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SEC Registration Number

C O A L A S I A H O L D I N G S I N C O R P O R A T E D
A N D S U B S I D I A R Y

(Company's Full Name)

3 F J T K C C e n t r e 2 1 5 5 C h i n o R o c e s
A v e n u e , M a k a t i C i t y

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

Johnson A. Sanhi Jr.

(Contact Person)

8818-8892

(Company Telephone Number)

1 2

3 1

Month Day
(Fiscal Year)

1 7 - Q

(Form Type)

0 4

3 0

Month Day
(Annual Meeting)

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

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

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

COAL ASIA HOLDINGS INCORPORATED

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

1. For the quarterly period ended September 30, 2021
2. Commission identification number CS201210314
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: 1230
3RD Floor JTKC Center, 2155 Don Chino Roces Ave., Makati City
8. Issuer's telephone number, including area code (02)8813-8992
9. Former name, former address and former fiscal year, if changed since last report N.A.
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

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

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

Yes ☒ No ☐

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

Philippine Stock Exchange – **Common Shares**

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)
Yes ☒ 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 SEPTEMBER 30, 2021
(With Comparative Figures as of December 31, 2020)

		Unaudited	Audited
	Note	September 30, 2021	December 31, 2020
ASSETS			
Current Assets			
Cash and cash equivalents	5	755,544	760,604
Advances to related parties	15	5,242,684	1,928,862
Funds held in escrow	6	-	-
Other current assets	7	563,075	443,790
Total Current Assets		6,561,303	3,133,257
Noncurrent Assets			
Coal reserves	4	3,131,596,101	3,131,596,101
Exploration and evaluation asset	8	637,539,280	635,584,457
Property and equipment	9	96,123,492	124,218,145
Net deferred tax assets	18	9,709,459	9,709,459
Other noncurrent asset	7	1,080,725	1,080,725
Total Noncurrent Assets		3,876,049,057	3,902,458,887
		3,882,610,360	3,905,592,144
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	10	8,564,280	8,490,750
Advances from related parties	15	58,590,627	50,569,127
Total Current Liabilities		67,154,907	59,059,877
Noncurrent Liabilities			
Retirement benefits liability	14	303,773	303,773
Total Noncurrent Liabilities		303,773	303,773
Total Liabilities		67,458,680	59,363,650
Equity			
Capital stock		4,000,000,004	4,000,000,004
Deficit		(187,955,318)	(156,878,504)
Other equity reserve	14	3,106,994	3,106,994
Total Equity		3,815,151,680	3,846,228,494
		3,882,610,360	3,905,592,144

See accompanying Notes to Consolidated Financial Statements

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE QUARTER ENDED SEPTEMBER 30, 2021

	Note	2021	2020
GENERAL AND ADMINISTRATIVE EXPENSES	13	(10,200,321)	(1,117,586)
INTEREST EXPENSE	12	—	—
INTEREST INCOME	5	275	8,364
LOSS BEFORE INCOME TAX		(10,200,046)	(1,109,222)
PROVISION FOR (BENEFIT FROM) INCOME TAX	19		
Current		—	—
Deferred		—	—
		—	—
NET LOSS		(10,200,046)	(1,109,222)
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		(10,200,046)	(1,109,222)
BASIC/DILUTED LOSS PER SHARE	19	(0.0026)	(0.0003)

See accompanying Notes to Consolidated Financial Statements

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(With Comparative Figures for the Nine Months Ended September 30, 2020)

		Unaudited September 30	
	Note	2021	2020
GENERAL AND ADMINISTRATIVE EXPENSES	13	(31,078,434)	(3,684,788)
INTEREST EXPENSE	12	—	—
INTEREST INCOME	5	1,623	9,982
LOSS BEFORE INCOME TAX		(31,076,811)	(3,674,806)
PROVISION FOR (BENEFIT FROM) INCOME TAX	19		
Current		—	—
Deferred		—	—
		—	—
NET LOSS		(31,076,811)	(3,674,806)
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		(31,076,811)	(3,674,806)
BASIC/DILUTED LOSS PER SHARE	19	(0.0077)	(0.0009)

See accompanying Notes to Consolidated Financial Statements.

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(With Comparative Figures for the Year Ended December 31, 2020)

		Unaudited	Audited
	Note	September 30, 2021	December 31, 2020
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		(156,878,504)	(121,614,630)
Net loss		(31,076,811)	(35,263,874)
Balances at end of year		(187,955,315)	(156,878,504)
OTHER COMPREHENSIVE INCOME (LOSS)			
Balances at beginning of year	15	3,106,994	3,106,994
Remeasurement gain (loss) on retirement benefits liability		—	—
Balances at end of year		3,106,994	3,106,994
		3,815,151,682	3,843,121,500

See accompanying Notes to Consolidated Financial Statements

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

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(With Comparative Figures for the Nine Months Ended September 30, 2020)

		Unaudited September 30	
	Note	2021	2020
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		(156,878,504)	(121,614,630)
Net loss		(31,076,811)	(3,674,806)
Balances at end of year		(187,955,315)	(125,289,436)
OTHER COMPREHENSIVE INCOME (LOSS)			
Balances at beginning of year	15	3,106,994	3,106,994
Remeasurement gain (loss) on retirement benefits liability		—	—
Balances at end of year		3,106,994	3,106,994
		3,815,151,682	3,877,817,562

