596,101
Exploration and evaluation asset	8	**623,682,001**	585,755,321
Property and equipment	9	**158,371,863**	187,025,922
Net deferred tax assets	17	**14,311,621**	14,311,621
Other noncurrent asset	7	**1,051,370**	1,051,370
Total Noncurrent Assets		**3,929,012,956**	3,919,740,335
TOTAL ASSETS		**3,940,420,828**	3,932,671,645
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	10	**7,927,506**	8,556,596
Advances from related parties	15	**43,319,127**	30,025,377
Total Current Liabilities		**51,246,633**	38,581,973
Noncurrent Liabilities			
Retirement benefits liability	13	**4,740,222**	4,740,222
Total Noncurrent Liabilities		**4,740,222**	4,740,222
Total Liabilities		**55,986,855**	43,322,195
Equity			
Capital stock		**4,000,000,004**	4,000,000,004
Deficit		**(115,731,347)**	(110,815,870)
Other equity reserve		**165,316**	165,316
Total Equity		**3,884,433,973**	3,889,349,450
TOTAL LIABILITIES AND EQUITY		**3,940,420,828**	3,932,671,645

See accompanying Notes to Consolidated Financial Statements.

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Quarter Ended September 30		
	Note	2019	2018
GENERAL AND ADMINISTRATIVE EXPENSES	11	**(1,113,424)**	(1,872,189)
INTEREST EXPENSE		**–**	(10,747)
INTEREST INCOME		**5,687**	107,153
LOSS BEFORE INCOME TAX		**(1,107,737)**	(1,775,783)
PROVISION FOR INCOME TAX		**–**	–
NET LOSS		**(1,107,737)**	(1,775,783)
OTHER COMPREHENSIVE INCOME (LOSS)		**–**	–
TOTAL COMPREHENSIVE LOSS		**(1,107,737)**	(1,775,783)
BASIC/DILUTED LOSS PER SHARE	18	**(0.0003)**	(0.0004)

See accompanying Notes to Consolidated Financial Statements.

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		For the Nine-Month Period Ended September 30	
	Note	**2019**	2018
GENERAL AND ADMINISTRATIVE EXPENSES	11	**(4,995,564)**	(6,790,439)
INTEREST EXPENSE		–	(123,348)
INTEREST INCOME		**80,087**	401,356
LOSS BEFORE INCOME TAX		**(4,915,477)**	(6,512,431)
PROVISION FOR INCOME TAX		–	–
NET LOSS		**(4,915,477)**	(6,512,431)
OTHER COMPREHENSIVE INCOME (LOSS)		–	–
TOTAL COMPREHENSIVE LOSS		**(4,915,477)**	(6,512,431)
BASIC/DILUTED LOSS PER SHARE	18	**(0.0012)**	(0.0016)

See accompanying Notes to Consolidated Financial Statements.

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	For the Nine-Month Period Ended September 30		
	Note	**2019**	2018
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		**(110,815,870)**	(102,508,106)
Net loss		**(4,915,477)**	(6,512,431)
Balances at end of year		**(115,731,347)**	(109,020,537)
OTHER COMPREHENSIVE INCOME (LOSS)			
Balances at beginning of year		**165,316**	165,316
Remeasurement gain (loss) on retirement benefits liability		–	–
Balances at end of year		**165,316**	165,316
		3,884,433,973	3,891,144,783

See accompanying Notes to Consolidated Financial Statements.

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Nine-Month Period Ended September 30		
	Note	**2019**	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		**(4,915,477)**	(6,512,431)
Adjustments for:			
Interest expense		–	123,348
Interest income	5	**(80,087)**	(401,356)
Depreciation and amortization	9	**10,867**	52,377
Provision for unrecoverable input VAT	7	**78,000**	90,000
Operating loss before change in working capital		**(4,906,697)**	(6,648,062)
Decrease (increase) in:			
Funds held in escrow		**(17,701)**	4,983,078
Other current assets		**(198,297)**	3,038,685
Restricted cash		–	–
Increase (decrease) in trade and other payables		**(629,090)**	(716,590)
Net cash generated from (used for) operations		**(5,751,785)**	657,111
Interest paid		–	(123,348)
Income tax paid		–	(17,687)
Interest received		**80,087**	401,356
Net cash provided by (used in) operating activities		**(5,671,698)**	917,432
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to exploration and evaluation asset		**(9,283,488)**	(8,962,724)
Collections (advances) to related parties		**(516,201)**	(200,286)
Net cash used in investing activities		**(9,799,689)**	(9,163,010)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of loan		–	(5,629,445)
Increase in advances from a stockholder		**13,293,750**	–
Net cash provided by (used in) financing activities		**13,293,750**	(5,629,445)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(2,177,637)**	(13,875,023)
CASH AND CASH EQUIVALENTS, JANUARY 1		**10,619,011**	30,954,930
CASH AND CASH EQUIVALENTS, SEPTEMBER 30		**8,441,374**	17,079,907

See accompanying 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 September 30, 2019, 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, are publicly-owned as at September 30, 2019.

