COVER SHEET

CS201210314

SEC Registration Number

COAL ASIA HOLDINGS, INC.

(Company's Full Name)

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

ANN MARGARET K. LORENZO

632-0905

Company Telephone Number

12	31
Month	Day

Fiscal Year

Month	Day

Annual Meeting

Definitive 20-IS

Form Type

Secondary License Type, if applicable

Department Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be Accomplished by SEC Personnel Concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

Coal Asia Holdings
Reliable energy resources through responsible mining

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

TO: ALL STOCKHOLDERS

NOTICE is hereby given that the annual meeting of the stockholders of **COAL ASIA HOLDINGS, INCORPORATED** will be held on **01 August 2017**, Tuesday, at **9:00 in the morning**, at the Cervantes Function Room, Discovery Primea, 6749 Ayala Avenue, Makati City 1226, to consider the following:

AGENDA

1) Call to Order
2) Proof of Notice of Meeting
3) Certification of Quorum
4) Approval of the Minutes of the Previous Annual Stockholders' Meeting
5) Approval of 2016 Operations and Results
6) Ratification of all acts of the Board of Directors and Officers
7) Election of Directors
8) Appointment of External Auditor
9) Other Matters
10) Adjournment

Attached are the rationale for the above agenda items for reference.

In accordance with the rules of the Philippine Stock Exchange, the close of business on **30 June 2017** has been fixed as the record date for the determination of the stockholders entitled to notice of and vote at said meeting and any adjournment thereof.

Registration for those who are personally attending the meeting will start at 8:00 in the morning and end promptly at 9:00 a.m. All stockholders who will not, are unable, or do not expect to attend the meeting in person are encouraged to fill out, date, sign and send a proxy to the Corporation's principal office. All proxies should be received by the Corporation on or before **28 July 2017**. Proxies submitted shall be validated by a Committee of Inspectors on **31 July 2017** at 10:00 in the morning at the Corporation's principal office. For corporate stockholders, the proxies should be accompanied by a Secretary's Certification on the appointment of the corporation's authorized signatory.

To avoid any inconvenience in registering your attendance at the meeting, you or your proxy is requested to bring identification paper(s) containing a photograph and signature, e.g. passport or driver's license.

Pasig City, Metro Manila.

ANN MARGARET K. LORENZO
Assistant Corporate Secretary

RATIONALE FOR AGENDA ITEMS:

Agenda Item No. 4. Approval of the Minutes of the Previous Meeting of Stockholders held on 19 July 2016

Copies of the Minutes of the 19 July 2016 Annual Stockholders' Meeting will be made available during the ASM. Stockholders will be asked to approve the Minutes of the 2016 Annual Stockholders' Meeting as recommended by the Board of Directors.

Agenda Item No. 5. Approval of 2016 Operations and Results

A report on the highlights of the performance of the Corporation for the year ended 2016 will be presented to stockholders. The same was reviewed by the Audit Committee and the Board of Directors, and have been audited by the external auditors who declared an unqualified opinion on the Audited Financial Statements (AFS). A summary of the 2016 AFS shall also be presented to the stockholders. Stockholders, after identifying themselves, will be given an opportunity to raise questions regarding the operations and report of the Corporation.

Agenda Item No. 6. Ratification of all Acts of the Board of Directors and Management from the date of the last Annual Stockholders' Meeting to the date of this meeting

All actions, proceedings and contracts entered into, as well as resolutions made and adopted by the Board of Directors and of Management from the date of the last Stockholders' Meeting held on 19 July 2016 to the date of this meeting shall be presented for confirmation, approval, and ratification.

Agenda Item No. 7. Election of Directors for 2017 to 2018

The incumbent members of the Board of Directors, except Arsenio M. Bartolome III who is nominated as Independent Director in lieu of A. Bayani K. Tan, as reviewed, qualified and recommended by the Nomination Committee, have been nominated for re-election. Their proven expertise and qualifications based on current regulatory standards and the Corporation's own norms, will help sustain the Company's solid performance that will result to its stockholders' benefit. The profiles of the Directors are further detailed in the Corporation's Information Statement. If elected, they shall serve as such from 1 August 2017 until their successors shall have been duly elected and qualified.

Agenda Item No. 8. Appointment of External Auditors

The Audit Committee has pre-screened and recommended, and the Board has endorsed for consideration of the stockholders to re-appoint Reyes Tacandong & Co. as the Corporation's External Auditor for 2017-2018. Reyes Tacandong & Co.is one of the leading auditing firms in the country and is duly accredited by the Securities and Exchange Commission. The stockholders will also be requested to delegate to the Board the authority to approve the appropriate audit fee for 2017.

PROXY FORM

The undersigned stockholder of Coal Asia Holdings Incorporated (the "Company") hereby appoints ______________________________ or in his absence, the Chairman of the meeting, as attorney and proxy, with power of substitution, to represent and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of the Company on 1 August 2017 and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Election of Directors.
____ 1.1. Vote for all nominees listed below:
1.1.1. Harald R. Tomintz
1.1.2. Eric Y. Roxas
1.1.3. Johnson A. Sanhi, Jr.
1.1.4. Dexter Y. Tiu
1.1.5. Aristides Armas (Independent Director)
1.1.6. Juan Kevin G. Belmonte (Independent Director)
1.1.7. Arsenio M. Bartolome III (Independent Director)

____ 1.2. Withhold authority for all nominees listed above
____ 1.3. Withhold authority to vote for the nominees listed below:

_________________ _________________
_________________ _________________
_________________ _________________

2. Approval of minutes of previous Annual Stockholders' Meeting.
___ Yes ___ No ___ Abstain

3. Approval of 2016 Annual Report.
___ Yes ___ No ___ Abstain

4. Ratification of all acts and resolutions of the Board of Directors and Management from date of last Stockholders' Meeting to 1 August 2017.
___ Yes ___ No ___ Abstain

5. Election of Reyes Tacandong & Co. as external auditor.
___ Yes ___ No ___ Abstain

6. At their discretion, the proxies named above are authorized to vote upon such other matters as may properly come before the meeting.

___ Yes ___ No ___ Abstain

____
Printed Name of Stockholder

____
Signature of Stockholder /
Authorized Signatory

____
Date

THIS PROXY FORM SHOULD BE RECEIVED BY THE CORPORATE SECRETARY
BEFORE THE DATE SET FOR THE ANNUAL MEETING AS PROVIDED IN THE BY-LAWS.

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS

Information Statement Pursuant to Section 20
of the Securities Regulation Code

SECURITIES AND EXCHANGE COMMISSION
RECEIVED
JUL 03 2017
MARKET REGULATION DEPT.
BY: TIME: 12:45

1. Check the appropriate box
   [ ] Preliminary Information Statement
   [✓] Definitive Information Statement

2. Name of Registrant as specified in its charter:
   COAL ASIA HOLDINGS, INCORPORATED

3. Province, country or other jurisdiction of incorporation or organization: **Philippines**

4. SEC Identification Number: **CS201210314**

5. BIR Tax Identification Number: **008-297-271-000**

6. Address of principal office: **3rd Floor JTKC Center, 2155 Don Chino Roces Avenue Makati City**

7. Registrant's telephone number, including area code: **(632) 818-6772**

8. Date, time, and place of the meeting of security holders:

Date	**:**	**01 August 2017 (Tuesday)**
Time	**:**	**9:00 in the morning**
Venue	**:**	**Cervantes Function Room, Discovery Primea, 6749 Ayala Avenue, Makati City 1226**

9. Approximate date on which the Information Statement is to be sent or given to security holders: **04 July 2017**.

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, ₱1.00 par value	4,000,0000,004 **(as of 16 June 2017)**

11. Are any or all of Registrant's securities listed on a Stock Exchange?

    Yes [√] No [ ]

    If so disclose name of the Exchange : **The Philippine Stock Exchange, Inc.**
    Class of securities listed : **Common Shares**

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. Date, time and place of meeting of security holders.

(a) Date, time and place of meeting:

Date	**1 August 2017 (Tuesday)**
Time	**9:00 in the morning**
Place	**Cervantes Room, Discovery Primea** **6749 Ayala Avenue, Makati City 1226**

The approximate date on which the Information Statement will be sent or given to security holders is on 5 July 2017.

(b) The complete mailing address of the principal office of Coal Asia Holdings, Incorporated ("the Company") is at **3rd Floor, JTKC Center, 2155 Don Chino Roces Ave., Makati City.**

Item 2. Dissenters' Right of Appraisal

Sections 42 and 81 of the Corporation Code provide for a shareholder's exercise of the right of appraisal (defined as the right of any stockholder to dissent and demand payment of the fair value of his shares). The instances where the right of appraisal may be exercised are as follows:

1. In case any amendment to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening the term of corporate existence;

2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the Company's property and assets;

3. In case the Company decides to invest its funds in another corporation or business outside of its primary purpose; and

4. In case of merger or consolidation.

There are no Items in the agenda that may give rise to a dissenting shareholder's exercise of the right of appraisal.

Section 82 of the Corporation Code provides for the appropriate procedure for the exercise of the right of appraisal, *viz*:

> The appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken for payment of the fair value of his shares: Provided, that the failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or affected, the corporation shall pay to such stockholder, upon surrender of the certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made: Provided, that no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment; and Provided, further, that upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

(a) No person who has been a director or officer or any nominee for election as director of the Company or associate of such persons, have substantial interest, direct or indirect, in any matter to be acted upon.

(b) The Company is not aware of any director or security holder who intends to oppose any action to be taken by the Company during the stockholders' meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) As of 16 June 2017, the Company has 4,000,000,004 common shares outstanding and each share is entitled to one vote. 10,995,010 (or 0.27%) of the outstanding common shares of the Company were held by non-Filipinos as of 16 June 2017.

(b) The record date with respect to the determination of the stockholders entitled to notice of and vote at the Annual Stockholders' Meeting is **30 June 2017.**

(c) Security ownership of certain record and beneficial owners and management.

(1) Security Ownership of Certain Record and Beneficial Owners

The following persons or group are known to the Company as directly or indirectly the record or beneficial owners of more than five percent (5%) of the Company's voting securities as of 16 June 2017.

Title of Class	Name and Address of Record Owner and Relationship with issuer	Name and Address of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	PCD Nominee Corporation(1) G/F Makati Stock Exchange 6767 Ayala Avenue, Makati City	*(see footnote)*	Filipino	782,227,873	19.56%
Common	Sterling Bank of Asia – Trust Group Sterling Bank Corporate Center 1500 San Juan City (Parent Company)	Dexter Y. Tiu JTKC Equities Inc Eric Y. Roxas Gertim Chuahiong Alexander Y. Tiu	Filipino	3,200,000,000	80%

**PCD Nominee Corporation ("PCDNC") is a wholly-owned subsidiary of Philippine Central Depository, Inc. ("PCD"). The beneficial owners of such shares registered under the name of PCDNC are PCD's participants who hold the shares in their own behalf or in behalf of their clients. The PCD is prohibited from voting these shares; instead the participants have the power to decide how the PCD shares in COAL are to be voted. Under PCD, there is no participant holding more than 5% of COAL's outstanding shares as of 16 June 2017.*

**Sterling Bank of Asia, Inc. – Trust Group is the escrow bank for the shares under lock-up of the beneficial owners, Messrs. Dexter Y. Tiu, J, Eric Y. Roxas, Gertim Chuahiong, and Alexander Y. Tiu and JTKC Equities, Inc. The beneficial owners are stockholders of COAL. The beneficial owners have the power to decide how their respective shares under lock-up are to be voted.*

Apart from the foregoing, there are no other persons holding more than 5% of the Company's outstanding capital stock.

(2) Security Ownership of Management

The following table shows the shares beneficially owned by the directors and executive officers of the Company as of 16 June 2017.

Title of Class	Name and Citizenship	Amount and nature of beneficial ownership		Percent of Class
Common	Harald R. Tomintz (Austrian)	1,000	Direct	0.00
Common	Dexter Y. Tiu (Filipino)	640,000,000	Direct	16.00
Common	Johnson Sanhi, Jr. (Filipino)	1,000	Direct	0.00
Common	Eric Y. Roxas (Filipino)	640,200,000	Direct	16.005
Common	A. Bayani K. Tan (Filipino)	200,001	Direct	0.05
Common	Juan Kevin G. Belmonte (Filipino)	1	Direct	0.00
Common	Aristides S. Armas (Filipino)	10,001	Direct	0.00
Common	Victor J. Lee (American)	0	N/A	0.00
Common	Enrique C. Payawal (Filipino)	0	N/A	0.00
Common	Gizella Greta D.J. Gonzales (Filipino)	0	N/A	0.00
Common	Arnold S. Manat (Filipino)	0	N/A	0.00
Common	Ann Margaret K. Lorenzo (Filipino)	0	N/A	0.00
Common	Rosanna Desiderio (Filipino)	1	Direct	0.00
Common	***All directors and executive officers as a group***	***1,280,412,004***		***32.01***

(3) Voting Trust Holders of 5% or More

There is no party known to the Company as holding any voting trust or any similar arrangement for 5% or more of the Company's voting securities.

<u>Changes in Control</u>

There is no arrangement known to the Company which may result in a change in control of the Company.

Item 5. Directors and Executive Officers

Directors and Executive Officers

The following are the Directors and Executive Officers of the Company:

Name	Position with the Company	Date of First Election/Last Election
Harald R. Tomintz	Director and Chairman	July 2012/14 July 2015
Johnson A. Sanhi, Jr.	Director, President and Chief Operating Officer	21 July 2014/14 July 2015
Dexter Y. Tiu	Director and Treasurer	June 2012/14 July 2015
Eric Y. Roxas	Director and Corporate Secretary	June 2012/14 July 2015
Juan Kevin G. Belmonte	Independent Director	July 2012/14 July 2015
Aristides Armas	Independent Director	July 2012/14 July 2015
A. Bayani K. Tan	Director	July 2012/14 July 2015
Victor. J. Lee	Chief Financial Officer	March 2015/14 July 2015
Enrique C. Payawal	Vice President-Exploration	July 2012/14 July 2015
Gizella Greta D. J. Gonzales	Senior Geologist	July 2012/14 July 2015
Arnold S. Manat	Mining Engineer	July 2012/14 July 2015
Ann Margaret K. Lorenzo	Assistant Corporate Secretary	March 2017/23 March 2017
Rosanna T. Desiderio	Accounting Manager and Corporate Information Officer/Compliance Officer	July 2012/14 July 2015

<u>Board of Directors</u>

The present members of the Board of Directors ("BOD") were elected during the stockholders' meeting held on 19 July 2016. The term of the current members of the BOD shall be until the next stockholders' meeting, or on 1 August 2017.

The Nomination Committee is composed of its Chairman, Mr. Harald R. Tomintz, and two members, Messrs. Dexter Y. Tiu and Juan Kevin G. Belmonte. In accordance with the Securities Regulation Code and its Implementing Rules and Regulations, the Nomination Committee met on 23 March 2017 and nominated Messrs. Tomintz, Sanhi, Tiu, Roxas, Belmonte, Armas and Bartolome for election to the Board.

The business experience for at least the last five (5) years of the Company's candidates for election as Directors, as well as the Executive Officers, are as follows:

Harald R. Tomintz, 64, Austrian, Chairman of the Board

Harald R. Tomintz is the Chairman of the Company. Mr. Tomintz is also the President of Rekom Manila Corporation and a Board Supervisor of Zhangzhou Stronghold Steelworks

Corporation, in addition, since 2015 he also serves in the Board of Directors of Philippine Power and Development Corporation. His past positions include being the President of VATECH Phils., Inc. (2002-2004), member of the Executive Committee, Director of Semirara Coal Corporation (1992-1997), and Director of Ferrochrome Philippines (1992-1995). He holds a degree in Mechanical Engineering from BULME in Graz-Goesting and SZA Vienna, Austria.

Johnson A. Sanhi, Jr., 52, Filipino, President & Chief Operating Officer

Johnson A. Sanhi, Jr. is the President and COO of the Company. He has been with TMEC from 2013 to present. He was previously VP-Operations of Stronghold Steel Corporation. He was former Vice President and Plant Manager at Cathay Pacific Steel Corporation where he worked for 23 years. He has earned Masteral units in Chemical Engineering from the University of the Philippines Diliman. He obtained his Bachelor of Science degree in Chemical Engineering from De La Salle University.