See accompanying Notes to Consolidated Financial Statements

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2021
(With Comparative Figures for the Nine Months Ended September 30, 2020)

		Unaudited September 30	
	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		(31,076,811)	(3,674,806)
Adjustments for:			
Interest expense	11	—	—
Interest income	5	(1,623)	(9,982)
Depreciation and amortization	9	28,094,653	11,226
Provision for unrecoverable input VAT	7	—	—
Operating loss before change in working capital		(2,983,781)	3,673,562
Decrease (increase) in:			
Funds held in escrow		—	675,980
Other current assets		(119,285)	(107,145)
Restricted cash		—	—
Increase (decrease) in trade and other payables		73,530	129,665
Net cash generated from (used for) operations		(3,029,536)	(3,234,392)
Interest paid		—	—
Income tax paid		—	—
Interest received		1,623	9,982
Net cash provided by (used in) operating activities		(3,027,913)	(3,224,410)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to exploration and evaluation asset		(1,684,823)	(12,988,599)
Decrease in Property, Plant and Equipment		—	10,272,562
Collections (advances) to related parties		4,707,678	5,375,000
Net cash used in investing activities		3,022,855	2,658,963
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of loan		—	—
Net cash provided by (used in) financing activities		—	—
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(5,058)	(565,447)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		760,604	2,852,872
CASH AND CASH EQUIVALENTS AT END OF YEAR		755,545	2,287,425

See accompanying Notes to Consolidated Financial Statements

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT SEPTEMBER 30, 2021 AND DECEMBER 31, 2020
AND FOR THE PERIOD ENDED SEPTEMBER 30, 2021 AND DECEMBER 31, 2020

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, 2019 and 2018, 4,000,000,004 common shares of the Parent Company at ₱1 par value were listed in the Philippine Stock Exchange (PSE). Of those shares, 20% were publicly-owned as at September 30, 2021.

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

Status of Operations

As at March 31, 2020, the Group has two Coal Operating Contracts (COC) located in Davao Oriental (COC No. 159) and Zamboanga Sibugay (COC No. 166).

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 from the NCIP.

On December 11, 2019, TMEC received the approval of the conversion of COC No. 159 to Development and Production Phase, subject to obtaining the CP (for Development and Production Phase) or Certificate of Non-Overlap (CNO) from the NCIP. The COC No. 159 for Development and Production Phase shall be effective from date hereof for a period of ten (10) years, and should there be remaining mineable reserves, extendible for another ten (10) years and thereafter renewable for a series of three (3) year periods not exceeding twelve (12) years under such terms and condition as may be agreed upon by the DOE and the Contractor.

COC No. 166. On September 18, 2018, TMEC has re-submitted the Five-Year Work Program in support for the processing of its application for the conversion of its COC.

On September 4, 2019, the Group requested for a suspension of the conversion to development and production phase due to difficulties in complying with its obligations due to peace and order in the area.

On December 9, 2019, the DOE required the TMEC to substantiate with supporting documents the above cited problems encountered, specifically documents attesting that TMEC has an existing application for Environmental Compliance Certificate (ECC) from the EMB-DENR, certification from concerned law enforcement units as to the peace and order problem in the area, and proof to the other constraints that TMEC has stated that hinder its compliance with its obligations for COC conversion.

The delays have significantly reduced the Group's operating funds. 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.

Moreover, a stockholder representing majority of the stockholders has committed to provide continuous financial support to meet not only TMEC's pre-operating activities but also the start-up of the development and production phase when the CNO from NCIP has been obtained.

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) and SEC provisions.

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 measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.
- The principal on the most advantageous market must be accessible to the Group.

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

A fair value measurement of nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market 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 16.

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, 2019:

- PFRS 16, *Leases*

PFRS 16 replaced PAS 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, Standard Interpretations Committee (SIC)-15, *Operating Leases-Incentives*, and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. PFRS 16 requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard provides two recognition exemptions for lessees from this PFRS – leases of low-value assets and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, the lessee shall recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The lessee is required to recognize the interest on the lease liability and to depreciate the right-of-use (ROU) asset.

The lease liability shall be reviewed when there are changes in the lease term and other events affecting the lease, such as future lease payments resulting from a change in the index or rate used to determine those payments. The remeasurement of the lease liability should be recognized as an adjustment to the ROU asset.

Lessor accounting under PFRS 16 is substantially unchanged from accounting under PAS 17. The lessor shall continue to classify leases using the same classification principle as in PAS 17 to distinguish the two types of leases: operating and finance leases.

The Group's lease agreements covering the office space have terms of twelve (12) months, renewable upon the agreement of both parties and do not contain any purchase options. The Group assessed that it is not reasonably certain to exercise the renewal option on the leases. Accordingly, the Group decided to apply the recognition exemption on short-term leases and the related lease expenses are recognized in the profit or loss on a straight-line basis.

The Group has adopted PFRS 16 using the modified retrospective method, which requires that the cumulative effect of applying the new standard is recognized at the beginning of the year of initial application. Accordingly, the comparative information presented for 2018 have not been restated.

- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes*, in particular (i) matters to be considered in accounting for uncertain tax treatments separately, (ii) assumptions for taxation authorities' examinations, (iii) determinants of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.

- Amendments to PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement* – The amendments specify how companies remeasure a defined benefit plan when a change - an amendment, curtailment or settlement - to a plan takes place during a reporting period. It requires entities to use the updated assumptions from this remeasurement to determine current service cost and net interest cost for the remainder of the reporting period after the change to the plan.