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

Status of Operations

As at September 30, 2019, 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 August 30, 2018, the Department of Energy (DOE) has re-evaluated the coal reserves in commercial quantity on Sagasa Area considering the corrected dipping angle of each coal seam, revised coal intercepts and number of coal seams, specific gravity of 1.4, inclusion of coal outcrops, and additional information on longitudinal sections. The Group agreed on the revised coal reserves and provided revised Five-Year Coal Development and Production Work Program and Budget, and revised Feasibility Study in accordance with the agreed delineated coal reserves on December 21, 2018.

On September 11, 2018, the Group submitted the required documents to the National Commission on Indigenous People (NCIP) for the issuance of Certificate of Precondition (CP). The CP is the final requirement for the conversion of COC No. 159.

On December 14, 2018, TMEC received the original copy of CP and the certified true copy approving the CP precondition from the NCIP. As at report date, the conversion of the titled properties to development and production phase is pending approval of the DOE.

COC No. 166. On September 18, 2018, the Group has re-submitted the Five-Year Work Program in support for the processing of the Group's application for the conversion of its COC. As at report date, the conversion is still subject to the approval of the DOE.

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 Taxes

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

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, 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 legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are reviewed at the end of each reporting year and adjusted to reflect the current best estimate.

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. A contingent asset is not recognized in the consolidated financial statements but disclosed in the notes to 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 ₱0.6 million in September 30, 2019, and ₱0.6 million in September 30, 2018, respectively (see Note 19).

Assessing ECL on Financial Assets at Amortized Cost. The Group estimates ECL of receivables from incidental sale of coal and other receivables using provision matrix. The provision rates are based on days past due for groupings of receivables with similar credit risk characteristics and loss patterns. The provision matrix is based on the Group's historical default rates and is adjusted for forward-looking estimates, as appropriate. The Group has no observed default experience from receivables from incidental sale of coal and other receivables. Consequently, the resulting lifetime ECL on receivables from incidental sale of coal and other receivables is considered not significant.

The Group's advances to related parties are non-interest bearing and payable on demand. These exposures are considered to be in default when there is evidence that the related party is in significant financial difficulty such that it will have insufficient liquid assets to repay its obligation upon demand. This is assessed based on a number of factors including key liquidity and solvency ratios. Relying on the 90 days past due rebuttable presumption is not considered an appropriate backstop indicator given the lack of contractual payment obligations due throughout the life of the loan. After taking into consideration the related parties' ability to pay depending on the sufficiency of liquid assets and available forward-looking information, the risk of default of the related parties are assessed to be minimal.

For cash and cash equivalents, time deposits included in funds held in escrow and restricted cash, the Group applies low credit risk simplification. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The resulting ECL for these financial assets is considered insignificant because the counterparty banks have no history of default and have good credit ratings.

Financial assets at amortized cost are considered as credit-impaired when contractual payments are 90 days past due and the counterparty is unlikely to settle its obligation to the Group, as evidenced by the following, among others:

- ☐ Significant financial difficulty or insolvency;
- ☐ Breach of financial covenants;
- ☐ Probability that the counterparty will enter bankruptcy or other financial reorganization.

No provision for impairment losses on the Group's financial assets was recognized in September 30, 2019.

The carrying amounts of financial assets at amortized cost that were subjected to impairment testing are disclosed in Note 15.

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 September 30, 2019, exploration and evaluation asset amounted to ₱623.7 million (see Note 8).

Estimation of Useful Lives of Property and Equipment. The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment 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 in September 30, 2019. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

Depreciation and amortization amounted to ₱29.1 million and ₱43.2 million in September 30, 2019 and December 31, 2018, respectively. As at September 30, 2019 and December 31, 2018, depreciable property and equipment, net of accumulated depreciation and allowance for impairment loss, amounted to ₱157.9 million and ₱187.0 million, respectively (see Note 9).

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 ofreserves.

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.