Dexter Y. Tiu, 45, Filipino, Director and Treasurer

Dexter Y. Tiu, Filipino, is Treasurer and Director of the Company. Mr. Tiu is the Chairman and CEO of Pure Energy Holdings Corporation and the President and CEO of Philippine Power Development & Co. He is both Director and Treasurer of TKC Metals Corporation and Titan Mining & Energy Corporation. He is also a director of JTKC Equities, Inc. and Star Equities, Inc. He also serves as Vice Chairman of Zhangzhou Stronghold Steelworks Corporation based in Xiamen, China. He holds a Bachelor of Science degree in Mechanical Engineering from De La Salle University.

Eric Y. Roxas, 53 Filipino, Director, Corporate Secretary

Eric Y. Roxas is the Corporate Secretary of the Company. Mr. Roxas is also a Director and the Corporate Secretary of Pure Energy Holdings Corporation. Concurrently, he is the President of Husky Trading Corp., Supra Finishings Corporation, Philippine Welding Technology Skills & Services Center, Inc., and Husky Calibration Specialists, Inc. He is also a Director and the Treasurer of Eagle Equities, Inc. He holds a Bachelor of Science degree in Industrial Engineering from De La Salle University.

Independent Directors

Pursuant to the requirements of Section 38 of the SRC, the Company's Board of Directors and stockholders approved the amendment of the Company's By-Laws adopting the requirement on the nomination and election of independent directors.

During its meeting on 23 March 2017, the Nomination Committee endorsed the nominations in favor of Mr. Juan Kevin Belmonte (made by Mr. Dexter Tiu), Mr. Aristides Armas (made by Mr. Johnson Sanhi, Jr.) and Mr. Arsenio Bartolome III (made by Mr. A. Bayani K. Tan). Except as fellow stockholders of the Corporation, the nominees for independent director are not related to the person nominating them.

The nomination, pre-screening and election of independent directors were made in compliance with the requirements of the Code of Corporate Governance and the Securities and Exchange Commission's Guidelines on the Nomination and Election of Independent Directors which have been adopted and made part of the Corporation's By-Laws.

Juan Kevin G. Belmonte, 53, Filipino, Independent Director

Juan Kevin G. Belmonte is an Independent Director of the Corporation. He is also currently the President & CEO of Philstar.com, a director of People Asia, and Vice Chairman of Nuvoland Philippines. He is also a director of Philstar Daily, Inc., IPVG Corporation, IP E-Games Corporation, EEI Corporation, and the Development Bank of the Philippines. He is also current Chairman and immediate past President of the Cactus and Succulent Society of the Philippines. He was a former manager and partner of Arthur Andersen & Co. – SGV & Co., and senior consultant and manager of Andersen Consulting in Chicago, USA, and past director of Bantay Kalikasan and ABS-CBN Foundation Initiative. He holds a Master of Management degree from the J.L. Kellogg Graduate School of Management, Northwestern University and has a Bachelor of Arts degree in Economics from Ateneo de Manila University.

Aristides S. Armas, 71, Filipino, Independent Director

Aristides S. Armas is the President of Asia United Leasing & Finance Corporation and Asia United Fleet Management Services, Inc. He was previously the President of UCPB Leasing and Financing Corporation. He has 40 years of experience in banking and financing. He previously held executive positions in Citibank, BA Finance Corporation, UCPB Savings Bank, and United Coconut Planters Bank. He earned his Bachelor of Arts degree and Bachelor of Science degree in Commerce from the De La Salle University.

Arsenio M. Bartolome III, 76, Filipino, Independent Director

Arsenio M. Bartolome III is the Chairman and President of Amber Properties, Inc. He previously held several positions in the public sector, namely North Luzon Railway Corporation (Chairman and President), Philippine National Bank (President and Chief Executive Officer), Bases Conversion and Development Authority (First Chairman and President), Century Bank, Los Angeles, California (Chairman), PNB International Finance, Hong Kong (Chairman) and PNB Europe (Chairman). He also previously held positions in the following private sector institutions: Urban Bank (Chairman and President), H&Q Philippine Ventures, Inc. (Chairman), First Philippine Fund, New York City (Chairman), Rizal Commercial Banking Corporation (Treasurer and Senior Vice President), Multinational Investment Bancorporation (General Manager), Citibank, Manila (Head, Treasury Group), Bancom Development Corporation (Head, Money Market Department) and Wells Farfo Bank, San Francisco, California (Negotiator, International Banking). Mr. Bartolome also served as President of the following professional associations: Management Association of the Philippines, Financial Executives of the Philippines, Asian Pacific Bankers Club, Development Bankers Association of the Philippines, and Money Market Association of the Philippines. He was also previously a director of Bankers Association of the Philippines and Philippine Chamber of Commerce and Industry, as well as governor of the Makati Stock Exchange. Mr. Bartolome has a degree in Business Administration in University of the East (Manila). He also took up an Advanced Banking Program from American Institute of Banking (San Francisco Chapter) and a Top Management Program from the Asian Institute of Management (Manila).

Principal Officers

Harald R. Tomintz, 64, Austrian, Chairman of the Board

Johnson A. Sanhi, Jr., 52, Filipino, President & Chief Operating Officer

Dexter Y. Tiu, 45, Filipino, Director and Treasurer

Eric Y. Roxas, 53, Filipino, Director, Corporate Secretary

Please refer the discussion on the Board of Directors above for the profiles of Messrs. Tomintz, Sanhi, Tiu and Roxas.

Victor J. Lee, 48, American, Chief Financial Officer

Victor J. Lee is the Chief Financial Officer of the Company. He is an experienced financial professional hailing from Wall Street where he was Vice President at Bankers Trust and Investment Banking Analyst at Smith Barney. He was also a Senior Consultant at Deloitte & Touche Consulting. He has raised and managed several venture capital funds, including Alcatel Ventures, SK Telecom Qualcomm Fund, BT Ventures and Semper Ventures. Over the past decade he has taken principal investment and management roles in natural resources and alternative energy projects. He has a Masters Degree from Harvard University and a Bachelors Degree from Yale University.

Enrique C. Payawal, 73, Filipino, Vice President-Exploration

Enrique C. Payawal is an Exploration and Mine Geologist with over 40 years of experience in both metal and non-metal deposits. He is a licensed practicing geologist from December 1968 to present and an accredited Competent Person by the Geological Society of the Philippines in accordance with the Philippine Mineral Reporting Code (PMRC) in regards to reporting of Exploration Results and Mineral Resources from June 2009 to present.

Gizella Greta D.J. Gonzales, 41, Filipino, Senior Geologist

Gizella Greta D.J. Gonzales is an Exploration Geographic Information System (GIS)/ Database Geologist with over five (5) years' work experience in gold, copper, coal, and nickel and iron deposits. She is a licensed practicing geologist since 2000. She holds a Bachelor of Science degree in Geology from the University of the Philippines.

Arnold S. Manat, 57 Filipino, Mining Engineer

Arnold S. Manat is a Mining Engineer with twenty five (25) years' work experience in the exploration, mine engineering and operations management of an open pit coalmine and related fields though stints with Semirara Mining Corporation and others. He is a licensed Mining Engineer since 1981.

Ann Margaret K. Lorenzo, 28, Filipino, Assistant Corporate Secretary

Ann Margaret K. Lorenzo is the Assistant Corporate Secretary of the Company. She concurrently serves as Assistant Corporate Secretary of the following listed firms: I-Remit, Inc., TKC Metals Corporation, Crown Asia Chemicals Corporation. She also serves as Assistant Corporate Secretary of the following reporting companies: Philequity PSE Index Fund, Inc., Philequity Fund, Inc., Philequity Peso Bond Fund, Inc., Philequity Dollar Income Fund, Inc., Philequity Dividend Yield Fund, Inc. She is also the Assistant Corporate Secretary of the following private companies: Philequity Strategic Growth Fund, Inc., Philequity Balanced Fund, Inc., Philequity Resources Fund, Inc., Philequity Foreign Currency Fixed Income Fund, Inc., Aldex Realty Corporation, Oakridge Properties, Inc., Palm Concepcion Power Corporation, Peakpower Energy, Inc., Peakpower Soccsargen, Inc., Peakpower San Francisco, Inc., Etruscan Resources Philippines, Inc., and Tao Mohin Resources Corporation. She is also the Corporate Secretary of Athena Ventures, Inc., TGTI Services, Inc., Galileo Software Services, Inc. and GGO Realty Holdings, Inc. She also serves as a director of TGTI Services, Inc. Ms. Lorenzo is currently a Junior Associate of Tan Venturanza Valdez. She holds a Juris Doctor and a Bachelor of Arts Degree in English Studies, cum laude, from the

University of the Philippines in 2010 and 2014, respectively. She was admitted to the Philippine Bar in April 2015.

Rosanna T. Desiderio, 51, Filipino, Accounting Manager, Chief Information Officer and Chief Compliance Officer

Rosanna T. Desiderio has been with the Company since its incorporation. She is concurrently the Accounting Manager of TMEC, COAL's wholly owned subsidiary. She is a Certified Public Accountant since 1985. She holds a Bachelor of Science degree in Accountancy from the Polytechnic University of the Philippines.

Family Relationships

Mr. Dexter Y. Tiu and Alexander Y. Tiu, who are both major shareholders of the Company, are siblings. There are no other family relationships known to the Company other than the ones disclosed.

Significant Employees

No single person is expected to contribute more significantly than others do to the business since the Company considers the collective efforts of all its employees as instrumental to the overall success of the Company's performance. Other than standard employment contracts, there are no arrangements with non-executive employees that will assure the continued stay of these employees with the Company.

Involvement in Certain Legal Proceedings

To the best of the Company's knowledge, there are no occurrences of any of the following events that are material to an evaluation of the ability or integrity of any director, any nominee for election as director or executive officer of the Company in the past five years and as of date:

- any bankruptcy petition filed by or against any business of which the incumbent directors or senior management of the Company was a general partner or executive officer, either at the time of the bankruptcy or within five years prior to that time;

- any conviction by final judgment in a criminal proceeding, domestic or foreign, pending against any of the incumbent directors or senior management of the Company;

- any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the incumbent directors or senior management of the Company in any type of business, securities, commodities or banking activities; and

- any finding by domestic or foreign court of competent jurisdiction (in civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or said regulatory organization, that any of the incumbent Directors or senior management of the Company has violated a securities or commodities law, and the judgment has not been reversed, suspended or vacated.

Certain Relationships and Related Transactions

Transactions with and/or Dependence on Related Parties

The Company has no other transactions with other parties (outside the definition of "related parties") that the Company or its related parties have relationship that enables the parties to negotiate terms of material transactions that may not be available from other, more clearly dependent, parties on arm's length basis, other than the following;

- TMEC has transactions with related parties, Pacifico Sul Mineracao Corporation and Colossal Petroleum Corporation, pertaining to working capital purposes. These advances are unsecured, non-interest bearing and generally settled in cash and payable on demand. (*Please see Note 16 of the 2016 Consolidated AFS*)
- TMEC also leases office space from JTKC Equities, Inc. The lease agreement shall be effective until 2017. (*Please see Note 16 and 21 of the 2016 Consolidated AFS*)
- Dexter Y. Tiu, a director of both TMEC and COAL and a major stockholder of COAL, and Alexander Y. Tiu, a major stockholder of COAL, are also stockholders of JTKC Equities, Inc.

Disagreement with Director

No director has resigned nor declined to stand for re-election to the Board of Directors since the date of the last annual meeting of stockholders because of a disagreement with the Company regarding the latter's operations, policies, or practices.

Item 6. Compensation of Directors and Executive Officers

COAL's directors and executive officers do not receive regular compensation for their services as they are seconded from TMEC.

The following table shows the aggregate compensation received by the directors and officers of the Company for calendar years 2014, 2015 and 2016, as well as the estimated aggregate compensation for calendar year 2017.

Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation
Harald R. Tomintz *Chairman*				
Johnson A. Sanhi, Jr. *President & COO*				
Victor J. Lee *CFO*				
Enrique C. Payawal Vice President - *Exploration and Mining*				
Gizella Greta DJ Gonzales *Senior Geologist*				
Arnold Manat *Mining Engineer*				
Total for the Executive Officers as a group	2017 *estimate only	₱5,805,000		
	2016	₱6,140,958		
	2015	₱8,250,522		
	2014	₱6,900,517		

Total for the Executive Officers & Directors as a group	2017 *estimate only	₱5,865,000		
	2016	₱7,485,958		
	2015	₱8,260,522		
	2014	₱7,665,517		

For 2017, the estimated aggregate compensation to be paid to all officers and directors as a group amount to ₱5,865,000.

Compensation of Directors

Under the By-Laws, by resolution of the Board, each director shall receive a reasonable per diem allowance of ₱5,000.00 for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than 10% of the net income before income tax of the corporation during the preceding year. Such compensation shall be determined and appropriated among the directors in such manner, as the Board may deem proper, subject to the approval of stockholders representing at least a majority of the outstanding capital stock at a regular of special meeting of the stockholders.

Standard Arrangements and other Arrangements

As of the date of this Information Statement, the Company has no existing arrangements with members of the Board of Directors, executive officers and employees.

Employment Contracts and Termination of Employment and Change-in-Control Arrangements

There are no existing employment contracts with executive officers. Furthermore, there are no special retirement plans for executive officers. There is also no arrangement for compensation to be received from the Company in the event of a change in control of the Company.

Warrants and Options Outstanding

There are no outstanding warrants or options held by directors and officers nor are there any adjustments in the exercise price of said warrants or options.

Item 7. Independent Public Accountants

Representatives of the principal accountant (Reyes Tacandong & Co.), the Company's external auditors for the most recently completed fiscal year are expected to be present at the Annual Meeting to respond to appropriate questions and will be given the opportunity to make a statement if they so desire.

Reyes Tacandong & Co. audited the Company's statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in stockholders' equity and statement of cash flows for the year ended 31 December 2016 and a summary of significant accounting policies and other explanatory notes. Their responsibility is to express an opinion on these financial statements based on their audit. The audits were conducted in accordance with Philippine Standards on Auditing. The partner who handled the Company's external audit was Ms. Carolina P. Angeles.

The Company was incorporated on June 11, 2012. Since the appointment of Reyes Tacandong & Co., there has been no change in auditor and there has been no disagreement on accounting and financial disclosures.

In compliance with SRC Rule 68 3 (b) (iv), the assignment of Reyes, Tacandong & Co.'s managing partner shall not exceed five (5) years.

The aggregate fees for each of the last three (3) fiscal years for professional services rendered by the external auditors are as follows:

	2016	2015	2014
Audit Fee	₱550,000	₱525,000	₱500,000
other fees	-	-	-
TOTAL	₱550,000	₱525,000	₱500,000

It is the policy of the Company that services to be rendered by independent auditors, as well as the corresponding fees thereof, must first be reviewed by the Audit and Risk Committee (the members of said Committee being composed of Mr. Aristides S. Armas (Chairman), Mr. Johnson A. Sanhi, Jr., and Eric Y. Roxas prior to said report being endorsed to the Board of Directors for approval.

Pursuant to the requirement on Rotation of External Auditors under SEC Memorandum Circular No. 8 Series of 2003, the registrant will recommend the accounting firm of Reyes Tacandong & Co. for reappointment at the scheduled annual meeting.

C. ISSUANCE AND EXCHANGE OF SECURITIES

There are no matters to be taken up during the Annual Stockholders' Meeting relating to the matters covered by Items 9 to 14.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

The Company will seek the approval by the stockholders of the Minutes of the Annual Stockholders Meeting held on 19 July 2016, during which the following were taken up: (1) Call to Order, (2) Certification of Notice and Quorum (3) Approval of the Minutes of the previous stockholders' meeting, (4) President's Report and Presentation of Audited Financial Statements, (5) Ratification of All Acts of the Board of Directors and Officers, (6) Election of Directors, (7) Appointment of Reyes Tacandong & Co. as External Auditors, (8) Other Matters, and (9) Adjournment.

The Company will also seek approval by the stockholders of the 2016 Operations and Results contained and discussed in the annual report attached and made part of this Information Statement. Approval of the reports will constitute approval and ratification of the acts of management and of the Board of Directors for the past year.

Item 16. Matters Not Required to be Submitted

No action is to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

Item 18.Other Proposed Action

The following are to be proposed for approval during the stockholders' meeting:

1. 2016 Operations and Results;
2. Ratification of all Acts of the Board of Directors and Officers;
3. Election of Directors for 2017-2018;
4. Appointment of Reyes Tacandong & Co. as External Auditors; and
5. Other Matters.

The items covered with respect to the ratification of the acts of the Board of Directors and officers for the past year up to the date of the meeting are those items entered into in the ordinary course of business, with those of significance having been covered by appropriate disclosures such as:

1. Membership in the relevant board committees;
2. Appointment of principal officers at the Organizational Board Meeting;
3. Approval of Financial Reports; and
4. Approval of Revised Manual on Corporate Governance.