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

Several other amendments apply for the first time in 2019, but are not relevant on the consolidated financial statements of the Group.

Amended PFRS Issued But Not Yet Effective

Relevant amended PFRS, which are not yet effective as at December 31, 2019 and have not been applied in preparing the consolidated financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance-in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.
- Amendments to PFRS 3 - *Definition of a Business* – This amendment provides a new definition of a “business” which emphasizes that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. To be considered a business, ‘an integrated set of activities and assets’ must now include ‘an input and a substantive process that together significantly contribute to the ability to create an output’. The distinction is important because an acquirer may recognize goodwill (or a bargain purchase) when acquiring a business but not a group of assets. An optional simplified assessment (the concentration test) has been introduced to help companies determine whether an acquisition is of a business or a group of assets.
- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of “material” and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, an information is “material” if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Deferred effectivity -

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28 - *Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a conflicting provision under the two standards. It clarifies that a gain or loss shall be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

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

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statement of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at Fair value through profit or loss (FVPL), includes transaction cost.

“Day 1” Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes “Day 1” difference 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.

Classification. The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). The classification of financial assets largely depends on the Group’s business model and its contractual cash flow characteristics. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost.

As at September 30, 2021, the Group does not have financial assets and liabilities at FVPL and financial assets at FVOCI.

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost 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. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at September 30, 2021, the Group’s cash and cash equivalents, advances to related parties, receivables from incidental sale of coal and other receivables presented under “Other current assets” account and restricted cash presented as “Other noncurrent asset” account are classified under this category.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when 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.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently 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.

As at September 30, 2021, the Group has classified its trade and other payables (excluding statutory payables), and advances from related parties under this category.

Reclassification

The Group reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income (OCI).

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

Impairment of Financial Assets at Amortized Cost

The Group records an allowance for impairment losses on its financial assets measured at amortized cost based on expected credit loss (ECL).

ECL is the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group measures loss allowances at an amount equivalent to the 12-month ECL for receivables on which credit risk has not increased significantly since initial recognition and for debt instruments that are determined to have low credit risk at the reporting date.

12-month ECL is the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. ECL for credit-impaired financial assets is based on the difference between the gross carrying amount and present value of estimated future cash flows.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Receivable from Incidental Sale of Coal and Other Receivables. The Group has applied the simplified approach in measuring the ECL on accounts receivable from incidental sale of coal. Simplified approach requires that ECL should always be based on the lifetime expected credit losses. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date.

The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Other Financial Instruments Measured at Amortized Cost. For these financial instruments, the Group applies the general approach in determining ECL. The Group recognizes an allowance based on either the 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Group retains the right to receive cash flows from the financial 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 financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Group could raise debt with similar terms and conditions in the market. The difference between the carrying amount of the original liability and fair value of the new liability is recognized in profit or loss.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement 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, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Otherwise, the financial instrument is classified as equity.

Other Current Assets

Other current assets mainly 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.

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 including transaction costs. Subsequently, these are charged to expense once liquidated.

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

Coal Reserves

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

Coal reserves are 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 these are incurred.

Exploration and Evaluation Asset. 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 asset is considered as tangible assets.

Exploration and evaluation asset is transferred to development cost under "Property and equipment" account in the consolidated statements of financial position when the technical feasibility and commercial viability of extracting the coal reserve are demonstrable. Exploration and evaluation asset is 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 amortization 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 amortization 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.

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 profit or loss.

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 Asset. Exploration and evaluation asset is 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.

Other Comprehensive Income

Other comprehensive income comprises of items of income and expense that are not recognized in profit or loss in accordance with PFRS. This pertains to cumulative remeasurement gain on retirement benefits liability.

Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group perform its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in all of its revenue sources.

Interest Income. Interest income is recognized as the interest accrues taking into account the effective yield on the asset, net of final tax.

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

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.

Leases

Accounting Policies beginning January 1, 2019

A contract is, or contains, a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the customer has both of the following:

- The right to obtain substantially all of the economic benefits from use of the identified asset; and
- The right to direct the use of the identified asset.

If the Group has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Group also assesses whether a contract contains a lease for each potential separate lease component.

At the commencement date, the Group recognizes ROU asset and a lease liability for all leases, except for leases with lease terms of twelve (12) months or less (short-term leases) and leases for which the underlying asset is of low value in which case the lease payments associated with those leases are recognized as an expense on a straight-line basis.

Accounting Policies before January 1, 2019

Leases where the lessor retains substantially all the risk and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of comprehensive income 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.

Remeasurement comprising actuarial gains and losses is recognized immediately in OCI in the period in which they arise. Remeasurement is 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 the 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 (see Note 20).

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 Judgment, Accounting Estimates and Assumptions

The preparation of the Group's consolidated financial statements in compliance with PFRS requires management to exercise judgment, make estimates and assumptions 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 judgment, accounting estimates and assumptions made by the Group:

Assessing Going Concern. As discussed in Note 1 to the consolidated financial statements, there are delays in the Group's conversion (through its subsidiary, TMEC) of its COC to the Development and Production Phase. The delays have significantly reduced the Group's operating funds.

A stockholder representing majority of the stockholders has committed to provide continuous financial support to meet not only TMEC's pre-operating activities but also the start-up of the development and production phase when the CNO from NCIP has been obtained.

Determining 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.