Assessment for Recoverability of Input VAT. The carrying amount of input VAT is adjusted to the extent that it is probable that revenue subject to output VAT will be available to allow all or part of the input VAT and deferred input VAT to be utilized. Any allowance for probable loss is maintained at a level considered adequate to provide for potentially probable loss. The level of allowance is based on past application experience and other factors that may affect realizability.

Allowance for probable loss amounted to ₱2.0 million and ₱1.9 million as at September 30, 2019 and December 31, 2018, respectively. The carrying amount of input VAT is nil as at September 30, 2019(see Note 7).

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

No impairment loss on other nonfinancial assets was recognized in September 30, 2019 and December 31, 2018. The carrying amounts of other nonfinancial assets are as follows:

	Note	**September 30, 2019**	December 31, 2018
Coal reserves	4	**₱3,131,596,101**	₱3,131,596,101
Exploration and evaluation asset	8	**623,682,001**	585,755,321
Property and equipment	9	**158,371,863**	187,025,922
Advances to officers and employees		**–**	–
		₱3,913,649,965	₱3,904,377,344

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 14 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.

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.

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

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

4. Coal Reserves

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

In December 31, 2018, 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:

	December 31, 2018
Coal price	**$58/MT**
Foreign exchange rate	**₱54.00:$1**
Discount rate	**15.50%**
Estimated coal	**17.3 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:

	September 30, 2019	December 31, 2018
Cash on hand	**₱ 76,134**	₱14,264
Cash in banks	**1,072,195**	3,725,551
Cash equivalents	**7,293,045**	6,879,196
	₱ 8,441,374	₱10,619,011

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

6. Funds Held in Escrow

Proceeds of initial public offering (IPO) are kept separate from other Group's funds and managed by a commercial bank in accordance with the work program approved by the SEC and PSE.

The funds held in escrow consist of the following:

	September 30, 2019	December 31, 2018
Assets:		
Time certificates of deposit - own bank	**₱671,870**	₱653,632
Time certificates of deposit - other bank	–	–
Other assets	**671**	1,208
	₱ 672,541	₱654,840
Equity:		
Principal	**(₱12,738,580)**	(₱12,738,580)
Net accumulated income	**13,411,121**	13,393,420
	₱ 672,541	₱654,840

No withdrawals of principal from the fund held in escrow as of September 30, 2019.

Interest income earned amounted to ₱0.02 and ₱0.01 in September 30, 2019 and 2018, respectively.

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

7. Other Current and Noncurrent Assets

This account consists of:

	September 30, 2019	December 31, 2018
Current:		
Input VAT	**₱1,996,218**	₱1,918,218
Receivables from incidental sale of coal	**150,728**	150,728
Prepayments	**47,520**	42,020
Receivable from an officer	–	–
Advances to officers and employees	**110,828**	–
Other receivables	**3,969**	–
	2,309,263	2,110,966
Less: allowance for probable loss	**(1,996,218)**	(1,918,218)
	₱313,045	₱192,748
Noncurrent:		
Restricted cash	**₱1,051,370**	₱1,051,370

Advances to officers and employees pertains to the advances made for business purposes.

Receivables from incidental sale of coal pertain to uncollected proceeds from the sale of incidentally produced coal, which is in accordance with the Permits to Transport and Sell (PTS) issued by the DOE (see Note 19).

The input VAT is fully provided with allowance probable loss. Management has assessed that the Company will not be able to utilize its input VAT.

Movements in the allowance for unrecoverable input VAT are as follow:

	Note	**September 30, 2019**	December 31, 2018
Balance at beginning of year		**₱1,918,218**	₱1,804,218
Provision	12	**78,000**	114,000
Balance at end of year		**₱1,996,218**	₱1,918,218

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 pursuant to the application of the permit to proceed with the development phase for COC No. 159 and cash set aside to settle obligations arising from a court case.

8. Exploration and Evaluation Asset

Exploration and evaluation asset are costs incurred on the mining properties situated in the provinces of Davao Oriental and Zamboanga Sibugay, Philippines.

COC Nos. 159 and 166 provide a minimum work expenditure on obligations covered by the work program at the exploration phase (see Note 19).

The recovery of these costs depends on the conversion of the COCs to development and production phase.