Management reports which summarize the acts of management for the year 2016 are included in the Company's Annual Report to be sent to the stockholders together with this Information Statement and shall be submitted for approval by the stockholders at the meeting. Accordingly, approval of the Annual Report will constitute approval and ratification of the acts of Management stated in the Management Report during the period covered thereby.

Item 19.Voting Procedures

(a) For purposes of the Annual Stockholders' Meeting on 1 August 2017, the Corporate Secretary and/or his representative together with the Audit Partner of the External Auditor and/or his representative have been designated as inspectors tasked to oversee the counting of votes.

(b) Stockholders may vote at all meetings either in person or by proxy duly given in writing in favor of any person of their confidence and each stockholder shall be entitled to one vote for each share of stock standing in his name in the books of the corporation.

(c) The Chairman shall announce each proposal on the floor, which shall be voted on separately.

    - In the absence of any objection from the floor, the Chairman shall instruct the Corporate Secretary to record a unanimous vote of approval.
    - If there is an objection, the Chairman will call for a division of the house and the votes of the shareholders present in person or by proxy shall be counted by hand.

(d) Matters to be taken up in the Annual Stockholders' Meeting shall need the approval of stockholders of the corporation representing majority of the outstanding capital stock of the corporation. The Chairman shall announce the result of the voting.

<u>Omitted Items</u>

Items 8, 9, 10, 11, 12, 13, 14 and 17 are not responded to in this report, the Company having no intention to take any action with respect to the information required therein.

SIGNATURES

After reasonable inquiry and to the best of our knowledge and belief, I hereby certify that the information set forth in this report is true, complete and correct.

This report is signed in the City of PASIG CITY, Metro Manila on JUN 30 2017 June 2017.

ISSUER: COAL ASIA HOLDINGS, INCORPORATED

HARALD R. TOMINTZ
Chairman

PART I - BUSINESS AND GENERAL INFORMATION

ITEM 1: BUSINESS

(1) BUSINESS DEVELOPMENT

Business Development

Coal Asia Holdings Incorporated ("COAL") was organized and registered with the Securities and Exchange Commission (SEC) on June 11, 2012 primarily to engage in the business of a holding company; to buy and hold shares, either by subscribing to the unissued shares of the capital stock in the public or private offerings or by purchasing the shares of other stockholders by way of assignment in private sale; to invest in the stock or pledge, chattel mortgage or assignment; to sell, dispose, assign, pledge, or convey any or all of its shareholdings in other companies in favor of qualified persons by way of a private sale, assignment or other forms of private conveyance, all in accordance with the Corporation Code, the Securities Act and other applicable laws and regulations.

On May 28, 2012, COAL executed a Deed of Assignment with the shareholders of Titan Mining Energy Corporation (TMEC), which owns Coal Operating Contracts (COC #159) in Davao Oriental and (COC # 166 and 167) in Zamboanga Sibugay.

Currently, COAL has 100% equity interest in Titan Mining and Energy Corporation.

On June 26, 2012, the Company's Board of Directors and shareholders, through a majority vote in due course, approved of an initial public offering (IPO) as part of the Company's thrust to augment its capital funding for the ongoing site development, initial large scale operation and further explorations in the sites.

On September 14, 2012, the Philippine Stock Exchange, Inc. (PSE) approved the application of the Company for the initial listing of the 4,000,000,004 common shares with the par value of P 1.00 per share.

On October 8, 2012, the Securities and Exchange Commission issued to the Company the certificate of permit to offer securities for sale. This certifies that the shares of the Company have been registered and licensed for listing by way of introduction and by then sold or offered for sale in the Philippines.

The shares of COAL were listed with the Philippine Stock Exchange (PSE) on October 23, 2012.

Business Consolidation

Subsidiary

Titan Mining and Energy Corporation

TMEC was incorporated with the SEC on November 11, 2008. It was originally incorporated as "Titan Exploration and Development Corporation" ("TEDC"). The change in trade name was effected to reflect the TMEC's transition from exploration to actual commercial operation. This amendment was approved by the SEC on December 23, 2009. TMEC is involved in a coal mining and energy related business.

TMEC originally had three (3) COCs in Mindanao, Philippines, namely COC # 159 in Davao Oriental, COC # 166 and COC # 167 in Zamboanga Sibugay. All COCs have completed their exploration phases.

In 2016, preliminary mine development activities have commenced at the Davao Oriental Project. Bulk sampling was also conducted for test firing coal analysis.

The Department of Energy has completed its validation of TMEC's coal resource estimate for the Davao Project.

In support of the company's request for COC conversion, an Environmental Compliance Certificate (ECC) for the Davao Project was granted to TMEC by the DENR-EMB on May 16, 2014. In addition, TMEC submitted a 10-year work program to the DOE on October 21, 2014.

The company is still awaiting the conversion of the COC in Davao Oriental from exploration to development and production from the DOE.

A Permit to Sell 2,500 MT of incidental coal production was issued to TMEC by the DOE on December 10, 2014 which was subsequently amended from 2,500 MT to 3,200 MT on March 26, 2015. Subsequent Permits to sell (PTS) for 1,000MT (July 16, 2015), 1,500 MT (April 11, 2016), and 2,300 MT (September 23, 2016) for a total of 8,000MT was granted.

TMEC has submitted to the DOE its report on the results of exploration for the Zamboanga Sibugay Project, the results of which have been confirmed and validated by the DOE on August 7, 2015. A Five-Year Work Program with Feasibility Study was submitted to the DOE on February 26, 2016 to determine the economic viability of developing the Zamboanga Sibugay Project. After the DOE's initial review, TMEC submitted the amended Five-Year Work Program with Feasibility Study to the DOE on August, 2016.

Coal Operating Contracts

The Davao Oriental and Zamboanga-Sibugay Projects are covered by approved COCs with the Government through the Department of Energy ("DOE").

The Davao Oriental Project encompasses seven (7) adjoining 1,000-hectare Coal Blocks for a total area of 7,000-hectares and is covered by COC#159, which was awarded by the DOE to TMEC, then called TEDC, on September 16, 2009. This contract covers an Exploration Phase of two (2) years, which may be extended for another period of two (2) years, and a Development/Production Phase of 32 years. This COC's Exploration Phase was renewed by the DOE for another period of two (2) years, commencing from September 16, 2011 and expired on September 15, 2013.

The Department of Energy has completed its validation of TMEC's coal resource estimate for the Davao Project.

Preliminary mine development activities however, have commenced at the Davao Oriental Project. Activities include property acquisition, road widening (mine and camp road), infrastructure construction (clinic, corehouse/interim camp office expansion, temporary jetty), camp electrification, coal laboratory sample analyses and overburden pre-stripping. Bulk sampling was also conducted for test firing coal analysis.

In support of the company's request for COC conversion, an Environmental Compliance Certificate (ECC) for the Davao Project was granted to TMEC by the DENR-EMB on May 16, 2014. TMEC also submitted a 10-year work program to the DOE on October 21, 2014.

The company is still awaiting the conversion of the COC from exploration to development and production.

A Permit to Sell 2,500 MT of incidental coal production was issued to TMEC by the DOE on December 10, 2014 which was subsequently amended from 2,500 MT to 3,200 MT on March 26, 2015. Subsequent Permits to sell (PTS) for 1,000MT (July 16, 2015), 1,500 MT (April 11, 2016), and 2,300 MT (September 23, 2016) for a total of 8,000MT was granted.

The Zamboanga Project encompasses six (6) adjoining 1,000-hectare Coal Blocks for a total area of 6,000-hectares and is covered by COC#166 and COC#167, which were awarded by the DOE to TMEC, then called TEDC, on November 18, 2009. These contracts cover an Exploration Phase of two (2) years, which may be extended for another period of two (2) years, and a Development/Production Phase of 32 years. The Exploration Phase of COC#166 was renewed by the DOE for another period of two (2) years, commencing from November 18, 2011 and expiring on November 17, 2013. Subsequently, the Zamboanga Sibugay Project has completed its subsurface exploration activities and has a Measured &Indicative Resource (M&I) of 0.5 MMT. On May 13, 2014, TMEC has submitted to the DOE its report on the results of exploration for the Zamboanga Sibugay Project, the results of which have been confirmed and validated by the DOE on August 7, 2015. A Five-Year Work Program with Feasibility Study was submitted to the DOE on February 26, 2016 to determine the economic viability of developing the Zamboanga Sibugay Project. After the DOE's initial review, TMEC submitted the amended Five-Year Work Program with Feasibility Study to the DOE on August, 2016.

Competitive Strengths

Coal Resources & Reserves

Davao Oriental Project

Ms. Gizella G. D.J. Gonzales, under the supervision of Mr. Enrique C. Payawal, TMEC's in-house CP-Geologist and Vice President for Exploration, determined TMEC to have 3 MMT of M & I Resource based on her Geologic Report dated November 2013. An additional M&I Resource of 1.9 MMT was also determined for Sagasa area east of Macopa.

Coal Resource	
Area	**M&I (MMT)**
Macopa&Bactinan	3 MMT
Sagasa	1.9 MMT
Total M&I	4.9 MMT

TMEC has an In-situ reserve of 3 MMT for Macopa/Bactinan and 1.5 MMT for Sagasa. Of the In-situ reserve of 3.0 MMT for Macopa and Bactinan, a five (5) year Surface Mining Plan involving 1 MMT was initially prepared by Engr. Raul Fellizar in January 2014. Engr. Fellizar further modeled an eight (8) year mine life considering 2.1 MMT of the reserves which has a net present value of P 911 billion and found the project to be feasible at a discount rate of 10% per annum. On October, 2014, a ten (10) year Surface Mining Plan considering 1.8 MMT of the reserves was prepared by Engr. Raul A. Fellizar as required by the DOE. Engr. Raul A. Fellizar is an independent consulting mining engineer with PRC Registration No. 1668.

Coal Reserve (In Situ)

Area	In Situ (MMT)
Macopa & Bactinan	3 MMT
Sagasa	1.5 MMT
Total (In Situ)	4.5 MMT

Area	5-Year Surface Mining Plan	10 Year Surface Mining Plan
Macopa & Bactinan	1 MMT	1.8 MMT
Sagasa		

Davao Oriental Project Coal Quality 10 Year Work Plan Values	
Strip Ratio	10.47 BCM/MT
Stage	Pre-Development
Heating Value	8,290 BTU/lb
Ash Content	21.65%
Sulfur Content	1.88%

A Ten (10) Year Work Program with Financial Feasibility Report was submitted to the DOE in October 2014 for the Davao Oriental Project. Two (2) to three (3) coal seams were observed within the coal basin of COC#159. In Bactinan, Seam A has a coal thickness ranging from 0.50 to 3.05 meters as identified in twenty-two (22) cored holes and two (2) coal outcrops. Seam B coal thickness varies from 0.50 to 3.88 meters and has been located in two (2) outcrops and fourteen (14) cored holes. The dip angles of the coal seams vary from 20º to 30°.

Bactinan	**Coal Thickness**	**Where Identified**
A	0.50 - 3.05 m	22 drillholes and 2 coal outcrops
B	0.50 - 3.88 m	14 drillholes and 2 coal outcrops

Three coal seams were identified based on coal outcrops and drill intercepts in Macopa. Seam A has a coal thickness ranging from 0.50 to 4.57 meters. Seam B coal thickness varies from 0.50- to 3.40 meters. Seam C thickness is 0.10 meters. The dip angles of the coal seams also vary from 20º to 30°.

The seams occur in a syncline with axis trending west northwest (WNW) and plunging approximately 1^0 to the East Southeast (ESE).

Macopa	Coal Thickness
A	0.50-4.57 m
B	0.50-3.40 m
C	0.10 m

Six (6) coal seams were interpreted based on coal outcrops and drill intercepts at Sagasa. Seam A, the bottom most seam, has a coal thickness ranging from 0.15 to 0.85 meters. Seam B coal thickness varies from 0.12 to 2.63 meters. Seam C coal thickness varies from 0.05 to 1.34 meters. Seam D coal thickness varies from 0.09 to 2.40 meters. Seam E coal thickness varies from 0.10 to 2.64 meters. The topmost seam, Seam F coal thickness ranges from 0.05 to 1.80 meters. The dip angles of the coal seams also vary from 30º to 45°. The seams occur in a monocline striking Northwest (NW) and dips to the North East (NE).

Sagasa	Coal Thickness
A	0.15-0.85 m
B	0.12-2.63 m
C	0.05 - 1.34 m
D	0.09 -2.40 m
E	0.10 -2.64 m
F	0.05 - 1.80 m

The average heating value for the Macopa, Bactinan and Sagasacoal seams is 8,290 BTU/lb.

Zamboanga Sibugay Project

After drilling sixteen (16) holes with a total length of 3,367.8 meters, with trench and exploration adit length of 222.64 meters, TMEC estimated the M&I Resources for the Zamboanga Sibugay Project to be 0.5 MMT. On May 13, 2014, TMEC has submitted to the DOE its report on the results of exploration for the Zamboanga Sibugay Project, the results of which have been confirmed and validated by the DOE on August 7, 2015. The company will conduct a Feasibility Study to determine the economic viability of developing the Zamboanga Sibugay Project. The development and production phase conversion of the COC shall follow thereafter.

The Geologic Report –Zamboanga Sibugay Project shows the following values:

Zamboanga Sibugay Project Coal Quality COC # 166	
Stage	Resource Development
Heating Value	10,456 BTU/lb

Ash Content	26.26%
Sulfur Content	0.49%

Seven (7) coal outcrops, three (3) adits and 5 cored holes were analyzed within the coal basin at COC#166. The average heating value of the sample taken from the coal outcrops is 10,456 BTU/lb, with an average total sulfur content of 0.49% and ash content of 26.26%.

The Company believes that relative to its domestic competitors, it has the advantage of having better quality thermal coal, particularly from its Zamboanga Sibugay site, which can be sold in its raw form.

Ideal Location for Mining

TMEC's exploration camps are accessible via the municipalities' major thoroughfares and smaller in-roads. They are also located near seaports, which will be critical during the production phase.

TMEC has cordial relations with the local government units ("LGUs") in its operating areas. Furthermore, small-scale mining operators are present and prevalent in other municipalities of Zamboanga-Sibugay, which allowed TMEC to secure the Governor-, Mayor-, and Barangay-level permits in addition to the approvals from the DENR-Mine and Geosciences Bureau for the Certificate of Non-Coverage and the National Commission on Indigenous Person ("NCIP") for the Certificate of Non-Overlap. The same holds true for the Municipality of Manay, Davao Oriental which signed a Memorandum of Agreement ("MOA") with the NCIP last July 19, 2012.

The peace and order situation in the TMEC's area of operation is relatively quiet and conducive to business. There have been no recorded attacks on TMEC's mine sites in Davao Oriental and Zamboanga Sibugay. The Davao Oriental Project site is, in fact, less than one (1) kilometer away from a military detachment.

The lack of power capacity in Mindanao has also prompted the Government to push for the construction of power plants to augment the power requirement of the Mindanao power grid. As one of the coal mining companies in the area, TMEC has established a key position by initiating discussions with the DOE and other power companies that plan to expand operations in Mindanao for long-term supply agreements. TMEC also plans to supply steam coal for cement plants, canneries, and manufacturing plants in Mindanao that have converted their diesel-powered plants into coal-powered plants to mitigate costs.

Experienced Technical Management and Staff

TMEC's technical management and staff have a combined 156-years' worth of work experience in the exploration and mining industry. The team consists of a CP-Geologist accredited by the Geological Society of the Philippines-Philippine Mineral Reporting Code (GSP—PMRC), a Senior Geologist, a Mining Engineer, 2 Chemists, all duly licensed by the Professional Regulatory Commission, three (3) Junior Geologists, and two (2) Mining and Geology Consultants.

Experienced Executive Management

The Company's leadership team is composed of senior and experience executives with notable successes in the mining, hotel and resorts field, financial services sector, manufacturing base and real estate industries. These executives and managers have a history of successfully pioneering, building, establishing, and growing start-up companies from inception to fruition.

Business Plan

Exploration Work

Davao Oriental Project

Initial surface geologic mapping in COC#159 in Manay, Davao Oriental delineated ten (10) coal-bearing paralic basins with a Potential Deposit of 69 MMT. Preliminary sub-surface exploration via diamond drilling (22 cored drill holes) of two (2) of the ten (10) identified targets in June 2012 delineated a total M&I Resources of 7.1 MMT and Inferred Resource of 5.6 MMT and 7.0 MMT of Proved and Probable Reserves over a 214-hectare block using 28,000MT coal yield per hectare as determined during the preparation of the Pre-Feasibility Study covering the drilled areas of the two (2) paralic basins.