Classifying 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 Nil in 2020 and 2019 (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, receivable from an officer and other receivables. Consequently, the resulting lifetime ECL on receivables from incidental sale of coal, receivable from an officer 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 advances. 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 certificates of deposit included in funds held in escrow and restricted cash, the Group applies low credit risk simplification. It is the Group's policy to measure ECL 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 at amortized cost was recognized in September 30, 2021 and 2020.

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

Estimating 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 amounts 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 judgment regarding the existence of such assets and in estimates of the likely recovery of such assets.

Capitalizing 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, 2021 and December 31, 2020, exploration and evaluation asset amounted to ₱ 637.5 million and ₱635.9 million, respectively (see Note 8).

Estimating 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 2021, 2020 and 2019. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

Depreciation and amortization presented under "General and administrative expenses" account amounted to ₱28,094,653, ₱32,363,374 and ₱14,050 in September 30, 2021, December 31, 2020 and 2019, respectively. As at September 30, 2021, depreciable property and equipment, net of accumulated depreciation and amortization amounted to ₱96.1 million (see Note 9).

Assessing 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 costs 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 2021, 2020 and 2019. The carrying amounts of other nonfinancial assets are as follows:

	Note	September 30, 2021	December 31, 2020
Coal reserves	4	₱3,131,596,101	₱3,131,596,101
Exploration and evaluation asset	8	637,539,492	635,854,457
Property and equipment	9	96,123,492	124,218,145
Advances to officers and employees and prepayments*	7	563,075	443,790

*Presented under "Other current assets" account.

Assessing 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 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 recoverability.

Estimating 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 13 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.

Recognizing 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 recognized deferred tax assets amounting to ₱9.7 million and ₱8.5 million as at December 31, 2020 and 2019, respectively, as management has assessed that the Group may not be able to utilize these deductible temporary differences against future taxable income.

4. Coal Reserves

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

In 2021 and 2020, the Group carried out a review of the recoverable amount of its coal reserves, exploration and evaluation assets, and property and equipment. 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:

	September 30, 2021	December 31, 2020
Coal price	\$58/MT	\$58/MT
Foreign exchange rate	₱51.01:\$1	₱48.08:\$1
Discount rate	5.9%	5.9%
Estimated coal reserves	17.3 MMT	17.3 MMT

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

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 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 amount of the coal reserves and other nonfinancial assets exceeded 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, 2021	December 31, 2020
Cash on hand	₱15,000	₱15,000
Cash in banks	740,544	745,604
Cash equivalents	—	—
	₱755,544	₱760,604

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.

Interest income consists of:

	Note	September 30, 2021	December 31, 2020	December 31, 2019
Cash in banks		₱1,623	₱6,710	₱5,611
Cash equivalents		—	—	135,048
Funds held in escrow	6	—	6,994	21,140
Restricted cash	7	—	—	26,284
		₱1,623	₱13,704	₱688,927

6. Funds Held in Escrow

Proceeds of 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, 2021	December 31, 2020
Assets:		
Time certificates of deposit	₱—	₱—
Other assets	—	—
	₱—	₱—
Equity:		
Net proceeds	₱748,209,915	₱748,209,915
Net accumulated income	13,414,560	13,414,560
Withdrawals	(761,624,475)	(761,624,475)
	₱—	₱—

The balance of fund held in escrow in September 30, 2021 is Nil.

Interest income earned amounted to Nil, ₱6,994 and ₱21,140 in September 30, 2021, December 31, 2020 and 2019, respectively (see Note 5).

7. Other Current and Noncurrent Assets

This account consists of:

	September 30, 2021	December 31, 2020
Current:		
Input VAT	₱2,268,845	₱2,150,045
Receivables from incidental sale of coal	150,728	150,728
Advances to officers and employees	205,851	205,366
Prepayments	42,020	42,020
Others	45,676	45,676
	2,713,120	2,593,835
Less allowance for probable loss	(2,150,045)	(2,150,045)
	₱563,075	₱443,790
Noncurrent -		
Restricted cash	₱1,080,725	₱1,080,725

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

Movements in the allowance for probable loss are as follow:

	Note	September 30, 2021	December 31, 2020
Balance at beginning of year		₱2,150,045	₱2,021,418
Provision	11	—	128,627
Balance at end of year		₱2,150,045	₱2,150,045

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.

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

Others pertain to receivables from third parties. These are noninterest-bearing and are generally collected in cash 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.

Interest income earned from the restricted cash amounted to Nil, Nil and ₱26,284 in September 30, 2021, 2020 and 2019, respectively (see Note 5).

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, 2021	December 31, 2020
Balance at beginning of year	₱635,854,457	₱631,211,662
Additions	1,684,823	4,642,795
Balance at end of year	₱637,539,280	₱635,854,457

Others include office and camp supplies, repairs and maintenance, miscellaneous, taxes and licenses, fuel and oil, and meals.