Balances and movements of this account are as follows:

	September 30, 2019	December 31, 2018
Balances at beginning of year	**₱585,755,321**	₱534,956,340
Additions	**37,926,680**	50,798,981
Balances at end of year	**₱623,682,001**	₱585,755,321

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

	Note	**September 30, 2019**	December 31, 2018
Depreciation and amortization	9	**₱28,643,192**	₱43,133,231
Personnel costs	13	**3,315,650**	5,119,764
Professional fees		**90,000**	1,296,467
Utilities		**100,476**	216,397
Others		**5,777,362**	1,033,122
		₱ 37,926,680	₱50,798,981

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	**September 30, 2019**	December 31, 2018
Depreciation and amortization	9	**₱28,643,192**	₱43,133,231
Retirement benefits cost	14	–	393,839
		₱28,643,192	₱43,527,070

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:

September 30, 2019

	Land	Drilling Equipment	Land Improvements	Laboratory and Camp Buildings	Survey Equipment and Machineries	Laboratory and Testing Equipment	Transportation Equipment	Office Furniture and Equipment	Total
Cost									
Balances at beginning of year	₱18,139,580	₱194,212,031	₱147,579,562	₱25,429,304	₱3,264,334	₱12,606,310	₱9,794,774	₱1,818,835	₱412,844,730
Additions	–	–	–	–	–	–	–	–	–
Balance at end of year	18,139,580	194,212,031	147,579,562	25,429,304	3,264,334	12,606,310	9,794,774	1,818,835	412,844,730
Accumulated Depreciation									
Balances at beginning of year	–	137,164,275	52,308,715	9,959,814	3,007,032	11,794,381	9,794,774	1,789,817	225,818,808
Depreciation	–	15,718,822	9,947,940	1,907,199	257,302	811,929	–	10,867	28,654,059
Balances at end of year	–	152,883,097	62,256,655	11,867,013	3,264,334	12,606,310	9,794,774	1,800,684	254,472,867
Carrying Amount	₱18,139,580	₱41,328,934	₱85,322,907	₱13,562,291	₱–	₱–	₱–	₱18,151	₱158,371,863

December 31, 2018

	Land	Drilling Equipment	Land Improvements	Laboratory and Camp Buildings	Survey Equipment and Machineries	Laboratory and Testing Equipment	Transportation Equipment	Office Furniture and Equipment	Total
Cost									
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	–	–	7,657,867	–	–	–	–	–	7,657,867
Balance at end of year	18,139,580	194,212,031	147,579,562	25,429,304	3,264,334	12,606,310	9,794,774	1,818,835	412,844,730
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	–	24,387,311	13,263,920	2,542,932	417,806	2,521,262	15,240	44,457	43,192,928
Balances at end of year	–	137,164,275	52,308,715	9,959,814	3,007,032	11,794,381	9,794,774	1,789,817	225,818,808
Carrying Amount	₱18,139,580	₱57,047,756	₱95,270,847	₱15,469,490	₱257,302	₱811,929	₱–	₱29,018	₱187,025,922

Details of depreciation and amortization are as follows:

	Note	**September 30, 2019**	December 31, 2018
Property and equipment		**₱ 28,643,192**	₱43,192,928
Intangible asset		**–**	–
		₱ 28,643,192	₱43,192,928

Depreciation and amortization are charged as follows:

	Note	**September 30, 2019**	December 31, 2018
Exploration and evaluation asset	8	**₱ 28,643,192**	₱43,986,526
General and administrative expenses	12	**10,867**	222,174
		₱ 28,654,059	₱44,208,700

The reclassification in 2017 from construction in progress to land improvements pertains to completed road improvements, street lights and pier boulders.

Fully depreciated property and equipment that are still being used by the Group amounted to ₱25.7 million and ₱19.0 million as at December 31, 2019 and 2018, respectively.

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. Trade and Other Payables

This account consists of:

	September 30, 2019	December 31, 2018
Trade	**₱6,954,852**	₱7,163,177
Accrued expenses	**892,960**	1,274,052
Withholding taxes payable	**79,694**	119,367
	₱7,927,506	₱8,556,596

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.

11. General and Administrative Expenses

This account consists of:

	Note	**September 30, 2019**	September 30, 2018
Personnel costs	13	**₱1,296,722**	₱2,795,946
Professional fees		**1,184,321**	1,151,488
Rental	20	**625,419**	568,563
Transportation and communication		**141,168**	184,889
Taxes and licenses		**129,038**	159,000
Listing fee		**250,000**	256,720
Safekeeping fee		**40,000**	66,000
Representation and entertainment		**145,195**	482,319
Provision for probable loss	7	**78,000**	90,000
Insurance		**1,122**	56,052
Depreciation and amortization	9	**10,867**	52,377
Others		**1,093,712**	927,085
		₱4,995,564	₱6,790,439

12. Personnel Costs

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

	Note	**September 30, 2019**	December 31, 2018
Salaries and wages		**₱3,249,468**	₱5,665,254
Retirement benefits cost (income)	13	–	167,623
Employee benefits		**66,182**	126,741
		₱3,315,650	₱5,959,618

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

	Note	**September 30, 2019**	September 30, 2018
Salaries and wages		**₱1,258,156**	₱2,655,179
Employee benefits		**38,566**	140,767
Retirement benefits cost (income)	13	–	–
		₱1,296,722	₱2,795,946

13. 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 Group has no retirement benefits cost recognized and retirement benefits liability as at September 30, 2019.