The next phase of subsurface exploration that covered the extent of the three (3) paralic basins in Barangay Bactinan Old Macopa and Sagasa located east of Macopa, was completed in 2013. For Macopa and Bactinan, a total of ninety-three (93) diamond drill holes were cored resulting to an M&I Resource of 3 MMT with an average calorific value of 8,258 Btu/lb. For Sagasa, 22 cored holes were drilled resulting to an M&I Resource of 1.9 MMT.

Based on the DOE's conversion standard of resource to reserve, the project has a reserve of 3 MMT with a possible additional 1.5 MMT from Sagasa, east of Macopa. These coal basins represent three (3) of the ten (10) coal basins in the area which has a Potential Deposit of 69 MMT.

The Department of Energy has completed its validation of TMEC's coal resource estimate for the Davao Project on March 16, 2014.

Preliminary mine development activities however, have commenced at the Davao Oriental Project. Activities include property acquisition, road widening (mine and camp road), infrastructure construction (clinic, corehouse/interim camp office expansion, temporary jetty), camp electrification, coal laboratory sample analyses and overburden pre-stripping. Bulk sampling was also conducted for test firing coal analysis.

The company has requested for the conversion of the COC from exploration to development and production.

In support of the company's request for COC conversion, an Environmental Compliance Certificate (ECC) for the Davao Project was granted to TMEC by the DENR-EMB on May 16, 2014. TMEC also submitted a 10-year work program to the DOE on October 21, 2014.

The company is still awaiting the conversion of the COC from exploration to development and production.

A Permit to Sell 2,500 MT of incidental coal production was issued to TMEC by the DOE on December 10, 2014 which was subsequently amended from 2,500 MT to 3,200 MT on March 26, 2015. Subsequent Permits to sell (PTS) for 1,000MT (July 16, 2015), 1,500 MT (April 11, 2016), and 2,300 MT (September 23, 2016) for a total of 8,000MT was granted.

Zamboanga Sibugay Project

On May 13, 2014, TMEC has submitted to the DOE its report on the results of exploration for the Zamboanga Sibugay Project, the results of which have been confirmed and validated by the DOE on August 7, 2015. A Five-Year Work Program with Feasibility Study was submitted to the DOE on February 26, 2016 to determine the economic viability of developing the Zamboanga Sibugay Project. After the DOE's initial review, TMEC submitted the amended Five-Year Work Program with Feasibility Study to the DOE on August, 2016.

Development Plan

The development plan involves all the activities required for the preparation and entry into the coal reserves, extraction, transport, handling and shipment of the coal products and other auxiliary requisites and requirements.

These activities will also include building mine access infrastructure, port facilities, stockyard facilities, a POL stock farm, blasting operation facilities, campsite facilities, supplemental infrastructure for power and water, in-house laboratory and testing, coal preparation, and beneficiation and treatment plants and facilities. The development plan also involves activities relating to the acquisition of necessary equipment, human resource staffing, securing requisite governmental and non-governmental organizations' certifications and approvals, as well as environmental protection compliance.

The development plan also calls for identifying key customers and markets for the eventual coal production output.

Preliminary mine development activities however, have commenced at the Davao Oriental Project. Activities include property acquisition, road widening (mine and camp road), infrastructure construction (clinic, corehouse/interim camp office expansion, temporary jetty), camp electrification, coal laboratory sample analyses and overburden pre-stripping. Bulk sampling was also conducted for test firing coal analysis.

Mining Plan and Layout

The feasibility study states that coal deposits from the Davao Oriental Project will be extracted mainly through open-pit mining, and eventually moving into underground mining. The coal deposits of the Zamboanga-Sibugay Project, on the other hand, will be extracted through underground mining right from the initial stages of extraction.

The characteristics, mode of occurrence, and depth of burial of the coal deposits necessitate the extraction be undertaken in three (3) progressive stages, namely; (a) initial surface extraction (b) intermediate near surface and shallow underground extraction, and (c) final deep underground extraction.

The mine layout will be entirely based on surface operation. Surface extraction would be a series of tracts 100-meters in length measured along the outcrops and about 50-meters in width down slope to dip of coal. Tracts are opened one at a time, progressive and contiguous fashion to minimize surface disturbance footprint. Each exploited tract is reclaimed by backfill of stripped open-burden on completion of shallow underground operation. Refilled cavity is restored. Pre-determined access and vent ways to deep underground operations are preserved. Each tract when opened is service by entry and exit ramps. The main haulage route is a re-conditioned barangay feeder access road.

On March 2014, a bulk sampling pit was dug exposing the coal at Macopa to find out the bulk coal quality in the area. The stockpiled incidental coal formed part of the 8,000 MT of coal Permit to Sell/Transport incidental coal requested from the DOE.

Production and Operational Parameters

The following initial operating parameters are planned for the area covered by the Feasibility Study for the Davao Oriental Project.

Production and Operational Parameters	
Total Coal Reserves	3 MMT
Mine Life	10 years
Annual Production	240,000 MT (average)
Monthly Production	20,000 average

Marketing Plan

The company has developed a marketing strategy and marketing plan based on its geographic location, competitive strengths, and the industries it primarily hopes to serve.

The mines are located in Mindanao Island, whose growth and development is crippled by, among others, a power crisis. This has resulted in regular, rotating power outages causing hefty losses to industries and businesses situated therein, not to mention inconvenience to its populace. The same situation holds true for its neighboring group of islands to the north, the Visayas. To remedy this situation, the government has put in place incentives for private firms setting up power plants in Visayas and Mindanao. With the advent of new technologies that are environmentally-sound, many of these power plants that have been set up or are still to be put up are coal-fired power plants.

Based on information obtained from the DOE, by 2017 the total projected coal demand in Visayas and Mindanao is estimated at 13.5 Million Metric Tons Per Annum (MMTPA). Of this total, demand from coal-fired power plants accounts for about 64%. On the other hand, from a geographic standpoint, demand from Mindanao accounts for about 57% of the combined total for Visayas and Mindanao. Aside from serving the requirements of power plants, the Company also plans to serve cement manufacturers which account for about 35% of the total projected coal demand by 2017. Lastly, the Company also plans to serve Canneries located in General Santos City, which account for more than 1% of total projected demand by 2017.

The new market potential in Mindanao, in particular, is a prime motivator for continued exploration in the areas covered by the Company's COCs. Again based on 2017 projections, at full production capacity the Company can only serve around 7% of market demand in that area, with the remaining 93% coming mainly from imports and also from other local coal miners such as Semirara, etc.

KEY AFFILIATES IN THE MINING AND ENERGY INDUSTRY

COAL's key affiliates in the mining and energy industry are presented below. These companies are considered related parties because they have the same certain common shareholders with COAL.

Pacifico Sul Mineracao Corporation

Pacifico Sul Mineracao Corporation is an affiliate of TMEC that owns mining rights to 6-iron ore, nickel, and chromite areas in the provinces of Aurora, Nueva Ecija, Zambales, Zamboanga del Sur, and Zamboanga Sibugay spanning a total of almost 32,000 hectares.

Colossal Petroleum Corporation

Colossal Petroleum Corporation is an affiliate of TMEC. It was established for potential investments in oil, gas, petroleum, acids and chemicals, other geothermal natural resources and mining projects.

Risks Related to the Company and its Subsidiary

Risks Inherent in the Mining Business

There are numerous hazards and risks normally encountered in the mining business. These include, but are not limited to geological structures not clearly manifested on the ground surface, unfavorable weather conditions, flooding, and other occurrences that may arise out of the drilling and removal of material. Any such occurrence may cause damage to mines, life, property, the environment, as well as legal liability. Although proper safety measures will be implemented, theses safety measures will not cancel out the above–mentioned risks.

The location and establishment of mineral resources, ore, reserves, mine construction, ore extraction, and metallurgical development will require major expenditures. It is often difficult to ensure that these investments will result in meaningful returns.

The Company, through its subsidiary, has undertaken extensive research and exploratory work on its COC areas that improve its chances for success. Furthermore, the Company's technical team has a combined 156 years' experience in exploration and development of mines with the top mining companies both in the Philippines and abroad. These key technical personnel were hired to improve the Company's success in the mining business.

Risks Related to Exploration and Future Coal Reserves

The company is subject to exploration risk. If the Company fails to explore, acquire and develop coal resources, the Company's coal reserves will decline and will not be able to sustain its business. There is no assurance that the resources will be economically viable. The success of the Company's business is dependent upon its successful exploration and conversation of coal resources to coal reserves.

Converting the coal resources to coal reserves will take time and additional investment. The Company continuously undertakes additional and confirmatory drilling activities within its COC areas, which will remove uncertainty as to its economic viability and improve on its existing mine development plans.

Risks Related to the Estimation of Coal Resources and Reserves and the Valuation of Coal Reserves.

There are many factors involved in the process of estimating coal resources, some of which are beyond the Company's control. The company cannot ascertain that measured indicated, and/or inferred tonnage and grades will be accurately achieved, or that the level of recovery will be realized.

The company bases the estimation of the coal resources in COC #159 on the PMRC-compliant technical report generated on June 2013 by Mr. Enrique C. Payawal incorporating the recently concluded exploration drilling campaign at the Davao Oriental Project. Said report was revised three months after to include a section on reserve estimate in conformance with the Department of Energy's standard of Coal Reserves Classification. The final report authored by Ms. Gizella Gonzales, under the supervision of Mr. Enrique C. Payawal was submitted to the DOE on December 2013. The report stated that the project has an M&I of 3 MMT with an average calorific value of 8,258 Btu/lb for Bactinan and Macopa with a remaining Potential Deposit of 69 MMT considering the undrilled carbonaceous mudstone areas of the 7,000 hectare COC. Further drilling at Sagasa further determined an additional M&I resource of 1.9 MMT.

Reserves in the area following the DOE's Reserve Classification resulted to 3 MMT for Macopa and Bactinan and 1.5 MMT for Sagasa.

The Department of Energy has completed its validation of TMEC's coal resource estimate for the Davao Project (Macopa and Bactinan) on March 16, 2014.

The Department of Energy has likewise completed its validation of TMEC's coal resource estimate for the Zamboanga Sibugay Project on August 7, 2015. A Five-Year Work Program with Feasibility Study was submitted to the DOE on February 26, 2016 to determine the economic viability of developing the Zamboanga Sibugay Project. After the DOE's initial review, TMEC submitted the amended Five-Year Work Program with Feasibility Study to the DOE on August, 2016.

Risks Related to Drilling and Mining Equipment

The company' sole subsidiary, TMEC, has and will continue to engage the service of an external diamond drilling contractor to mitigate the risks that may be encountered during drilling activities. Despite outsourcing the work to an experienced drilling company, there is no assurance that the operating company can minimize errors or discrepancies in core recovery. However, these risks are mitigated by engaging drilling contractors with sufficient fleet of drilling equipment and manpower pool. Contracted drilling companies are likewise penalized for not attaining required standard core recoveries.

A significant investment will be made by TMEC in major mining equipment once it goes into mine development and production. There is no guarantee that this equipment will not suffer breakdowns, defected and obsolescence or loss: thus causing a delay in the Company's operations. TMEC intends to cover all its equipment with adequate insurance and sufficient stock of replacement parts. Minor mining equipment will be rented, so the risk will be transferred to the minor mining equipment contractor.

Risks Related to Customer Demand

The coal that will be produced from TMEC's Davao Oriental and Zamboanga-Sibugay Projects is intended to be sold to coal-fired power plants, cement plants, tuna canneries, and other industrial users of coal in both the Philippines and other countries. If the aforementioned potential buyers of TMEC's coal decide to purchase coal from other sources, then TMEC may have no alternative customers. This may have an adverse impact on the revenues of the Company.

The Company believes that, based on results gathered from coal samples from both Davao Oriental and Zamboanga-Sibugay, the quality of its subsidiary's coal is comparable, if not superior, to that of other potential sources of coal both in the Philippines and other neighboring Asian countries.

Risks Related to Coal Price

The viability of the company's and its subsidiary's business is highly dependent on the price of coal, the sale of which is the primary source of TMEC's revenues. As a globally traded commodity, the price of coal can be quite volatile and its price as affected by numerous factors, including demand from customers, changes in domestics and international coal supply conditions, the price of alternative fuels, among many other factors. Furthermore, a substantial and extended decline in the price of coal will reduce TMEC's earnings potential.

Risks Related to Foreign Exchange

TMEC intends to export a portion of its coal production to take advantage of higher prices for better quality coal in other markets. As such, a part of the Company's revenue may be subject to fluctuations between its base currency, the Philippine Peso, and the buyer's base currency. Such fluctuations may negatively affect the Company's margins. To protect against such risks, TMEC will endeavor to include in its export sales contracts hedging provisions to protect against significant adverse movement in foreign exchange rates.

Risks Related to Domestics and International Competition

The Company faces completion from both local and foreign coal mining companies. In 2011, about 77.00% of local coal consumption locally was met by coal importations. Historically, the Philippines have imported coal primarily from Indonesia, Australia and China. Among local producers of coal, Semirara Mining Corp. ("SCC"), a listed company, is the country's largest producer and the acknowledged market leader, accounting for about 94.00% of total domestic coal production in 2011. As a result of SCC's dominant position in the market, it enjoys significant advantages over a new entrant in the market such as the Company.

The Company will also face competition from other domestic's coal producers including new coal producers who have or are in the process of acquiring rights to or operating other coal deposits in the country. As indicated in the section "The Philippine Coal Market", the DOE estimates that the country has a total of approximately 435.0 MMT of in situ coal reserves dispersed over various provinces in the country as of December 31, 2010. Coal mining operations in these previously untapped sites will increase coal availability and may have an effect on domestic coal prices. In addition, the proximity of some of these new coal-mining sites to the Company's target customers may create delivery and

The Company believes it has the advantage of having better quality thermal coal, particularly from its Zamboanga-Sibugay site, and proximity of both sites to new coal plants being set-up in Mindanao. Against other prospective competitors, the Company has already made significant progress on exploration and drilling activities and expects that its coal reserves and projected production levels will result to certain scale advantages.

Risks Related to Limited Operating History and Track Record

The company was incorporated on June 11, 2012 and has had limited operations.

TMEC, the Company's only operating subsidiary, was incorporated in November 11, 2008. TMEC spent its first few years of operations on the acquisition and exploration of its COCs. TMEC acquired COC #159 on September 16, 2009 and COC #166 on November 18, 2009 under the Philippine Energy Contracting Round (PECR) of 2009.

TMEC commenced surface investigation exploration on COC #159 during two periods: from October to November 2009 and May to June 2010, which resulted in the identified of coal exposures/outcrops. Trenches were dug along major coal exposures and estimates were set resulting in an initial report on estimated Potential Deposit of 53MMT in June 2010. A second surface investigation conducted by Mr. Arturo A. Ona, an independent consulting geologist, under NI-43101 from Nevada, USA on June 2011 on the mudstone "islands" gave a figure of about 68 MMT tons of coal. An initial 10 probes/exploratory DDH programmed for Bactinan and Old Macopa areas with mudstone units (two (2) out of 13 mudstone potential coal bearing areas) were initiated in late November 2010. A second drilling program was undertaken in August 2011where nine (9) holes were drilled with seven (7) holes intercepting coal seams at depth. In April 2012, Mr. Enrique C. Payawal, TMEC's Vice President for Exploration and an accredited Competent Person-Geologist, conducted a field geological investigation to determine the resources in COC #159. The results of the investigation were collated and reported through an Internal Geological Report. The report provides that out of 72.0 MMT Potential Deposit identified during the surface exploration (mapping), the results of the diamond drilling (subsurface exploration) provide TMEC to have estimated M&I Resources of 7.1 MMT and Inferred Resources of 5.6 MMT. The remaining Potential Deposit for the Davao Oriental Project is 59.3 MMT. A Pre-Feasibility Study was completed in June 2012 by an independent consulting mining engineer, Engr. Rafael R. Baladad on a combined 214-hectare block from Bactinan and Old Macopa identifying total Probable and Proved Reserves of 7 MMT.