Included as part of additions to the exploration and evaluation asset are noncash items as follows:

	Note	September 30, 2021	December 31, 2020
Depreciation and amortization	9	₱—	₱—
Retirement benefits cost	13	—	—
		₱—	₱—

9. Property and Equipment

The balances and movements of this account are as follows:

September 30, 2021											
Cost	Land	Land Improvements	Drilling Equipment	Laboratory and Camp Buildings	Survey Equipment and Machineries	Laboratory and Testing Equipment	Transportation Equipment	Office Furniture and Equipment	Total		
Balances at beginning of year	₱18,139,580	₱154,954,040	₱194,212,031	₱25,429,304	₱3,264,334	₱12,606,310	₱9,337,574	₱1,783,130	₱419,726,303	-	-
Additions	-	-	-	-	-	-	-	-	-	-	-
Balances at end of year	18,139,580	154,954,040	194,212,031	25,429,304	3,264,334	12,606,310	9,337,574	1,783,130	419,726,303	-	-
Accumulated Depreciation and Amortization											
Balance at beginning of year	-	82,416,128	171,055,004	15,045,678	3,264,334	12,606,310	9,337,574	1,783,130	295,508,158	-	-
Depreciation and amortization	-	11,621,553	14,565,902	1,907,198	-	-	-	-	28,094,653	-	-
Balances at end of year	-	94,037,681	185,620,906	16,952,876	3,264,334	12,606,310	9,337,574	1,783,130	323,602,811	-	-
Carrying Amount	₱18,139,580	₱60,916,359	₱8,591,125	₱8,476,428	₱-	₱-	₱-	₱-	₱96,123,492	-	-
December 31, 2020											
Cost	Land	Land Improvements	Drilling Equipment	Laboratory and Camp Buildings	Survey Equipment and Machineries	Laboratory and Testing Equipment	Transportation Equipment	Office Furniture and Equipment	Total		
Balances at beginning of year	₱18,139,580	₱153,494,562	₱194,212,031	₱25,429,304	₱3,264,334	₱12,606,310	₱9,337,574	₱1,783,130	₱418,266,825	-	-
Additions	-	1,459,478	-	-	-	-	-	-	1,459,478	-	-
Balances at end of year	18,139,580	154,954,040	194,212,031	25,429,304	3,264,334	12,606,310	9,337,574	1,783,130	419,726,303	-	-
Accumulated Depreciation and Amortization											
Balance at beginning of year	-	67,066,671	156,598,985	12,502,748	3,264,334	12,606,310	9,337,574	1,766,162	263,144,784	-	-
Depreciation and amortization	-	15,394,457	14,456,019	2,542,930	-	-	-	14,968	32,363,374	-	-
Balances at end of year	-	82,416,128	171,055,004	15,045,678	3,264,334	12,606,310	9,337,574	1,783,130	295,508,158	-	-
Carrying Amount	₱18,139,580	₱72,537,912	₱23,157,027	₱10,383,626	₱-	₱-	₱-	₱-	₱124,218,145	-	-

Depreciation and amortization are charged as follows:

	Note	September 30, 2020	December 31, 2019	December 31, 2019
Exploration and evaluation asset	8	P—	P—	P37,804,831
General and administrative expenses	11	28,094,653	32,363,374	14,050
		P28,094,653	P32,363,374	P37,818,881

Fully depreciated property and equipment that are still being used by the Group amounted to P26.99 million as at September 30, 2021 and December 31, 2020.

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 in 2021, 2020 and 2019 (see Note 4).

10. Trade and Other Payables

This account consists of:

	September 30, 2021	December 31, 2020
Trade	P7,271,296	P7,190,379
Accrued expenses	1,295,290	1,291,936
Statutory payables	7,047	8,435
	P8,564,280	P8,490,750

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.

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

11. General and Administrative Expenses

This account consists of:

	Note	September 30, 2021	September 30, 2020
Personnel costs	12	₱920,510	₱1,941,520
Professional fees		1,372,240	1,809,335
Rental	19	—	—
Representation and entertainment		—	8,199
Outside services		—	—
Transportation and communication		—	6,470
Listing fee		250,000	261,000
Penalties		—	—
Safekeeping fee		100,000	139,525
Taxes and licenses		220,401	97,229
Provision for probable loss	7	—	—
Repairs and maintenance		22,500	34,331
Office supplies		—	4,189
Insurance		—	—
Depreciation	9	28,094,653	11,226
Others		98,130	89,445
		₱31,078,434	₱3,684,788

12. Personnel Costs

Personnel costs charged to "Exploration and evaluation asset" account (see Note 8) consist of:

	Note	September 30, 2021	September 30, 2020
Salaries and wages		₱707,589	₱304,523
Employee benefits		45,893	17,761
Retirement benefits cost	13	—	—
		₱753,482	₱322,284

Personnel costs classified under "General and administrative expenses" account (see Note 11) consist of:

	Note	September 30, 2021	December 31, 2020
Salaries and wages		₱507,415	₱940,075
Retirement benefits cost	13	28,480	—
Employee benefits		38,805	—
		₱574,700	₱940,075

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, 2019 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 March 31, 2021.

The components of retirement benefits cost are as follows:

	September 30, 2021	December 31, 2020	December 31, 2019
Current service cost	P—	P54,677	P54,677
Interest cost	—	290,706	290,706
	P—	P345,383	P345,383

Retirement benefits costs are charged as follows:

	Note	September 30, 2021	December 31, 2020	December 31, 2019
Exploration and evaluation asset	8	P—	P247,936	P247,936
General and administrative expenses	11	—	97,447	97,447
		P—	P345,383	P345,383

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

	September 30, 2021	December 31, 2020
Balance at beginning of year	P244,458	P4,740,222
Current service cost	—	54,677
Interest cost	—	290,706
Remeasurement gain	—	(4,202,397)
Benefits paid	—	(638,750)
Balance at end of year	P244,458	P244,458

14. Related Party Transactions

The 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		Amount of Transactions		Outstanding Balances	
Transactions		September 30 2021	December 31, 2020	September 30, 2021	December 31, 2020
Advances to related parties -					
Entities under common ownership	Advances for working capital	₱3,313,822	₱1,928,862	₱5,242,684	₱426,484
Advances from related parties:					
Stockholders	Advances for working capital	₱—	₱—	₱—	₱—
Entities under common ownership	Advances for working capital	8,021,500	50,569,127	58,590,627	13,268,373
		₱8,021,500	₱50,569,127	₱58,590,627	₱13,268,373
Trade payables -					
Entities under common ownership	Rental	₱—	₱—	₱—	₱—

Terms and Conditions

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 2021, 2020 and 2019.