14. 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	
		September 30, 2019	December 31, 2018	**September 30, 2019**	December 31, 2018
Advances to related parties -					
Entities under Common Ownership	Advances for working capital	**₱516,201**	₱1,772,869	**₱1,980,912**	₱1,464,711
Advances from related parties:					
Stockholders	Advances for working capital	**₱13,293,750**	₱30,000,000	**₱43,319,127**	₱30,000,000
Entities under Common Ownership	Advances for working capital	–	–	**25,377**	25,377
				31,825,377	₱30,025,377
Trade payables -					
Entities under Common Ownership	Rental	**₱625,419**	₱758,095	**₱–**	₱–

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 September 30, 2019.

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 ₱569.6 million and ₱563.6 million as at September 30, 2019 and December 31, 2018, respectively, were eliminated during consolidation. No impairment loss on these advances was recognized in September 30, 2019.

Key Management Personnel Compensation

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

	September 30, 2019	December 31, 2018
Short-term employee benefits	**₱3,060,000**	₱5,070,000
Post-employment benefits	–	369,739
	₱3,060,000	₱5,439,739

15. 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.

Credit risk is a risk due to uncertainty in counterparty's ability to meet its obligations. When counterparty defaults, the maximum exposure is equal to the carrying amount of the related financial asset. The Group's credit risk arises principally from 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.

The Group trades mainly with recognized and creditworthy third parties as well as with related parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, the Group only deals with financial institutions duly evaluated and approved by the BOD.

The following tables summarize the credit quality of the Group's financial assets as at September 30, 2019 and December 31, 2018:

	September 30, 2019				
	Neither Past Due nor Impaired				
	High Grade	**Standard Grade**	**Past Due but not Impaired**	**Impaired**	**Total**
Cash and cash equivalents*	**₱8,365,240**	**₱–**	**₱–**	**₱–**	**₱8,365,240**
Advances to related parties	**1,980,912**	–	–	–	**1,980,912**
Funds held in escrow	**672,541**	–	–	–	**672,541**
Receivables**	**154,697**	–	–	–	**154,697**
Restricted cash***	**1,051,370**	–	–	–	**1,051,370**
	₱12,224,760	**₱–**	**₱–**	**₱–**	**₱12,224,760**

	December 31, 2018				
	Neither Past Due nor Impaired				
	High Grade	Standard Grade	Past Due but not Impaired	Impaired	Total
Cash and cash equivalents*	₱10,604,747	₱–	₱–	₱–	₱10,604,747
Advances to related parties	1,464,711	–	–	–	1,464,711
Funds held in escrow	654,840	–	–	–	654,840
Receivables from incidental sale of coal**	150,728	–	–	–	150,728
Restricted cash***	1,051,370	–	–	–	1,051,370
	₱13,926,396	₱–	₱–	₱–	₱13,926,396

**Excluding cash on hand amounting to ₱76,134 and ₱14,264 as at September 30, 2019 and December 31, 2018, respectively*
*** Presented under "Other current assets" account*
**** Presented under "Other noncurrent asset" account*

The credit quality of the financial assets is managed by the Group using internal credit quality ratings. High grade consists of financial assets from counterparties with good financial condition and with relatively low defaults. This also includes transactions with related parties with sufficient liquid assets to settle its obligation upon demand of the Group. Financial assets having risks of default but are still collectible are considered as standard grade accounts. Financial assets that require persistent effort from the Group to collect are considered substandard grade accounts.

Cash in banks, cash equivalents, time deposit included in funds held in escrow and restricted cash are considered high grade as these pertain to deposits and placements in reputable banks with prime ratings. The Group considers that these financial assets have low credit risk based on the external ratings of the counterparties.

Advances to related parties are mainly exposures to related parties and are considered as high grade because the related parties are operating entities with sufficient liquid assets to repay the receivables upon demand by the Group.

With the exception of receivables from incidental sale of coal which are always subject to lifetime ECL, impairment of financial assets at amortized cost has been measured on 12-month ECL basis and reflects the short maturities of the exposures. The resulting ECL is not significant because the financial assets are considered high grade with minimal risk of default.