A PMRC-compliant technical report was generated on June 2013 by Mr. Enrique C. Payawal incorporating the recently concluded exploration drilling campaign at the Davao Oriental Project. Said report was revised three months after to include a section on reserve estimate in conformance with the Department of Energy's standard of Coal Reserves Classification. The final report authored by Ms. Gizella Gonzales under the supervision of Mr. Enrique C. Payawal was submitted to the DOE on December 2013. The report stated that the project has an M&I of 3 MMT with an average calorific value of 8,258 Btu/lb for Bactinan and Macopa with a Potential Deposit of 69 MMT. It also mentioned the on–going diamond drilling activity conducted at Sagasa, located southeast of Macopa. The M&I resource for Sagasa was determined to be 1.9 MMT.

A five (5) year work program with financial feasibility for the project was prepared on July 2013 authored by Engr. Raul A. Fellizar, an independent consulting mining engineer.

Both reports were submitted to the DOE in support of TMEC's request to convert COC # 159 from exploration phase to development and production phase. This year, preliminary mine development activities have commenced at the Davao Oriental Project. Activities include property acquisition, road widening (mine and mine camp road) infrastructure construction, camp electrification and coal laboratory commissioning. Bulk sampling was also conducted for test firing coal analysis.

The Department of Energy has completed its validation of TMEC's coal resource estimate for the Davao Project on March 16, 2014.

In support of the company's request for COC conversion, an Environmental Compliance Certificate (ECC) for the Davao Project was granted to TMEC by the DENR-EMB on May 16, 2014. TMEC also submitted a 10-year work program to the DOE on October 21, 2014.

Preliminary mine development activities however, have commenced at the Davao Oriental Project. Activities include property acquisition, road widening (mine and camp road), infrastructure construction (clinic, corehouse/interim camp office expansion, temporary jetty), camp electrification, coal laboratory sample analyses and overburden pre-stripping. Bulk sampling was also conducted for test firing coal analysis.

As of December 2016, TMEC is in the process of obtaining said conversion from the DOE.

In April 2012, Ms. Gizella Greta D.J. Gonzales, TMEC's Senior Geologist, conducted a field geological investigation to determine the resources in COC #166 and COC #167. The results of the investigation were collated and reported through an Internal Geologic Report. This report was reviewed and verified by Mr. Enrique C. Payawal. The report provides that out of the 51.1 MMT Potential Deposit identified during the surface exploration (mapping), the results of the diamond drilling (subsurface exploration) provide TMEC to have estimated M&I Resources of 1.2 MMT and Inferred Resources of 2.3 MMT. The remaining Potential Deposit for the Zamboanga-Sibugay Project is 47.6 MMT.

In April 2014, a final technical report was generated for COC # 166 wherein it was determined that the M&I for COC # 166 is 0.5 MMT.

On May 13, 2014, TMEC submitted to the DOE its report on the results of exploration for the Zamboanga Sibugay Project, the results of which have been confirmed and validated by the DOE on August 7, 2015. A Five-Year Work Program with Feasibility Study was submitted to the DOE on February 26, 2016 to determine the economic viability of developing the Zamboanga Sibugay Project. After the DOE's initial review, TMEC submitted the amended Five-Year Work Program with Feasibility Study to the DOE on August, 2016.

The development and production phase conversion of the COC shall follow thereafter. Notwithstanding the limited operating history and track record, the management of the Company and TMEC believe that its organization, business systems and process, have been built up substantially to the level adequate for full-scale coal mining operations.

In addition, the Company's management and technical team have a combined 156 years' experience in exploration and development of mining companies with the top mining companies both in the Philippines and in other countries. In addition, the Company's Board of Directors has an established record in starting-up companies and developing these companies to a strong position in their respective market segments.

Risks Related to Reliance on Key Personnel

The success of TMEC depends upon, among other factors, the retention of its key personnel as well as its ability to attract and retain a strong management team. The Company believes there is significant demand for TMEC's skilled professionals not only locally but also from companies outside of the Philippines, particularly companies operating in Asia. The inability of TMEC to hire and retain qualified personnel could impair its ability to undertake the exploration and mine development of its two sites. This may cause TMEC to incur additional costs by having to engage third parties to perform these activities.

Risks Related to Labor Matters

TMEC is naturally exposed to the risk of industrial or labor disputes. At present, 20 of the rank and file employees are regular and 22 are probationary. Furthermore, once TMEC starts production, it will need to employ more workers.

At present, TMEC's labor force in all locations is not unionized; hence the risk of work stoppage due to strikes or similar concerted action is mitigated. The Company complies with all the labor laws, rules, and regulations, thus avoiding any significant dispute with its workers. The Company's management believes that current relations between the Company and its employees are generally good. None of the employees is under any collective bargaining agreement. The Company has not experienced any work stoppage or strike since it started operations.

Risks Related Philippine Laws and Regulations

The business of TMEC is subject to various Philippines Laws and regulations. The DOE is mandated by RA 7638 (Department of Energy Act of 1992) to prepare, integrate, coordinate, supervise and control all plans, programs, projects and activities of the Government relative to energy exploration, development, utilization, distribution and conservation.

On July 6, 2012, President Benigno S. Aquino III issued E.O. 79 entitled "Institutionalizing and Implementing Reforms in the Philippine Mining Sector Providing Policies and Guidelines to Ensure Environmental Protection and Responsible Mining in the Utilization of Mineral Resources' E.O. 79 pertains to the mining sector but it does not cover coal mining as the latter is covered under RA 7492, or the Philippine Mining Act of 1995.

The listing of COAL shares was approved with the submission of a Philippine Mineral Reporting Code (PMRC)-compliant technical report by a Competent Person (CP)-Geologist that indicated the coal resources of COAL's Coal Operating Contracts. Thereafter, the PSE required COAL to also submit a PMRC-compliant technical report by a CP-Mining Engineer, to be submitted to the PSE not later than 31 December 2012.

COAL attempted to submit said report to the PSE, but circumstances beyond its control resulted in further delays and penalties.

On September 30, 2015, Engr. Rufino B. Bomasang, the lone CP-Mining Engineer for coal in the Philippines, submitted to the PSE a PMRC-compliant Technical Report entitled "Final Report on the Economic Assessment of the COC#159 Davao Coal Project."

There is risk those government regulators, both at the national and local levels, may implement more stringent policies and/or regulations that will make it more difficult or more costly for TMEC to operate its business.

The Company and TMEC have no control over these events. However, TMEC has put into place a compliance team that focuses on ensuring TMEC's adherence to laws, rules, and regulations that are in practice.

Risks Related to Taxation

The Philippines currently has tax systems that encourage investment in coal mining operations to address the wide demand between local demand and supply. The current COC system gives the following incentives to contractors:

- Exemption from all taxes except income tax;
- Exemption from payment of tariff duties and compensation tax on importation of machinery / equipment / spare parts / materials required for coal operations;
- Allow entry of alien technical personnel;
- The right of ingress to and egress from the COC area; and
- Recovery of operating expense

TMEC registered with the Board of Investment under the Omnibus Investment Code of 1987 for the exploration and development of indigenous thermal coal in Davao Oriental and Zamboanga-Sibugay as a new producer of coal under the 2012 Investment Priorities Plan. There is no guarantee, however, that the existing tax regime will remain, and that no changes will be implemented that will be adheres to the Company's operations.

The industry, however, maintains a liaison within the legitimate branch of the Government, which helps ensure that coal-mining operations will continue to enjoy a fair tax environment in the years to come.

Risks Related to Company's COCs

Risks Related to Expiration of COCs

Substantially all of the Company's assets and revenues are derived from TMEC's COCs and rights under the COCs issued by the DOE, which give TMEC exclusive rights to conduct exploration, development and coal-mining operations on the areas designated by these COCs. These COCs contain respective terms, and allow maximum extension periods subject to the application of extension before the COC's expiration date.

While the term extension of a COC is provided for, any extension is ultimately at the discretion of the DOE and at the satisfaction on the DOE that has been substantial accomplishment of the commitments as stipulated in the DOE approved work program. There can be no assurance that the DOE will extend the term of these COCs upon their respective expiration. The DOE may also impose new terms and conditions during this extension that may not be acceptance to the Company.

The table ensuing sets forth the original expiration dates and the maximum extension periods for the COCs covering the Davao Oriental and Zamboanga-Sibugay Projects:

Table 1: Summary of Coal Operating Contracts of TMEC

COC	Coal Block Nos.	Applicant	Date Awarded	Original Expiration Date	Max. Extension	Remarks
Davao Oriental Coal Operating Contract						
159	CB-136 CB-137 CB-176 CB-177 CB-188 CB-217 CB-218	TMEC	16-Sep-09	15-Sep-11 (2 years Exploration)	September 15, 2013) 2 years Extension)	Submitted Geologic Report, 5 and 10 yr mining plan, ECC, Permit to Sell incidental Coal Production from DOE, awaiting CNO
Zamboanga-Sibugay Coal Operating Contracts						
166	CB-280 CB-320 CB-241 CB-281	TMEC	18-Nov-09	November 17, 2011 (2years Exploration)	November 17, 2013 (2 years Extension)	Submitted Geologic Report, DOE review and validation completed; 5 Year Work Program with Feasibility Study Submitted to DOE February 26, 2016; submitted amended Study on August 2016 after initial review.

Any inability or failure on the part of TMEC or the Company to meet their respective obligations, or comply with the terms and conditions under any of the COCs may constitute a material breach thereof and could lead to the cancellation or termination of such COC. A cancellation or termination of any COC pertaining to the Davao Oriental and Zamboanga-Sibugay Projects will adversely affect the business, financial condition and results of operations of the Company.

TMEC is in the process of fulfilling its obligations with regard to the COCs and satisfying the terms and conditions of the COCs, including the requirements of the DOE in connection therewith. For the Davao Oriental Project, as a pre-requisite to enter the development and productivity phase, TMEC has completed the Feasibility Study. In addition, its coal resources have also been validated by the DOE. For the Zamboanga-Sibugay Project, TMEC will conduct the Feasibility Study since the DOE has completed its review of TMEC's exploration results last August 7, 2015 to be able to enter the development and production phase.

TMEC plans to enter the development and production phase as soon as the DOE converts the COC to Development &Production phase for the Davao Oriental Project. COAL intends to use its IPO proceeds to fully fund TMEC's planned exploration, development, and production in the Davao Oriental Project and use a portion of it to partially fund its planned exploration in the Zamboanga-Sibugay Project. If TMEC suddenly cannot proceed to the development/production phase for some unexpected reason, the Company's long term business performance and eventually, its viability will be at risk. To address the risk, TMEC continuous to fulfill and comply with, and even exceed the conditions that the DOE set forth in the COCs it granted to TMEC. These conditions include the conduction and completion of exploration work commitment and financial investments in the coal projects. Thus with the proceeds coming from the IPO and the Company's good standing with the DOE as regards its COCs. The Company is confident that it will be able to secure the COC for the development/production stage for the Davao Oriental Project.

Risks Related to Environmental Protection, Safe Mining Operations, and Social and Economic Development

TMEC's COCs not only grant it rights over certain coal-mining assets but also prescribe guidelines for coal-mining operations among which includes rules with respect to environmental protection, safe mining operation, and social and economic development of the surrounding areas. These guidelines include safety rules for underground and surface mine operations covering requirements for exit, escape ways, submission of mine maps, ventilation, allowable limits of toxic and explosive gases, control of coal dust, ground support, rescue organization for emergency situations, fire protection, handling of explosives, health and sanitation facilities and other miscellaneous safety rules, air, water, hazardous materials and waste management, and the rehabilitation of mine sites. In addition, TMEC is required to conduct an environmental impact study prior to start of development and production pursuant to securing an environmental compliance certificate ("ECC") from the Department of Environment and Natural Resources ("DENR"). Nonetheless, in support of the company's request for COC conversion, an Environmental Compliance Certificate (ECC) for the Davao Project was granted to TMEC by the DENR-EMB on May 16, 2014. There is also the possibility that existing laws and regulations may be amended or new laws may be enacted in the future.

Risk Related to Third Party Claim on Specified Areas Defined in COCs

Under the terms of its COCs, TMEC was appointed and constituted as the exclusive party that will conduct the coal operations over the specified areas defined in such COCs. There is, however, no assurance that other parties will not claim mining rights adverse to TMEC over such designated areas or that the Company will be able to successfully defend its right to conduct coal operations over such areas against any such adverse claims.

Risk Related to the Philippines

Risks Related to Political or Social Instability in the Philippines

The Philippines has from time to time experienced political and military instability. In the last few years, there has been political instability in the Philippines, including public and military protests arising from alleged misconduct by the former administration. No assurance can be given that the political environment in the Philippines will stabilize and any political or social instability in the future could result in inconsistent or sudden changes in regulations and policies that affect the Company or its partners, which could have an adverse effect on the Company's business, results of operations and financial condition.

Risks Related to Terrorist and Insurgent Groups' Activities in the Philippines

The island of Mindanao has had a long history of terrorist activities and insurgency in certain isolated areas instigated by groups such as or connected to the Moro Islamic Liberation Front, Abu Sayyaf, and the New People's Army. There have been attacks by the New People's Army on mining company facilities of Xstrata's Sagittarius Mines Inc. (SMI) and of firms associated with the mining company in the hinterlands of Davao del Sur, South Cotabato, and Sultan Kudarat, and couple of small mining companies in the Compostella Valley. There is no guarantee that such attacks will not occur in the Company's subject areas in Davao Oriental and Zamboanga-Sibugay.

The Company, through TMEC, has maintained excellent relationships with the host communities of its two coal projects through an active Corporate Social Responsibility program, which have included the replanting of trees that may have been uprooted in the building of access road and the construction of church in Zamboanga-Sibugay. As of the date of this Prospectus, there have been no attacks or threats of attacks received by the Company at its mining sites in either Davao Oriental or Zamboanga-Sibugay.

Risk Related to Anti-Mining Groups

There is high anti-mining sentiment in the Philippines, brought mainly by the country's past and highly-publicized episodes of community destruction and environmental degradation resulting from mining operations. This is especially true in less developed regions, where there are anti-mining advocacies of groups such as LGUs, non-governmental organizations and environmental groups, communist separatists and other militant groups, and even the Catholic Church. The methods may vary, from peaceful protests to local bans on mining operations. There have also been sporadic acts of violence, including destroying equipment and inflicting bodily harm.

As a result of these factors, the Philippines has become a high-risk, high-reward environment for mining operations. In developed countries, where many of the large international mining outfits operate, profit margins are often slimmer but this lower profitability is made up for by greater stability.

TMEC has good relationships with the respective LGUs in Davao Oriental and Zamboanga-Sibugay. Furthermore, TMEC has maintained excellent relationships with the host communities of its two coal projects through an active Corporate Social Responsibility program, which have included the replanting of trees that may have been uprooted in the building of the access road, donation of an ambulance in Davao Oriental and the construction of a church in Zamboanga-Sibugay. As of the date of this Prospectus, there have been no attacks or threats attack received by the Company at its mining sites in either Davao Oriental or Zamboanga-Sibugay. In Davao Oriental, TMEC also had good rapport with the local indigenous people, having entered into a MOA with the NCIP on July 19, 2012.

Risk Related to Occurrence of Natural Catastrophes or Blackouts

The Philippines has experienced a number of major natural catastrophes in recent years including typhoons, floods, volcanic eruptions, earthquakes, mudslides, and droughts. Natural catastrophes may disrupt the Company's ability to deliver its services and impair the economic conditions in the affected areas, as well as the overall Philippine economy. The Philippines has also experienced power outages from power generation shortages and transmission problems, and from disruptions such as typhoons, storm surges and floods. These types of events may materially disrupt and adversely affect the Company's business and operations. The Company cannot assure prospective investors that the insurance coverage the Company maintains will adequately compensate it for all damages and economic losses resulting from natural catastrophes or blackouts, including possible business interruptions.

Risk Related to Foreign Exchange Controls

Currently, the Philippines has liberal foreign exchange controls. The BSP has statutory authority, with the approval of the President of the Philippines, during a foreign exchange crisis or in times of national emergency, to:

- Suspend temporarily or restrict sales of foreign exchange;
- Require licensing of foreign exchange transactions; or
- Require the delivery of foreign exchange to the BSP or its designee banks for the issuance and guarantee of foreign currency-denominated borrowings.

Risks Related to the Shares

Risks Related to Market Volatility

The market price of securities fluctuates, and it is impossible to predict whether the price of such securities will rise or fall. An individual security may experience upward and downward movements, and may even lose its entire value. There is an inherent risk that losses may be incurred rather than profits made as a result of buying and selling securities. There may also be a substantial difference between the buying price and selling price of each security.

Historical price performance is not a guide for future price performance and there may be a big difference between the purchase price of the securities and the eventual price at which these securities are sold. The market price of the Offer Shares will be influenced by, among other factors, the Company's financial position, results of operations, and overall stock market conditions, as well as Philippine economic, political and other factors.