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

Other Transactions

The advances of the Parent Company to TMEC amounting to P568.9 million and P568.9 million as at December 31, 2021 and 2020, respectively, were eliminated during consolidation. These advances were for working capital purposes. No impairment loss on these advances was recognized in 2021, 2020 and 2019.

The Group has a lease agreement for its office space 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 P0.8 million in 2021, 2020 and 2019 (see Note 19).

Key Management Personnel Compensation

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

	September 30, 2021	December 31, 2020	December 31, 2019
Short-term employee benefits	P600,000	P3,087,500	P4,201,383
Post-employment benefits	-	762,500	864,571
	P600,000	P3,850,000	P5,065,954

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, receivables from incidental sale of coal, other receivables (presented under "Other current assets" account), restricted cash (presented as "Other noncurrent asset" account), trade and other payables (excluding statutory payables) and advances from related parties.

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 certificates of deposit included in funds held in escrow, 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 transacts mainly with recognized and creditworthy third parties as well as with related parties. 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 at amortized cost as at September 30, 2021 and 2020:

	September 30, 2021					
	Neither Past Due nor Impaired			Past Due but not Impaired	Credit-impaired	Total
	High Grade	Standard Grade	Substandard Grade			
Financial assets at amortized cost:						
Cash and cash equivalents*	₱740,544	₱—	₱—	₱—	₱—	₱740,544
Advances to related parties	5,242,684	—	—	—	—	5,242,684
Funds held in escrow	—	—	—	—	—	—
Receivables from incidental sale of coal and other receivables**	150,728	—	—	—	—	150,728
Restricted cash***	1,080,725	—	—	—	—	1,080,725
	₱7,214,681	₱—	₱—	₱—	₱—	₱7,214,681

*Excluding cash on hand amounting to P15,000 as at September 30, 2021.

** Presented under "Other current assets" account.

*** Presented under "Other noncurrent asset" account.

	December 31, 2020					Total
	Neither Past Due nor Impaired			Past Due but not Impaired	Credit-impaired	
	High Grade	Standard Grade	Substandard Grade			
Financial assets at amortized cost:						
Cash and cash equivalents*	₱760,604	₱—	₱—	₱—	₱—	₱760,604
Advances to related parties	1,928,862	—	—	—	—	1,928,862
Funds held in escrow	—	—	—	—	—	—
Receivables from incidental sale of coal and other receivables**	150,728	—	—	—	—	150,728
Restricted cash***	1,080,725	—	—	—	—	1,080,725
	₱3,920,919	₱—	₱—	₱—	₱—	₱3,920,919

*Excluding cash on hand amounting to P15,000 as at December 31, 2020.

** 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 certificates of 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.

Receivables from incidental sale of coal and other receivables 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 at amortized cost of the Group based on remaining contractual undiscounted cash flows as at September 30, 2021 and December 31, 2020:

	September 30, 2021			Total
	On Demand	Within 1 Year	Over 1 Year	
Trade and other payables*	P8,564,280	P—	P—	P8,564,280
Advances from related parties	58,790,627	—	—	58,790,627
	P67,154,907	P—	P—	P67,154,907

*Excluding statutory payables amounting to P0.018 million as at September 30, 2021.

	December 31, 2020			Total
	On Demand	Within 1 Year	Over 1 Year	
Trade and other payables*	P8,482,315	P—	P—	P8,490,750
Advances from related parties	50,569,127	—	—	50,569,127
	P59,051,442	P—	P—	P59,059,877

* Excluding statutory payables amounting to P0.008 million as at December 31, 2020.

**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 significant to affect the Group's financial performance.

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 optimal cost of capital based in current conditions. The Group considers its equity, excluding OCI, as capital amounting to P3,815.1 million and P3,846.2 million as at September 30, 2021 and December 31, 2020, respectively.

TMEC is subject to externally-imposed capital requirements applicable to applicants for exploration permits. The minimum paid-up capital is P6.25 million. 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 years.

16. Fair Value Measurement of Financial Instruments

Presented below is a comparison category of the carrying amount and fair values of all the Group's financial assets and liabilities as at September 30, 2021 and December 31, 2020.

	September 30, 2021	December 31, 2020	
		Carrying Amount	Fair Value
Financial Assets at Amortized Cost:			
Cash and cash equivalents	P755,544	P760,604	P760,604
Advances to related parties	5,242,684	1,928,862	1,928,862
Funds held in escrow	—	—	—
Receivables from incidental sale of coal*	150,728	150,728	150,728
Other receivables*	563,075	45,676	45,676
Restricted cash**	1,080,725	1,080,725	1,080,725
	P7,792,756	P3,966,595	P3,966,595
Financial Liabilities at Amortized Cost:			
Trade and other payables***	P8,564,280	P8,490,750	P8,490,750
Advances from related parties	58,590,627	50,569,127	50,569,127
	P67,154,907	P59,059,877	P59,059,877

*Presented under "Other current assets" account.