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

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

	September 30, 2019			
	On Demand	**Within 1 Year**	**Over 1 Year**	**Total**
Trade and other payables	**₱7,927,506**	**₱–**	**₱–**	**₱7,927,506**
Advances from related parties	**43,319,127**	**–**	**–**	**43,319,127**
	₱51,246,633	**₱–**	**₱–**	**₱51,246,633**

	December 31, 2018			
	On Demand	Within 1 Year	Over 1 Year	Total
Trade and other payables*	₱8,417,069	₱–	₱–	₱8,417,069
Advances from related parties	30,025,377	–	–	30,025,377
	₱38,442,446	₱–	₱–	₱38,442,446

**Excluding statutory payables amounting to ₱0.1 million as at December 31, 2018.*

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 when there are changes in the economic conditions, its business activities, expansion programs and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust its borrowings or raise capital.

In determining reasonable leverage, the Group evaluates its cost of capital and manages its level of debt to maintain an optional cost of capital based in current conditions. The Group considers its equity, excluding other equity reserve, as capital amounting to ₱3,884.3 million and ₱3,889.2 million as at September 30, 2019 and December 31, 2018, 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.

16. Fair Value Measurement of Financial Instruments

Set out below is a comparison category of the carrying and fair values of all the Group's financial assets and liabilities as at September 30, 2019 and December 31, 2018.

	September 30, 2019		December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	₱8,441,374	₱8,441,374	₱10,619,011	₱10,619,011
Advances to related parties	1,980,912	1,980,912	1,464,711	1,464,711
Funds held in escrow	672,541	672,541	654,840	654,840
Receivables	154,697	154,697	150,728	150,728
Restricted cash	1,051,370	1,051,370	1,051,370	1,051,370
	₱12,300,894	₱12,300,894	₱13,940,660	₱13,940,660

Financial Liabilities

	September 30, 2019		December 31, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Trade and other payables*	₱7,927,506	₱7,927,506	₱8,417,069	₱8,417,069
Advances from related parties	43,319,127	43,319,127	30,025,377	30,025,377
	₱51,246,633	₱51,246,633	₱38,442,446	₱38,442,446

**Excluding statutory payables amounting to ₱0.1 million as at December 31, 2018*

Cash and cash equivalents, advances to related parties, Funds held in escrow, Receivables from incidental sale of coal, Receivable from an officer, Other receivables, Trade and other payables, advances from related parties, and loans payable. The carrying amounts of these financial assets and liabilities approximate their fair values primarily due to the relatively short-term maturity of these financial instruments.

Restricted cash. The carrying amounts of this financial instrument approximate their fair value. The effects of not discounting the cash flows from these instruments were determined by management to be insignificant.

17. Income Taxes

TMEC is entitled to the following incentives under the COC:

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

The Group has no provision for current income tax in September 30, 2019 since it has no taxable income.

18. Basic and Diluted Loss Per Share

Basic and diluted loss per share are computed as follows:

	September 30, 2019	September 30, 2018
Net loss	**₱4,915,477**	₱6,790,439
Divided by weighted average number of common shares outstanding	**4,000,000,004**	4,000,000,004
Basic/diluted loss per share	**₱0.0012**	₱0.0017

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.

19. 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 ₱0.6 million in September 30, 2019 (see Note 12).

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, 2018, 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 September 30, 2019 and December 31, 2018, TMEC has incurred ₱599.2 million and ₱585.8 million, respectively, for the direct implementation of the work program for the exploration phase of these COCs.

COC No. 159. In 2013, the Group applied for the start-up of the development and production stage in COC No. 159. The Group 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 August 30, 2018, the Department of Energy (DOE) has re-evaluated the coal reserves in commercial quantity on Sagasa Area considering the corrected dipping angle of each coal seam, revised coal intercepts and number of coal seams, specific gravity of 1.4, inclusion of coal outcrops, and additional information on longitudinal sections. The Group agreed on the revised coal reserves and provided revised Five-Year Coal Development and Production Work Program and Budget, and revised Feasibility Study in accordance with the agreed delineated coal reserves on December 31, 2018.

On September 11, 2018, the Group submitted the required documents to the National Commission on Indigenous People (NCIP) for the issuance of Certificate of Precondition (CP). The CP is the final requirement for the conversion of COC No. 159.

On December 14, 2018, TMEC received the original copy of CP and the certified true copy approving the CP precondition from the NCIP. As at report date, the conversion of the titled properties to development and production phase is pending approval of the DOE.