(B) Description of Property.

The Company does not own any significant property. All real estate, plant or equipment used by the Company are leased.

(C) Legal Proceedings.

To the best of the Company's knowledge, there are no occurrences of any of the following events that are material to an evaluation of the ability or integrity of any nominee for election as director or executive officer of the Company in the past five years and as of date:

- any bankruptcy petition filed by or against any business of which the incumbent directors or senior management of the Company was a general partner or executive officer, either at the time of the bankruptcy or within five years prior to that time;
- any conviction by final judgment in a criminal proceeding, domestic or foreign, pending against any of the incumbent directors or senior management of the Company;
- any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting the involvement of any of the incumbent directors or senior management of the Company in any type of business, securities, commodities or banking activities; and
- any finding by domestic or foreign court of competent jurisdiction (in civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or said regulatory organization, that any of the incumbent Directors or senior management of the Company has violated a securities or commodities law, and the judgment has not been reversed, suspended or vacated.

PART II - SECURITIES OF THE REGISTRANT

(1) Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters

The Company's common equity is listed and traded on the Philippines Stock Exchange on October 23, 2012.

The trading prices at the PSE for the year 2016

Quarter	High	Low	Close
1Q 2016	.48	.47	.48
2Q 2016	.49	.48	.48
3Q 2016	.41	.40	.40
4Q 2016	.47	.45	.45

The trading prices at the PSE for the year 2015

Quarter	High	Low	Close
1Q 2015	0.90	.89	0.89
2Q 2015	.79	.78	.78
3Q 2015	.65	.62	.65
4Q 2015	.58	.58	.58

The trading prices at the PSE for the 4th quarter of 2016 are as follows:

	High	**Low**
Year Ended 31 December 2016 4th Quarter	.47	.45

The trading prices at the PSE for the 1st quarter of 2017 are as follows:

	High	**Low**
Quarter Ended 31 March 2017 1st Quarter	.41	.40

As of the latest practicable trading date (as of June 23, 2017), the price of the company's securities closed at ₱0.40.

(2) Holders

As of June 16, 2017, the Company had 28 (Twenty-Eight) stockholders as per its stock and transfer agent, RCBC-Stock and Transfer Agent. The list of shareholders reported by the Stock and Transfer Agent were as follows:

	Name of Stockholders	**No. of shares**	**Percentage**
1	PCD NOMINEE CORP. (F)	782,277,873	19.56%
2	STERLING BANK OF ASIA - TRUST GROUP	640,000,000	16.00%
3	STERLING BANK OF ASIA - TRUST GROUP	640,000,000	16.00%
4	STERLING BANK OF ASIA - TRUST GROUP	640,000,000	16.00%
5	STERLING BANK OF ASIA - TRUST GROUP	640,000,000	16.00%
6	STERLING BANK OF ASIA - TRUST GROUP	640,000,000	16.00%
7	PCD NOMINEE CORP. (NF)	10,995,010	0.27%

8	YAN, LUCIO W. YAN &/OR CLARA Y.	4,000,000	0.10%
9	WILLIAM RAGOS ENRILE II	1,200,000	0.03%
10	QUIBIN, ALEXANDER C.	570,000	0.01%
11	TACUB, PACIFICO B.	400,000	0.01%
12	SUCALDITO, ENRIQUE L.	100,000	0.00%
13	ENRILE, WILLIAM ENRILE &/OR NELY ENRILE &/OR	100,000	0.00%
14	MARANA, MIGUEL D. MARANA &/OR CENON BIENVENIDO	95,000	0.00%
15	ROSELLER A. MENDOZA	65,000	0.00%
16	COMIA JR., JUAN D.	50,000	0.00%
17	MARANA, CENON BIENVENIDO D. MARANA &/OR MIGU	40,000	0.00%
18	PUNO, CHRISTOPHER	30,000	0.00%
19	PUNO, ORPHA C.	22,000	0.00%
20	ASUNCION, ALEXANDER G.	15,000	0.00%
21	MOLANO, ROMEO B.	15,000	0.00%
22	BARTHOLOMEW DYBUNCIO YOUNG	10,000	0.00%
23	OSCAR M. RAYOS DEL SOL	10,000	0.00%
24	MARIANO, MARIA ANA B.	2,000	0.00%
25	LIMGENCO, DONDI RON R.	1,111	0.00%
26	GILI JR, GUILLERMO F.	1,000	0.00%
27	BES, RONALD S.	1,000	0.00%
28	FALCOTELO, MATTHEW HENRI H.	10	0.00%
		4,000,000,004	**100.00%**

As of June 16, 2017, 10,995,010 common shares are held by non-Filipinos, placing the foreign ownership level of the Corporation at 0.27%. This is significantly below the foreign ownership limit of 40%.

(3) Dividends

The Company has not declared any kind of dividend to its shareholders since its incorporation.

(4) Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

For the year ended 31 December 2016, we have not issued any securities constituting an exempt transaction.

PART III - FINANCIAL INFORMATION

(A) Management's Discussion and Analysis

Plan of Operation

(a) COAL has sufficient cash reserves to fund its operations for the next 12 months and will not need to raise additional funds.

(b) COAL has implemented its pre-development program and intends to proceed to development and production of the coal operating contracts in Davao Oriental as soon as the DOE processes their conversion to Development and Production status.

(c) Once the Davao Oriental COC's are converted to Development and Production, COAL intends to purchase additional heavy equipment to support the production and extraction of coal.

(d) In order to support the development and production activities, employees in the mine site will be increased as needed to meet production demands.

The following tables present the summary financial Statements and Independent Auditor's Report for the ended December 31, 2016 and 2015.

COAL's Summary Audited Consolidated Financial Information as at		
	2016	**2015**
	(One year)	**(One year)**
Amounts are in Php		
Consolidated Statement of Comprehensive Income		
Sales	-	-
Cost of Sales	-	-
Gross Profit	-	-
General and Administrative Expenses	(20,921,125)	(20,071,989)
Operating Income	(20,921,125)	(20,071,989)
Other Income	6,087,472	519,357
Interest Income	745,832	1,473,194
Finance Cost	(1,898,675)	(1,379,696)
Income (loss) before income tax	(15,986,496)	(19,459,134)
Net Income (loss)	(13,967,727)	(15,965,832)
Consolidated Statement of Financial Position		
Assets		
Cash	6,906,425	9,795,965
Funds held in escrow	37,869,019	87,133,562
Advances to Affiliates	657,777	1,265,628
Prepayments and other current assets	4,806,775	2,028,993
Total Current Assets	**50,239,996**	**100,224,148**
Exploration and evaluation assets	480,756,581	413,845,460
Property, plant and equipment –net	261,324,664	305,609,793
Intangible asset	-	193,018
Coal Reserves	3,131,596,101	3,131,596,101

Deferred Tax Asset	10,772,888	8,538,906
Total Non-Current Assets	**3,884,450,234**	**3,859,783,278**
TOTAL ASSETS	**3,934,690,230**	**3,960,007,426**
Liabilities and Equity		
Trade and other payables	8,996,848	10,691,381
Advances from related parties	25,820	25,820
Current portion of loans payable	10,581,920	9,081,038
Income tax payable	121,749	10,387
Total Current Liabilities	**19,726,337**	**19,808,626**
Loan Payable-net of current portion	5,629,445	15,757,962
Retirement benefit liability	3,700,619	4,621,200
Total Non-Current Liability	**9,330,064**	**20,379,162**
Capital Stock	4,000,000,004	4,000,000,004
Deficit	(94,531,491)	(80,563,764)
Other Comprehensive loss	165,316	383,398
Stockholders' Equity	**3,905,633,829**	**3,919,819,638**
TOTAL LIABILITIES AND EQUITY	**3,934,690,230**	**3,960,007,426**
Key Indicators		
Gross Profit Margin (%)	0.00%	0.00%
Net Income (loss) Margin (%)	0.00%	0.00%
Return on Asset (%)	-0.35%	-0.40%
Return on Equity(%)	-0.36%	-0.41%
Current Ratio(x)	2.55:1.00	5.06:1.00
Total Liabilities to Equity (x)	.01:1.00	.01:1.00
Earnings Per Share (Basic) (Php 0.0000)	-0.0035	-0.0040
Book Value Per Share (Php 0.0000)	0.9764	0.9800

A. Comprehensive Income

Full Year – December 31, 2016 vs. December 31, 2015

Sales

There were no sales for 2016 and 2015. TMEC focused on exploration of its COC areas and is awaiting conversion to development and production from the Department of Energy.

General and Administrative Expenses

General and Administrative expenses increased by P.85M due to increased expenses related to representation and entertainment.

Interest Expense

In 2015, the Group entered into a credit facility agreement with UCPB Leasing and Finance Corporation granting the Company with a credit line amounting to P30.3 million to refinance the acquisition of various trucks and heavy equipment purchased in 2014 amounting to P30.3 million. It bears an annual interest rate of 9%. As at December 31, 2016, the total interest expense amounted to P1.9 million.

Interest Income

Interest income which came from interest earned from bank deposits and funds held in escrow was P .75M decreased by P .73m(50%) due to decreased in Fund held in escrow.

Other Income

In 2016 and 2015, the DOE granted various PTS for incidentally produced coal within TMEC's COC No. 159 area. Gain on sale of incidental coal amounted to P6.1M and P0.5M in 2016 and 2015, respectively.

Net Income

As a result of the foregoing, The Group realized net loss of P13.97M for the year ended December 31, 2016. This was lower by P2.0M compared to P15.97M net loss during the year ended December 31, 2016.

<u>Full Year – December 31, 2015 vs. Decemeber 31, 2014</u>

Sales

There were no sales for 2014 and 2015. TMEC focused on exploration of its COC areas and is awaiting conversion to development and production from the Department of Energy.

General and Administrative Expenses

General and Administrative expenses increased by P 6.5M which came generally from increase in Personnel cost.

Operating Income and Operating Loss Margin

The Company incurred an Operating Loss of P 15.8M for 2015.

Interest Expense

In 2015, the Group entered into a credit facility agreement with UCPB Leasing and Finance Corporation granting the Company with a credit line amounting to P 30.3 million to refinance the acquisition of various trucks and heavy equipment purchased in 2014 amounting to P30.3 million. It bears an annual interest rate of 9%. As at December 31, 2015, the total interest expense amounted to P1.4 million.

Interest Income

Interest income which came from interest earned from bank deposits and funds held in escrow was P 1.5M for the 2015 and 2015.

Other Income

Other Income which came from sale of incidental production amounting to P .52M net of any related expenses.

The company is still awaiting the conversion of the COC from exploration to development and production, a Permit to Sell 2,500 MT of incidental coal production was issued to TMEC by the DOE on December 10, 2014 which was subsequently amended from 2,500 MT to 3,200 MT on March 26, 2015.

Net Income and Net Income Margin

The Net Loss of the Company for the year ended 2015 was increased due to increase general and administrative expenses by P 6.5M and interest incurred related to loan payable of P 1.4M.

Full Year – December 31, 2014 vs. Decemeber 31, 2013

Sales

There were no sales for 2013 and 2014. TMEC focused on exploration of its COC areas and is awaiting conversion to development and production from the Department of Energy.

General and Administrative Expenses

General and Administrative expenses increased to P 1.1M which came generally from increase in rental expense.

Operating Income and Operating Loss Margin

The Company incurred an Operating Loss of P 13.4M for 2014.

Interest Income

Interest income which came from interest earned from bank deposits and funds held in escrow was decreased from P 7.4M to P1.5M due to reduced bank balance.

Net Income and Net Income Margin

The Net Loss of the Company for the year ended 2014 was increased due to decrease interest income of P 5.9M and increase general and administrative expenses by P 1.1M

B. Consolidated Statement of Financial Position

Full Year – December 31, 2016 vs. December 31, 2015

Cash and Cash Equivalent

Cash and cash equivalents decreased by P2.89M(29%), to P6.91M as of December 31, 2016 form P9.80M as of December 31, 2016, due mainly to capital expenditure incurred in exploration and evaluation assets.

Advances to Affiliates

These were advances to related parties under common control for working capital purposes. These are unsecured, non-interest bearing, and generally settled in cash and payable upon demand. The balance as of December 2016 was P.66M.

Funds held in escrow

This pertains to the proceeds of IPO which are kept separate and distinct from all other funds in the custody of the Custodian Bank. Net withdrawals of principal from the fund held in escrow amounted to P50.0M and P47.0M in 2016 and 2015, respectively.

Prepayments and Other Current Assets

Prepayments and other current assets increased by P2.78M (137%), to P4.81M as of December 31, 2016 from P2.03M as of December 31, 2015, mainly due to Receivables from sale of incidental coal are generally due and demandable and in accordance with the Permits to Transport and Sell (PTS) issued by the DOE and additional Restricted cash set aside to settle obligations arising from a certain court case.

Exploration and Evaluation Assets

Exploration and Evaluation Assets were increased by P66.91M (16%) as of December 31, 2016. The increase was brought by the capitalization of the costs incurred in the exploration and pre-development of the mining properties in Davao Oriental such as personnel costs, professional, utilities, depreciation and others.

Property, Plant and Equipment

Property, Plant and Equipment were decreased by P44.29M (15%) due to depreciation incurred during the year.

Intangible Assets

Computer software for exploration was decreased due to amortization of such.

Coal Reserves

Coal Reserves still amounted to P3.13 billion as of December 31, 2015. This represents the fair value of the coal reserve acquired as a result of the business combination.

Deferred Tax Assets

Deferred tax assets were increased by P2.23M (26%), to P10.77M as of December 31, 2016 from P8.54M as of December 31, 2015.

Trade and Other Payables

Trade and Other Payables decreased by P1.69M (16%), to P9.0M as of December 31, 2016 from P10.69M as of December 31, 2016, due mainly to the Final payment of certain supplier of the Group.

Advances from Related Parties

These advances are unsecured, non-interest bearing, and generally settled in cash and payable upon demand. The advances of the Parent Company to TMEC amounting to P508.3M and P461.2M as at December 31, 2016 and 2015, respectively, were eliminated during consolidation.

Loan Payable

In 2015, the Group entered into a credit facility agreement with UCPB Leasing and Finance Corporation granting the Company with a credit line amounting to P 30.3M to refinance the acquisition of various trucks and heavy equipment purchased in 2014 amounting to P 30.3M. As at December 31, 2015, the Company has fully utilized the credit facility.

The loan is payable in five years, in 60 monthly installment starting May 30, 2015, the month after the first drawdown. It bears an annual interest rate of 9%. As at December 31, 2016, the loan payable amounted to P16.21M of which P10.58M will be due within 12 months after the year-end. The outstanding amount of these borrowings decreased by P8.63M (35%) from P24.84 as of December 31, 2015 due to scheduled principal repayments on term loans.

Retirement Benefit Liability

Retirement Benefit Liability amounted to P3.70M of December 31, 2016. This is the latest actuarial valuation prepared by an independent actuary using the projected credit unit method.

Deficit

Deficit amounted to P94.53 M as of end December 2016. Deficit increased because of increased expenses and minimal sale of incidental production during the year.

Full Year – December 31, 2015 vs. Decemeber 31, 2014

Cash

Cash was decreased as of December 31, 2015 due to transfer made to funds held in escrow.

Advances to Affiliates

Advances to Affiliates. These were advances to Pacifico Sul Mineraçao Corporation (PSMC) for working capital purposes. These are unsecured, non-interest bearing, and generally settled in cash and payable upon demand. The balance as of December 2015 was 1.27M.

Funds held in escrow

Funds held in escrow are the proceeds of IPO that are in custody of a Custodian bank. The funds were increased from P 32.4M to P 87.1M due to reclassification of Cash Equivalent. During the year, P 47 M was disbursed from the fund for pre-development expenditures.

Prepayments and Other Current Assets

Prepayments and Other Current Assets were decreased because the advances made to landowners for the purchase of land were completed and ownership was transferred.

Exploration and Evaluation Assets

Exploration and Evaluation Assets were increased by P 88.98M as of December 31, 2015. The increase was brought by the capitalization of the costs incurred in the exploration and pre-development of the mining properties in Davao Oriental such as personnel costs, community relations costs, fuel, communication and transportation costs, depreciation and others.

Property, Plant and Equipment

Property, Plant and Equipment were decreased by P 40M due to depreciation incurred during the year.

Intangible Assets

Computer software for exploration was decreased due to amortization of such.

Coal Reserves

Coal Reserves still amounted to P3.13 billion as of December 31, 2015. This represents the fair value of the coal reserve acquired as a result of the business combination.