**Presented as "Other noncurrent asset" account.

***Excluding statutory payables amounting to P0.007 million as at September 30, 2021 and December 31, 2020.

Cash and Cash Equivalents, Advances to Related Parties, Receivables from Incidental Sale of Coal, Other Receivables, Trade and Other Payables and Advances from Related Parties. 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 its 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, 2021 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, 2021	September 30, 2020
Net loss	31,076,811	3,674,806
Divided by weighted average number of common shares outstanding	4,000,000,004	4,000,000,004
Basic/diluted loss per share	0.0077	0.0009

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 for its office space 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 Nil in 2021 and 2020 (see Note 11).

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, 2019, 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, 2019 and 2018, TMEC has incurred ₱631.2 million and ₱585.8 million, respectively, for the direct implementation of the work program for the exploration phase of these COCs (see Note 8).

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 21, 2018.

On September 11, 2018, the Group submitted the required documents to NCIP for the issuance of 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 from the NCIP.

On December 11, 2019, TMEC received the approval of the conversion of COC No. 159 to Development and Production Phase, subject to obtaining the CP (for Development and Production Phase) or CNO from the NCIP. The COC No. 159 for Development and Production Phase shall be effective from date hereof for a period of ten (10) years, and should there be remaining mineable reserves, extendible for another ten (10) years and thereafter renewable for a series of three (3) year periods not exceeding twelve (12) years under such terms and condition as may be agreed upon by the DOE and the Contractor.

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

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 in 2017.

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, TMEC has re-submitted the Five-Year Work Program in support for the processing of TMEC's application for the conversion of its COC.

On September 4, 2019, TMEC requested for a suspension of the conversion to development and production phase due to difficulties in complying with its obligations due to peace and order disturbances in the area, security threats to its employees by lawless elements, dwindling competitiveness of coal.

On December 9, 2019, the DOE required TMEC to substantiate with supporting documents the above cited problems encountered, specifically documents attesting that TMEC has an existing application for Environmental Compliance Certificate (ECC) from the EMB-DENR, certification from concerned law enforcement units as to the peace and order problem in the area, and proof to the other constraints that TMEC has stated that hinder its compliance with its obligations for COC conversion.

20. Operating Segment

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.

21. Events After the Reporting Period

The country is currently experiencing a pandemic virus crisis resulting in a slowdown in the Philippine economy because of mandated lockdowns all over the country. While the financial impact is considered a non-adjusting subsequent event as at September 30, 2021 the effect on Group operations and financial performance, however, cannot be reasonably determined as at the report date.

Nonetheless, the Group strongly believes that it can remain a going concern given that a stockholder representing majority of the stockholders has committed to provide continuous financial support to the Group.

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 September 30, 2021.

COAL's Summary Unaudited Consolidated Financial Information as at September 30, 2021	
Amounts are Php	
Consolidated Statement of Comprehensive Income	
Sales	—
Cost of Sales	—
Gross Profit	—
Operating Income	—
Income (loss) before income tax	(31,078,434)
Net Income (loss)	(31,078,434)
Consolidated Statement of Financial Position	
Assets	
Cash	755,554
Funds held in escrow	—
Advances to Affiliates	5,242,684
Prepayments and other current assets	563,075
Total Current Assets	6,561,303
Exploration and evaluation assets	637,539,280
Property, plant and equipment –net	96,123,492
Intangible asset	—
Coal Reserves	3,131,596,101
Deferred Tax Asset	9,709,459
Other Noncurrent Asset	1,080,725
Total Non-Current Assets	3,876,049,057
TOTAL ASSETS	3,882,610,360
Liabilities and Equity	
Trade and other payables	8,564,280
Advances from related parties	58,590,627
Total Current Liabilities	67,154,907
Retirement benefit liability	303,773
Total Non-Current Liability	303,773
Capital Stock	4,000,000,004
Deficit	(187,955,318)
Remeasurement loss on retirement benefit liability	3,106,994
Stockholders' Equity	3,815,151,680
TOTAL LIABILITIES AND EQUITY	3,882,610,360
Key Indicators	
Gross Profit Margin (%)	—
Net Income (loss) Margin (%)	—
Return on Asset (%)	80%
Return on Equity(%)	81%
Current Ratio(x)	0.10:1.00
Total Liabilities to Equity (x)	0.02:1.00
Earnings Per Share (Basic) (Php 0.0000)	(0.0078)
Book Value Per Share (Php 0.0000)	0.95

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

September 30, 2021 vs. September 30, 2020

General and Administrative Expenses

General and administrative expenses increased by ₱27.39 million or 7.43% due to increase in depreciation and other expenses during the period.

Operating Income and Operating Income Margin

Operating loss increased by ₱27.39 million or 7.43% due to increase on general and administrative expenses.

Interest Income

Interest income decreased by 0.84% due to decrease on balance of cash and cash equivalents.

Interest Expense

Interest expense is Nil since the Group has no existing loans payable.

Net Income and Net Income Margin

The net loss of the Group increased by ₱27.39 million or 7.43%. This represents increase on general and administrative expenses.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

September 30, 2021 vs. December 31, 2020

Cash and Cash Equivalents

Cash and cash equivalents decreased by ₱0.005 million or .01% from ₱0.76 million to ₱0.75 million due to collection from related parties of the Group.