In 2017, the DOE granted various PTS for incidentally produced coal within the Group's COC No. 159 area. Gain on sale of incidental coal presented as "Other income" account amounted to ₱0.9 million in 2017.

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 nil, ₱45,278 and ₱179,675 in 2018, 2017 and 2016, respectively.

COC 166. In 2014, COC No. 166's term for exploration expired. The Group, 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 September 18, 2018, the Group has re-submitted the Five-Year Work Program in support for the processing of the Group's application for the conversion of its COC. As at report date, the conversion is still subject to the approval of the DOE.

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.

20. 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.

Item 2. Management's Discussion and Analyses of Results of Operations and Financial Condition

Summary of Financial Information

The following table represents the summary of financial information for COAL from January 1 to September 30, 2019.

COAL's Summary Unaudited Consolidated Financial Information as at September 30, 2019	
Amounts are Php	
Consolidated Statement of Comprehensive Income	
Sales	–
Cost of Sales	–
Gross Profit	–
Operating Income	–
Income (loss) before income tax	(4,915,477)
Net Income (loss)	(4,915,477)
Consolidated Statement of Financial Position	
Assets	
Cash	8,441,374
Funds held in escrow	672,541
Advances to Affiliates	1,980,912
Prepayments and other current assets	313,045
Total Current Assets	**11,407,872**
Exploration and evaluation assets	623,682,001
Property, plant and equipment –net	158,371,863
Intangible asset	–
Coal Reserves	3,131,596,101
Deferred Tax Asset	14,311,621
Other Noncurrent Asset	1,051,370
Total Non–Current Assets	**3,929,012,956**
TOTAL ASSETS	**3,940,420,828**
Liabilities and Equity	
Trade and other payables	7,927,506
Advances from related parties	43,319,127
Total Current Liabilities	**51,246,633**
Retirement benefit liability	4,740,222
Total Non–Current Liability	**4,740,222**
Capital Stock	4,000,000,004
Deficit	(115,731,347)
Remeasurement loss on retirement benefit liability	165,316
Stockholders' Equity	**3,884,433,973**
TOTAL LIABILITIES AND EQUITY	**3,940,420,828**
Key Indicators	
Gross Profit Margin (%)	–
Net Income (loss) Margin (%)	–
Return on Asset (%)	–
Return on Equity(%)	–
Current Ratio(x)	0.22:1.00
Total Liabilities to Equity (x)	0.01:1
Earnings Per Share (Basic) (Php 0.0000)	(0.0012)
Book Value Per Share (Php 0.0000)	0.9711

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YTD September 30, 2019 vs. YTD September 30, 2018

General and Administrative Expenses
General and Administrative expenses decreased by ₱1.8 million or 26% was due to decreased mainly in salaries and wages.

Net Operating Loss Margin
Operating loss decreased by ₱1.8 million or 26% due to decreased on general and administrative expenses.

Interest Income
Interest income decreased by 80% due to decreased on balance of cash and cash equivalents.

Interest Expense
Interest Expense decreased by ₱0.1 million or 100% since the Group has no existing loans payable as of September 30, 2019

Net Income and Net Income Margin
The net loss of the Group decreased by ₱1.6 million or 25%. This represent decreased on general and administrative expenses.

Third Quarter September 30, 2019 vs. Third Quarter September 30, 2018

General and Administrative Expenses
General and Administrative expenses decreased by ₱0.8 million or 41%.

Net Operating Loss Margin
Operating loss decreased by ₱0.8 million or 41% due to decrease on general and administrative expenses.

Interest Income
Interest income decreased by 95% due to decreased on balance of cash and cash equivalents.

Interest Expense
Interest Expense decreased by ₱0.01 million or 100% since the Group has no existing loans payable as of September 30, 2019.

Net Income and Net Income Margin
The net loss of the Group decreased by ₱0.7 million or 38%. This represent decreased on general and administrative expenses interest income decreases.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

September 30, 2019 vs. December 31, 2018

Cash and cash equivalents
Cash and cash equivalents decreased by ₱2.2 million or a 21% from ₱10.6 million to ₱8.4 million due to withdrawal of cash equivalents for working capital of the Group. The group received ₱13.3 million from stockholder as advances for working capital purposes.

Funds held in escrow
No major change on fund held in escrow of the group. Interest income recognized in September 30, 2019 amounting to ₱17,701.

Prepayments and other current assets
The increased of ₱0.1 million or a 62% from ₱0.2 million to ₱0.3 million was due to advances to officers and employees for business purposes.