Deferred Tax Assets

Deferred tax assets amounted toP 8.5M as of December 31, 2015, which were increased due to net operating loss carry over (NOLCO) for 2015.

Trade and Other Payables

Trade and Other Payables was P 10.5M.

Advances from Related Parties

These advances are unsecured, non-interest bearing, and generally settled in cash and payable upon demand.

Loan Payable

In 2015, the Group entered into a credit facility agreement with UCPB Leasing and Finance Corporation granting the Company with a credit line amounting to P 30.3M to refinance the acquisition of various trucks and heavy equipment purchased in 2014 amounting to P 30.3M. As at December 31, 2015, the Company has fully utilized the credit facility.

The loan is payable in five years, in 60 monthly instalments starting May 30, 2015, the month after the first drawdown. It bears an annual interest rate of 9%. As at December 31, 2015, the loan payable amounted to P 24.8M of which P 9.1M will be due within 12 months after the year-end.

Retirement Benefit Liability

Retirement Benefit Liability amounted to P 4.6M of December 31, 2015. This is the latest actuarial valuation prepared by an independent actuary using the projected credit unit method.

Deficit

Deficit amounted to P 80.6M as of end December 2015. Deficit increased because of increased expenses and minimal sale of incidental production during the year.

Full Year – December 31, 2014 vs. Decemeber 31, 2013

Cash

Cash was increased as of December 31, 2014 due to transfer made from funds held in escrow.

Advances to Affiliates

Advances to Affiliates. These were advances to Pacifico Sul Mineraçao Corporation (PSMC) for working capital purposes. These are unsecured, non-interest bearing, and generally settled in cash and payable upon demand. PSMC fully settled their advances in 2014.

Funds held in escrow

Funds held in escrow are the proceeds of IPO that are in custody of a Custodian bank. The funds were decreased from P 217.8M to P 32.4M because of road and building construction, purchased equipment and other exploration and pre-development expenditures.

Prepayments and Other Current Assets

Prepayments and Other Current Assets were decreased because the advances made to landowners for the purchase of land were completed and ownership was transferred.

Exploration and Evaluation Assets

Exploration and Evaluation Assets were increased by P 53.8M as of December 31, 2014. The increase was brought by the capitalization of the costs incurred in the exploration and pre-development of the mining properties in Davao Oriental such as personnel costs, community relations costs, fuel, communication and transportation costs, depreciation and others.

Property, Plant and Equipment

Property, Plant and Equipment were increased by P 49M due to road widening, construction of laboratory facilities, acquisition of land and mining equipment.

Intangible Assets

Computer software for exploration was decreased due to amortization of such.

Coal Reserves

Coal Reserves still amounted to P3.13 billion as of December 31, 2014. This represents the fair value of the coal reserve acquired as a result of the business combination.

Deferred Tax Assets

Deferred tax assets amounted to P 5.3M as of December 31, 2014, which were increased due to net operating loss carry over (NOLCO) for 2014.

Trade and Other Payables

Trade and Other Payables decreased to P 10.4M due to settlement of payable to suppliers.

Advances from Related Parties

Advances from Related Parties were decreased due to settlement of these advances. These advances are unsecured, non-interest bearing, and generally settled in cash and payable upon demand.

Retirement Benefit Liability

Retirement Benefit Liability amounted to P 4.0M of December 31, 2014. This is the latest actuarial valuation prepared by an independent actuary using the projected credit unit method.

Deficit

Deficit amounted to P 64.6M as of end December 2014. Deficit increased because of increased expenses and lack of sales activity for the year.

Notes on the COAL's Financial Information

Coal Reserves

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

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

Exploration and Evaluation Asset

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

Exploration and evaluation activity includes:

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

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

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

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

	31-Dec-16
Total Assets	3,934,690,230
Total Liabilities	29,056,401
Revenue	-
Expenses	22,819,800
Net cash provided by operating activities	69,699,072
Net cash provided by investing activities	(23,960,977)
Net cash provided by financing activities	(8,627,635)

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

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

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

Movements of this account are as follows:

	31-Dec-2016
Balance at beginning of year	413,845,460
Additions for the year	66,911,121
Cost at the end of year	480,756,581

No impairment loss was recognized in 2016.

The Group obtained an independent valuation report using the discounted cash flow approach to estimate the value of the coal reserves. The expected net present value of the coal reserve is estimated at P12.5 billion.

The Group obtained an enterprise report dated March 15, 2013 to estimate the enterprise value of COC 159, Coal Blocks Nos. 217 (Macopa) and 136 (Bactinan). Discounted cash flow approach was used in the valuation of the coal reserve of COC 159, Coal blocks Nos. 217 (Macopa) and 136 (Bactinan) is estimated at P4.1 billion.

Impairment of Nonfinancial Assets

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

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

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

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

Revenue Recognition of Sale of Coal

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

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

Other Financial Information

As of and for period ended December 31, 2016:

- No material changes on COAL's financial position (changes of 5.00% or more) can be computed as the Company has only been incorporated on June 11, 2012.
- COAL is not aware of any known trends, or any known demands, commitments, events, or uncertainties that will result in or that are reasonably likely to result in COAL's liquidity increasing or decreasing in any material way.
- It is not aware of any event that would trigger direct or contingent financial obligation that is material to COAL, including any default or acceleration of an obligation.
- All material off-balance sheet transactions, arrangements, obligations and other relationships of COAL with unconsolidated entities or other persons created during the period were considered.
- There were no known trends, events, or uncertainties on net revenues or income from continuing operations.
  Coal Asia Holdings Incorporated.
- COAL is not aware of any significant elements of income and loss that did not arise from COAL's continuing operations.
- COAL is not aware of any seasonal aspects that had a material effect on the financial condition or results of operations.
- COAL is not aware of any seasonal aspects that had a material effect on the financial condition or results of operations.

Financial Statements

Please refer to the attached audited consolidated financial statements of the Company as at and for the year ended December 31, 2016 and 2015, which have been prepared in accordance with Philippine Financial Reporting Standards, as audited by Reyes Tacandong & Co.

The Company was incorporated on June 11, 2012. Since the audit of Reyes Tacandong & Co., there has been no change in auditor and there has been no disagreement on accounting and financial disclosures.

The aggregate fees for each of last two (2) fiscal years for professional services rendered by the external auditors are as follows:

	2016	2015
Audit Fee	₱550,000	₱525,000
other fees	-	-
TOTAL	₱550,000	₱525,000

It is the policy of the Company that services to be rendered by independent auditors, as well as the corresponding fees thereof, must first be reviewed by the Audit and Risk Committee (the members of said Committee being composed of Mr. Aristides S. Armas (Chairman), Mr. Johnson A. Sanhi, Jr., and Eric Y. Roxas) prior to said report being endorsed to the Board of Directors for approval.

Key Performance Indicators

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

Key Indicators	
Gross Profit Margin (%)	0.00%
Net Income (loss) Margin (%)	0.00%
Return on Asset (%)	-0.40%
Return on Equity (%)	-0.41%
Current Ratio(x)	5.06

RESULTS OF OPERATIONS

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED MARCH 31, 2017

General and Administrative Expenses

General and Administrative expenses amounted to P3.29 million for the three months ended March 31, 2017. These expenses were comprised primarily of personnel costs, professional fee, office rental expense, maintenance expense, and listing fee for the year 2017.

Operating Income and Operating Loss Margin

The Company incurred an operating loss of P3.29 million.

Interest Income

Interest income amounted to P0.09 million, which came from interest earned from bank deposits, cash equivalents and funds held in escrow.

Interest Expense

Interest Expense on Loan Payable for three months ended March 31, 2017 amounted to P.34 million.

Other Income

Other Income for three months ended March 31, 2017 amounting to P0.50 million.

Net Income and Net Income Margin

The net loss of the Group for the period amounted to 3.05 million.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE THREE MONTHS ENDED MARCH 31, 2017

As at March 31, 2017, the total asset of the group amounted to P3,928.27 million as against P3,934.69 million as at December 31, 2016. Total current assets decreased to P41.84 million from P50.24 million, attributed mainly to the decrease in funds held in escrow used in the development of the Group. Noncurrent assets increased to P3,886.42 million from P3,884.45 million due to the increase in exploration and evaluation assets as at March 31, 2017 and December 31, 2016, respectively.

Current liabilities as at the end of the quarter decreased to P19.58 million from P19.73 million as at December 31, 2016 due to the decrease in trade and other payable. Total equity of the group decreased to P3,902.59 from P3,905.63 due to net loss incurred by the Group for the three month period in year 2017.

ADDITIONAL REQUIREMENT (SRC Rule 68)

A schedule showing financial soundness indicators in two comparative period

	March 31, 2017	December 31, 2016
Current assets	**41,842,522**	84,212,529
Current liabilities	**19,578,493**	18,644,545
Liquidity ratio	**2:14:1**	4.52:1
Net loss before depreciation	**(2,986,735)**	(4,167,829.00)
Total liabilities	**25,685,842**	36,879,745
Solvency ratio	**(0.12):1**	(0.11):1
Total liabilities	**25,685,842**	36,879,745
Total equity	**3,902,586,147**	3,915,285,653
Debt–to–equity ratio	**0.010:1**	0.010:1
Total assets	**3,928,271,989**	3,952,165,398
Total equity	**3,902,586,147**	3,915,285,653
Asset–to–equity ratio	**1.01:1**	1.01:1
Net loss	**(3,047,682)**	(4,533,985)
Total assets	**3,928,271,989**	3,952,165,398
Return on asset	**(0.001):1**	(0.001):1
Net loss	**(3,047,682)**	(4,533,985)
Total equity	**3,902,586,147**	3,915,285,653
Return on equity	**(0.001):1**	(0.001):1

(B) Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Reyes Tacandong & Co. was appointed as external auditors for the year ended December 31, 2016.

There were no disagreements with the external auditors on any matter pertaining to accounting and financial disclosure.

PART IV - MANAGEMENT AND CERTAIN SECURITY HOLDERS

Please refer to the portion of this Information Statement on “Directors and Executive Officers”.

PART V - CORPORATE GOVERNANCE

In compliance with the initiative of the Securities and Exchange Commission (“SEC”) under Memorandum Circular No. 19, Series of 2016, the Company’s Revised Manual on Corporate Governance (the “Manual”) was approved by the Board of Directors on May 31, 2017. The Manual is a supplement to the Company’s Amended By-Laws.

The Company remains focused on insuring the adoption of systems and practices of good corporate governance in enhancing value for its shareholders. Even prior to the adoption of the Manual, the Board of Directors organized themselves into Board level committees, such as: Nomination Committee, for selection and evaluation of qualifications of directors and officers, a Compensation and Remuneration Committee, to look into an appropriate remuneration system; and an Audit and Risk Management Committee to review financial and accounting matters as well as oversee the Company’s management of risk. The Company will also elect a third independent director in the upcoming annual meeting, as well as consider the organization of a Corporate Governance Committee and a Related Party Transaction Committee.

The Company evaluates the level of compliance of the Board of Directors and top-level management with its Revised Manual on Corporate Governance, as well as the leading corporate governance practices of the industry, by using the evaluation standards set by the Philippine Stock Exchange and Institute of Corporate Directors. Through its participation in the annual Corporate Governance Disclosure Survey of the PSE and the ICD’s yearly corporate governance initiatives, the Company is able to assess its corporate governance performance as against best practices benchmarks.

Compliance with Rules on Corporate Governance

The Company is in the process of implementing the abovementioned Manual. The Company will continue to monitor compliance with the Rules on Corporate Governance issued by the SEC and will remain committed in ensuring the adoption of other systems and practices of good corporate governance to enhance its value for its stockholders.

PART VI - EXHIBITS AND SCHEDULES

Exhibits

Please refer to the attached audited consolidated financial statements and required supplementary schedules of the Company as of and for the year ended December 31, 2016, which have been prepared in accordance with Philippine Financial Reporting Standards, as audited by Reyes, Tacandong & Co. Likewise attached is the Company’s interim unaudited financial statements as of 31 March 2017.

UNDERTAKING TO PROVIDE COPIES OF REPORTS

UPON WRITTEN REQUEST OF ANY SHAREHOLDER OF RECORD ENTITLED TO NOTICE OF AND VOTE AT THE MEETING, THE COMPANY SHALL FURNISH SUCH SHAREHOLDER WITH A COPY OF THE COMPANY'S INFORMATION STATEMENT (SEC FORM 20-IS), ANNUAL REPORT FOR 2016 (SEC FORM 17-A), AND QUARTERLY REPORT FOR FIRST QUARTER 2017 (SEC FORM 17-Q) FREE OF CHRAGE. ANY SUCH WRITTEN REQUEST SHALL BE ADDRESSED TO**:**

ERIC Y. ROXAS
THE CORPORATE SECRETARY
COAL ASIA HOLDINGS, INCORPORATED
3RD FLOOR JTKC CENTER
2155 DON CHINO ROCES AVENUE
MAKATI CITY

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ABKT/JCN/AMKL 1356-216

ANNEX "A"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ARISTIDES S. ARMAS,** Filipino, of legal age after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **COAL ASIA HOLDINGS, INCORPORATED** and have been its independent director since 2012.

2. I am currently affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
Asia United Leasing & Finance Corporation	President	4.5 years
Asia United Fleet Management Services, Inc.	President	4.5 years

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **COAL ASIA HOLDINGS, INCORPORATED,** as provided for in Section 38 of the Securities Regulations Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any of the directors/officers/substantial shareholders of **COAL ASIA HOLDINGS, INCORPORATED** and its subsidiaries and affiliates, as provided under Rule 38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of **COAL ASIA HOLDINGS, INCORPORATED** of any changes in the abovementioned information within five days from its occurrence.

Done, this JUN 29 2017 day of June 2017 at PASIG CITY.

ARISTIDES S. ARMAS
Affiant

SUBSCRIBED AND SWORN to before me this JUN 29 2017 day of June 2017 at PASIG CITY, affiant exhibited to me his Competent Evidence of Identity TIN: 105-202-254.

Doc. No. 203;
Page No. 42;
Book No. IV;
Series of 2017.

ISAIAH G. SAN MIGUEL
Notary Public for Cities of Pasig and San Juan
and in the Municipality of Pateros
Appointment No. 105 (2016-2017)
Commission Expires on December 31, 2017
2704 East Tower, PSE Centre Exchange Road,
Ortigas Center, 1605 Pasig City
PTR No 2553925 / 01.09.2017 / Mandaluyong
IBP No. LRN-013775 / 04.22.15 / PPLM
Roll of Attorneys No. 64234

ANNEX "B"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **JUAN KEVIN G. BELMONTE,** Filipino, of legal age after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **COAL ASIA HOLDINGS, INCORPORATED** and have been its independent director since 2012.

2. I am currently affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
Philstar.Com	President and CEO	2000 – Present
People Asia	Director	2007 – Present
Nuvoland Philippines	Vice Chairman	2010 – Present
Philstar Daily, Inc.	Director	1994 – Present
IP Ventures Corp	Director	2011 – Present
IP E-Games	Director	2010 – Present
EEI Corporation	Director	2009 – Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of **COAL ASIA HOLDINGS, INCORPORATED**, as provided for in Section 38 of the Securities Regulations Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any of the directors/officers/substantial shareholders of **COAL ASIA HOLDINGS, INCORPORATED** and its subsidiaries and affiliates, as provided under Rule 38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of **COAL ASIA HOLDINGS, INCORPORATED** of any changes in the abovementioned information within five days from its occurrence.

JUN 29 2017

Done, this ___ day of June 2017 at PASIG CITY

JUAN KEVIN G. BELMONTE
Affiant

JUN 29 2017

SUBSCRIBED AND SWORN to before me this ___ day of June 2017 at PASIG CITY, affiant exhibiting to me his Competent Evidence of Identity TIN: 102 - 081 - 712.

Doc. No. 202;
Page No. 42;
Book No. IV;
Series of 2017.

ISAIAH G. SAN MIGUEL
Notary Public for Cities of Pasig and San Juan
and in the Municipality of Pateros
Appointment No. 105 (2016-2017)
Commission Expires on December 31, 2017
2704 East Tower, PSE Centre Exchange Road,
Ortigas Center, 1605 Pasig City
PTR No. 2553925 / 01.09.2017 / Mandaluyong
IBP No. LRN-013775 / 04.22.15 / PPLM
Roll of Attorneys No. 64234

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ABKT\JCN\AMKL 1356-216

ANNEX " C "

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ARSENIO M. BARTOLOME III,** Filipino, of legal age after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **COAL ASIA HOLDINGS, INCORPORATED.**

2. I am currently affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
Amber Properties, Inc.	Chairman and President	April 2001 - present (16 yrs)
Destiny Financial Plans, Inc.	Chairman and President	July 2008 – present (9 yrs)

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the **COAL ASIA HOLDINGS, INCORPORATED,** as provided for in Section 38 of the Securities Regulations Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any of the directors/officers/substantial shareholders of **COAL ASIA HOLDINGS, INCORPORATED** and its subsidiaries and affiliates, as provided under Rule 38.2.3 of the Securities Regulation Code.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.