Funds Held in Escrow

The balance of fund held in escrow of the group is Nil.

Prepayments and Other Current Assets

The increase of ₱0.119 million or a 27% from ₱0.44 million to ₱0.56 million due to advances to officers and employees for business purposes.

Exploration and Evaluation Assets

The ₱1.95 million increase in exploration and evaluation assets or a 0.0031% increase from ₱635.5 million to ₱637.5.

Property and Equipment

The net 0.23% decrease from ₱124.22 million to ₱96.12 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 minimal increase in trade and other payables.

Equity

Capital position of the Group went down by ₱31.1 million due to net loss for the period.

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY
SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
SEPTEMBER 30, 2021 AND DECEMBER 31, 2020

Ratio	Formula	September 30, 2021	December 31, 2020
Current ratio	Total Current Assets	6,561,303	3,133,257
	Divided by: Total Current Liabilities	67,154,907	59,059,877
	Current ratio	0.10:1	0.05:1
Acid test ratio	Total Current Assets	6,561,303	3,133,257
	Less: Other current assets	(563,075)	(403,615)
	Quick assets	5,998,228	2,729,642
	Divide by: Total Current Liabilities	67,154,907	59,059,877
	Acid test ratio	0.09:1	0.05:1
Solvency ratio	Net loss before depreciation	(2,982,159)	(2,900,500)
	Divide by: Total liabilities	67,458,680	59,363,650
	Solvency ratio	(0.04:1)	(0.05):1
Debt-to-equity ratio	Total liabilities	67,458,680	59,363,650
	Divide by: Total equity	3,815,151,680	3,846,228,494
	Debt-to-equity ratio	0.02:1	0.02:1
Asset-to-equity ratio	Total assets	3,882,610,360	3,905,592,144
	Divide by: Total equity	3,815,151,680	3,846,228,494
	Asset-to-equity ratio	1.02:1	1.02:1
Return on equity	Net loss	(31,078,434)	(35,263,874)
	Divide by: Total equity	3,815,151,680	3,846,228,494
	Return on equity	(0.81%)	(0.92%)
Return on assets	Net loss	(31,078,434)	(35,263,874)
	Divide by: Total assets	3,882,610,360	3,905,592,144
	Return on asset	(0.80%)	(0.90%)

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY
SUPPLEMENTARY SCHEDULE OF PROCEEDS FROM INITIAL OFFERING
SEPTEMBER 30, 2021

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

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

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

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

(ii) ACTUAL GROSS AND NET PROCEEDS

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

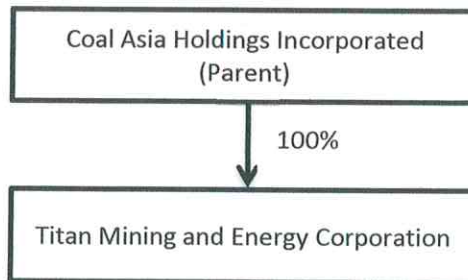
(iii) USE OF PROCEEDS

Working capital	₱126,868,750
Exploration work for Davao Oriental Project	581,796,367
Exploration work for Zamboanga Sibugay Project	52,283,378
	₱760,948,495

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

Net proceeds	₱748,209,915
Accumulated interest income	13,414,560
Disbursements	(761,624,475)
	₱ -

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY
CONGLOMERATE MAP
SEPTEMBER 30, 2021



COAL ASIA HOLDINGS INCORPORATED

**SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION OF THE PARENT COMPANY
SEPTEMBER 30, 2021**

Deficit, beginning of year	(P156,878,504)
Net loss closed to deficit	(31,076,811)
Deficit, as adjusted, end of year	(P187,955,318)

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

SEC Supplementary Schedule as Required by Part II of SRC Rule 68 as Amended
SEPTEMBER 30, 2021

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	Amounts Receivable from Related Parties which are Eliminated During the Consolidation of the Financial Statements	<u>1</u>
D	Long-term Debt	<u>N/A</u>
E	Indebtedness to Related Parties	<u>N/A</u>
F	Guarantees of Securities of Other Issuers	<u>N/A</u>
G	Capital Stock	<u>2</u>

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

**C. Amounts Receivable from Related Parties which are Eliminated
During the Consolidation of the Financial Statements
SEPTEMBER 30, 2021**

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	P568,931,253	P-	P-	P-	P568,931,253	P-	P568,931,253

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

G. Capital Stock
SEPTEMBER 30, 2021

<i>Title of issue</i>	<i>Number of shares authorized</i>	<i>Number of shares issued and outstanding as shown under the related statements of financial position caption</i>	<i>Number of shares reserved for options, warrants, conversion and other rights</i>	<i>Number of shares held by</i>		
				<i>Related parties</i>	<i>Directors, officers and employees</i>	<i>Others</i>
Capital stock - P1 par value	5,000,000,000	4,000,000,004	–	1,920,000,000	1,280,612,005	799,387,999

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**

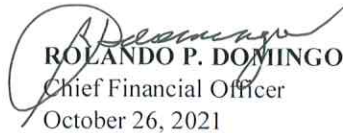
By:



JOHNSON A. SANHI JR.

President/Chief Operating Officer

October 26, 2021



ROLANDO P. DOMINGO
Chief Financial Officer
October 26, 2021