Exploration and evaluation assets
The ₱37.9 million increased in exploration and evaluation assets or a 6% increase from ₱585.8 million to ₱623.7 million comprised of ₱28.6 million depreciation expenses and ₱9.3 million for cash–paid on pre – development of COC areas.

Property and Equipment
The net 15% decrease from ₱187.0 million to ₱158.4 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 have increased from ₱43.3 million to ₱56.0 million. The group received ₱13.3 million from stockholder as advances for working capital purposes.

Equity
Capital position of the Group went down by ₱4.9 million due to net loss for the period.

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.

Other Financial Information

As of and for period ended September 30, 2019:

- 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.

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

	September 30, 2019	September 30, 2018
Current assets	**11,407,872**	21,101,829
Current liabilities	**51,246,633**	39,022,199
Liquidity ratio	**0.22:1.00**	0.54:1.00
Net loss before depreciation	**(4,915,477)**	(6,460,054)
Total liabilities	**55,986,855**	43,241,841
Solvency ratio	**(0.09):1.00**	(0.15):1.00
Total liabilities	**55,986,855**	43,241,841
Total equity	**3,884,433,973**	3,891,144,783
Debt–to–equity ratio	**0.01:1.00**	0.01:1.00
Total assets	**3,940,420,828**	3,934,386,624
Total equity	**3,884,433,973**	3,891,144,783
Asset–to–equity ratio	**1.01:1.00**	1.01:1.00
Net loss	**(4,915,477)**	6,512,431
Total assets	**3,940,420,828**	3,934,386,624
Return on asset	**(0.00):1.00**	(0.00):1.00
Net loss	**(4,915,477)**	6,512,431
Total equity	**3,884,433,973**	3,891,144,783
Return on Equity	**(0.00):1.00**	(0.00):1.00

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY
AGING OF TRADE AND OTHER RECEIVABLES
SEPTEMBER 30, 2019

	Total	Current	1-30 days	31-60 days	61-90 days	120 days or more
Trade Receivable	₱150,728	₱–	₱–	₱–	₱–	₱150,728
Other Receivables	3,969	–	–	–	3,969	–
Total	₱154,697	₱–	₱–	₱–	₱3,969	₱154,697

COAL ASIA HOLDINGSINCORPORATED

SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS

AVAILABLE FOR DIVIDEND DECLARATION
SEPTEMBER 30, 2019

Unappropriated Retained Earnings (Deficit), beginning	(₱ 110,815,870)
Unappropriated Retained Earnings (Deficit), as adjusted to amount available for dividend declaration, beginning	(₱ 110,815,870)
Net income (loss) based on the face of AFS	(4,915,477)
Net loss actually earned/realized during the year	(115,731,347)
Less appropriation during the year	–
Unappropriated Retained earnings (deficit) available for dividend declaration, end	(₱115,731,347)

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

SEC Supplementary Schedule as Required by Part II of SRC Rule 68 as Amended
SEPTEMBER 30, 2019

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COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

C. Amounts Receivable from Related Parties which are Eliminated
During the Consolidation of the Financial Statements
September 30, 2019

			Deductions		*Ending Balance*		
Name and designation of debtor	*Balance at beginnning of period*	*Additions*	*Amounts collected*	*Amounts written off*	*Current*	*Not current*	*Balance at end of period*
Advances to TMEC	₱563,586,253	₱6,045,000	₱–	₱–	₱ 569,631,253	₱–	₱569,631,253

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY
H. Capital Stock
September 30, 2019

				Number of shares held by		
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*	*Related parties*	*Directors, officers and employees*	*Others*
Capital Stock - ₱1 par value	5,000,000,000	4,000,000,004	–	1,920,000,000	1,280,412,005	9,587,999

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
October 29, 2019

ROLANDO P. DOMINGO
Chief Financial Officer
October 29, 2019

Coal Asia Holdings Incorporated
Utilization of IPO Proceeds
As of September 30, 2019

Net Proceeds	726,868,750
Add: Accumulated Interest Income, September 30, 2019	13,966,617
	740,835,367
Less: Disbursements	(740,162,826)
Balance as of September 30, 2019	**672,541**

Details of Disbursements:

1) **Working Capital**	126,868,750
Q4 2012	
2) **Davao Oriental Project**	
Exploration Work	168,764,566
Mine Development Cost	392,246,132
3) **Zamboanga Sibugay Project**	
Exploration Work	52,283,378
	740,162,826

By:

JOHNSON A. SANHI JR.
President/Chief Operating Officer
October 29, 2019

ROLANDO P. DOMINGO
Chief Finance Officer
October 29, 2019