7. I shall inform the Corporate Secretary of **COAL ASIA HOLDINGS, INCORPORATED** of any changes in the abovementioned information within five days from its occurrence.

JUN 29 2017
Done, this ___ day of June 2017 at PASIG CITY

ARSENIO M. BARTOLOME III
Affiant

JUN 29 2017
SUBSCRIBED AND SWORN to before me this ___ day of June 2017 at PASIG CITY, affiant exhibited to me his Competent Evidence of Identity Passport No. EC6459270 issued on 22 Jan 2016 at DFA Manila.

Doc. No. 204;
Page No. 42;
Book No. IV;
Series of 2017.

ISAIAH G. SAN MIGUEL
Notary Public for Cities of Pasig and San Juan
and in the Municipality of Pateros
Appointment No. 105 (2016-2017)
Commission Expires on December 31, 2017
2704 East Tower, PSE Centre Exchange Road,
Ortigas Center, 1605 Pasig City

ANNEX "D"

REPUBLIC OF THE PHILIPPINES)
PASIG CITY) S.S.

CERTIFICATION

ANN MARGARET K. LORENZO, of legal age, Filipino, with office address at 2704 East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, Pasig City, Metro Manila, after having been sworn to in accordance with law, does hereby certify that:

1. I am the duly elected and qualified Assistant Corporate Secretary of **COAL ASIA HOLDINGS, INCORPORATED** (the "Corporation"), a corporation organized and existing under the laws of the Philippines, with principal office at 3/F JTKC Centre 2155 Don Chino Roces Avenue, Makati City.

2. Based on the information provided to the Corporation by the members of its Board of Directors and its principal executive officers, none of said members of the Board of Directors and principal executive officers of the Corporation are presently employed by any office or agency of the Philippine Government.

JUN 27 2017

IN WITNESS WHEREOF, this Certificate was signed this ___ day of June 2017 at Pasig City, Metro Manila.

ANN MARGARET K. LORENZO
Assistant Corporate Secretary

JUN 27 2017

SUBSCRIBED AND SWORN to before me this ___ day of June 2017 at Pasig City, affiant exhibiting her Philippine Passport No. EC1023699, issued at DFA NCR East, valid until 8 May 2019 as her competent evidence of identity in accordance with the 2004 Rules on Notarial Practice.

ISAIAH G. SAN MIGUEL
Notary Public for Cities of Pasig and San Juan
and in the Municipality of Pateros
Appointment No. 105 (2016-2017)
Commission Expires on December 31, 2017
2704 East Tower, PSE Centre Exchange Road,
Ortigas Center, 1605 Pasig City
PTR No. 2553925 / 01.09.2017 / Mandaluyong
IBP No. LRN-013775 / 04.22.15 / PPLM
Roll of Attorneys No. 64234

Doc. No. 177;
Page No. 37;
Book No. IV;
Series of 2017.

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ANNEX "E"

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 1 2 1 0 3 1 4

COMPANY NAME

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

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

3 R D   F L O O R ,   J T K C   C E N T E R ,   2 1 5 5   C H I N O   R O C E
S   A V E . ,   M A K A T I   C I T Y

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A C F S	C R M D	N / A

COMPANY INFORMATION

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

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

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON'S ADDRESS

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

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

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

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **COAL ASIA HOLDINGS, INCORPORATED** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2016 and 2015, in the accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from materials misstatement, whether due to fraud or error.

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

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

The Board of Directors reviews and approves the financial statements including the schedules attached herein, and submits the same to the stockholders.

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

Signature: ______________________
HARALD R. TOMINTZ
Chairman of the Board

Signature: ______________________
JOHNSON A. SANHI, JR.
President

Signature: ______________________
VICTOR JIN-SOO LEE
Chief Financial Officer

JUN 30 2017

Signed this _____ day of June 2017.

JUN 30 2017

SUBSCRIBED AND SWORN to before me this _____ day of June 2017 in Pasig City, affiant exhibited to me their Community Tax Certificates (CTC) and Competent Evidence of Identity (CEI) as follows:

Name	TIN/CTC No./Place and Date Issued	CEI
Harald R. Tomintz	123-069-283	
Johnson A. Sanhi, Jr.	105-618-140	
Victor Jin-Soo Lee	298-977-542	

Doc. No. 209 ;
Page No. 43 ;
Book No. IV ;
Series of 2017.

ISAIAH G. SAN MIGUEL
Notary Public for Cities of Pasig and San Juan
and in the Municipality of Pateros
Appointment No. 105 (2016-2017)
Commission Expires on December 31, 2017
2704 East Tower, PSE Centre Exchange Road,
Ortigas Center, 1605 Pasig City
PTR No. 2553925 / 01.09.2017 / Mandaluyong
IBP No. LRN-013775 / 04.22.15 / PPLM
Roll of Attorneys No. 64234

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

Citibank Tower
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone +632 982 9100
Fax +632 982 9111
Website www.reyestacandong.com

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

- *Impairment of Nonfinancial Assets*

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

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

REYES TACANDONG & CO.

Carolina P. Angeles

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

March 23, 2017
Makati City, Metro Manila

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

See accompanying Notes to Consolidated Financial Statements.

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

See accompanying Notes to Consolidated Financial Statements.

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

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

See accompanying Notes to Consolidated Financial Statements.

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

General Information

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

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

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

Status of Operations

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

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

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

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

2. Summary of Significant Accounting and Reporting Policies

Basis of Preparation

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

Measurement Bases

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Basis of Consolidation

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

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

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

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

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

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

a. Recognition

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

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

b. Classification

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

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

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

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

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

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

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

c. Reclassifications

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

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

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

d. Impairment of Financial Assets

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

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

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

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

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

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

e. Derecognition

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

- the right to the cash flows from the financial asset expired; or

- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

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

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

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

f. Offsetting

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

Other Current Assets

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

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

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

Coal Reserves

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

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

Exploration and Evaluation Asset

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

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

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

Exploration and evaluation activity includes:

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

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

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

Property and Equipment

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

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

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

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

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

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

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

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

Intangible Assets

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

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

Impairment of Nonfinancial Assets

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

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

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

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

Capital Stock

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

Deficit

Deficit represents the cumulative balance of net losses.

Revenue Recognition

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

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

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

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

Cost and Expense Recognition

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

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

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

Operating Leases

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

Employee Benefits

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

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

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

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

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

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

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

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

Income Tax

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

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

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

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

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

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

Related Parties

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

Basic and Diluted Loss Per Share

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

Segment Reporting

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

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

Provisions and Contingencies

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

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

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

3. Significant Accounting Judgments and Estimates

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Coal Reserves

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

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

5. Cash

This account consists of:

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

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

Interest income consists of:

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

6. Funds Held in Escrow

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

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

The funds held in escrow consist of the following:

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

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

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

7. Other Current Assets

This account consists of:

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

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

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

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

Movements in allowance for unrecoverable input VAT are as follow:

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

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

8. Exploration and Evaluation Asset

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

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

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

Balances and movements of this account are as follows:

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

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

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

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

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

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

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

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

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

9. Property and Equipment

Balances and movements of this account are as follows:

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

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

Details of depreciation and amortization are as follows:

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

Depreciation and amortization are charged as follows:

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

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

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

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

10. Intangible Assets

Balances and movements of this account are as follows:

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

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

11. Trade and Other Payables

This account consists of:

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

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

12. Loan Payable

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

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

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

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

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

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

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

13. General and Administrative Expenses

This account consists of:

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

(Forward)

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

14. Personnel Costs

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

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

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

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

15. Retirement Benefit Liability

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

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

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

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

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

Retirement benefit costs are charged as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16. Related Party Transactions

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

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

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

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

Key Management Personnel Compensation

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

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

17. Financial Assets and Liabilities

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

Financial Risk Management Objectives and Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Capital Management

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

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

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

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

18. Fair Value Measurement of Financial Instruments

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

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

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

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

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

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

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

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

19. Income Taxes

TMEC is entitled to the following incentives under the COC:

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

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

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

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

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

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

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

Details of NOLCO from TMEC are as follows:

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

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

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

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

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

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

20. Loss Per Share

Basic and diluted earnings per share are computed as follows:

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

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

21. Commitments and Contingencies

The Group has the following contractual commitments:

Lease Agreement

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

COCs with DOE

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

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

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

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

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

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

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

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

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

Contingencies

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

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

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

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

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

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

REYES TACANDONG & CO.

Carolina A. Angeles

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

March 23, 2017
Makati City, Metro Manila

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

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REPORT OF INDEPENDENT AUDITOR ON SUPPLEMENTARY SCHEDULES

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

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

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

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

REYES TACANDONG & CO.

CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
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March 23, 2017
Makati City, Metro Manila

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

SUPPLEMENTARY SCHEDULE OF ADOPTION OF EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS

DECEMBER 31, 2016

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

Philippine Financial Reporting Standards (PFRSs)

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

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

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

Philippine Accounting Standards (PASs)

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

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

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

Philippine Interpretations

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

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

PHILIPPINE INTERPRETATIONS - SIC

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

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

DECEMBER 31, 2016, 2015 AND 2014

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

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

SUPPLEMENTARY SCHEDULE OF PROCEEDS FROM INITIAL OFFERING

DECEMBER 31, 2016

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

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

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

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

(ii) ACTUAL GROSS AND NET PROCEEDS

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

(iii) USE OF PROCEEDS

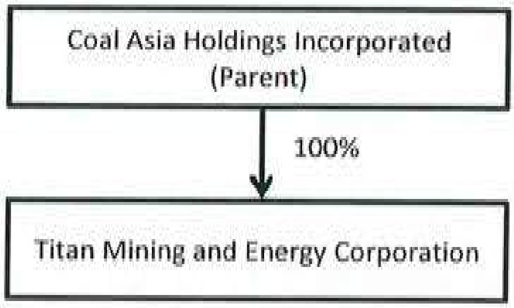
Working capital	₱126,868,750
Exploration work for Davao Oriental Project	523,510,697
Exploration work for Zamboanga Sibugay Project	52,283,378
	₱702,662,825

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

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

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

CONGLOMERATE MAP
DECEMBER 31, 2016



COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2016

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

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

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

DECEMBER 31, 2016

Table of Contents

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

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

DECEMBER 31, 2016

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

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

D. Intangible Assets

DECEMBER 31, 2016

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

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

E. Long-term Debt
DECEMBER 31, 2016

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

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

H. Capital Stock
DECEMBER 31, 2016

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

ANNEX "F"

CS201203014

SEC Registration Number

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

(Company's Full Name)

3F JTKC CENTER 2155 Chino Roces Avenue, Makati City

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

Johnson A. Sanhi Jr.

(Contact Person)

818-6772

(Company Telephone Number)

12 31

Month Day

(Fiscal Year)

17-Q

(Form Type)

04 30

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.

MAY 09 2017

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 March 31, 2017

2. Commission identification number **CS 201210314**

3. BIR TIN: 008-297-271-000

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

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

6. Industry Classification Code: [ ] (SEC Use Only)

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

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

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

9. Former name, former address and former fiscal year, if changed since last report **Not Applicable**

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

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

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

    Yes [•] No [ ]

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

    Philippine Stock Exchange – **Common Shares**

12. **Indicate by check mark whether the registrant:**

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the

Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [x] No []

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

Yes [x] No [ ]

Table of Contents

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF MARCH 31, 2017
(With Comparative Figures as of December 31, 2016)

		Unaudited	Audited
	Note	March 31, 2017	December 31, 2016
ASSETS			
Current Assets			
Cash	5	**4,282,317**	6,906,425
Funds held in escrow	6	**31,558,436**	37,869,019
Advances to affiliates	16	**713,175**	1,646,248
Other current assets	7	**5,288,594**	3,818,304
Total Current Assets		**41,842,522**	50,239,996
Noncurrent Assets			
Coal reserves	4	**3,131,596,101**	3,131,596,101
Exploration and evaluation asset	8	**493,687,677**	480,756,581
Property and equipment	9	**250,372,801**	261,324,654
Deferred tax assets – net	19	**10,772,888**	10,772,888
Intangible assets	10	**-**	-
Total Noncurrent Assets		**3,886,429,467**	3,884,450,234
		3,928,271,989	3,934,690,230
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	11	**8,173,414**	8,996,848
Advances from an affiliate	16	**25,820**	25,820
Current portion of loans payable	12	**11,257,510**	10,581,920
Income tax payable	19	**121,749**	121,749
Total Current Liabilities		**19,578,493**	19,726,337
Noncurrent Liability			
Loans payable – net of current portion	12	**2,406,730**	5,629,445
Retirement benefit liability	15	**3,700,619**	3,700,619
Total Noncurrent Liabilities		**6,107,349**	9,330,064
Equity			
Capital stock		**4,000,000,004**	4,000,000,004
Deficit		**(97,579,173)**	(94,531,491)
Other comprehensive income (loss)	15	**165,316**	165,316
Total Equity		**3,902,586,147**	3,905,633,829
		3,928,271,989	3,934,690,230

See accompanying Notes to Consolidated Financial Statements.

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2017

(With Comparative Figures for the Three Months Ended March 31, 2016)

		Unaudited March 31	
	Note	2017	2016
GENERAL AND ADMINISTRATIVE EXPENSES	13	(3,290,388)	(5,394,794)
INTEREST INCOME	5	92,197	237,042
INTEREST EXPENSE	12	(344,617)	(430,567)
OTHER INCOME	21	495,126	1,054,334
LOSS BEFORE INCOME TAX		(3,047,682)	(4,533,985)
INCOME TAX EXPENSE (BENEFIT)	19		
Current		–	–
Deferred		–	–
		–	–
NET LOSS		(3,047,682)	(4,533,985)
OTHER COMPREHENSIVE INCOME (LOSS)			
Not to be reclassified to profit or loss in subsequent periods			
Remeasurement gain (loss) on retirement benefit liability (net of deferred tax)	15	–	–
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)		–	–
TOTAL COMPREHENSIVE LOSS		(3,047,682)	(4,533,985)
BASIC LOSS PER SHARE	20	(0.001)	(0.001)

See accompanying Notes to Consolidated Financial Statements

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 2017

(With Comparative Figures for the Year Ended December 31, 2016)

	Note	Unaudited March 31, 2017	Audited December 31, 2016
GENERAL AND ADMINISTRATIVE EXPENSES	13	(3,290,388)	(20,921,125)
INTEREST INCOME	5	92,197	745,832
INTEREST EXPENSE	12	(344,617)	(1,898,675)
OTHER INCOME		495,126	6,087,472
LOSS BEFORE INCOME TAX		(3,047,682)	(15,986,496)
INCOME TAX EXPENSE (BENEFIT)	19		
Current		–	121,749
Deferred		–	(2,140,518)
		–	(2,018,769)
NET LOSS		(3,047,682)	(13,967,727)
OTHER COMPREHENSIVE INCOME (LOSS)			
Not to be reclassified to profit or loss in subsequent periods			
Remeasurement gain (loss) on retirement benefit liability (net of deferred tax)	15	–	(218,082)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)		–	(218,082)
TOTAL COMPREHENSIVE LOSS		(3,047,682)	(14,185,809)
BASIC LOSS PER SHARE	20	(0.001	(0.003)

See accompanying Notes to Consolidated Financial Statements.

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2017

(With Comparative Figures for the Three Months Ended march 31, 2016)

	Unaudited March 31	
	2017	2016
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	(94,531,491)	(80,563,764)
Net loss	(3,047,682)	(4,533,985)
Balances at end of year	(97,579,173)	(85,097,749)
OTHER COMPREHENSIVE INCOME (LOSS)		
Not to be reclassified to profit or loss in subsequent periods		
Remeasurement loss on retirement benefit liability (net of deferred tax)		
Balances at beginning of year	165,316	383,398
Remeasurement gain (loss) on retirement benefit liability	–	–
Balances at end of year	165,316	383,398
	3,902,586,147	3,915,285,653

See accompanying Notes to Consolidated Financial Statements.

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2017

(With Comparative Figures for the Year Ended December 31, 2016)

	Unaudited	Audited
	March 31, 2017	December 31, 2017
CAPITAL STOCK – P1 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	(94,531,491)	(80,563,764)
Net loss	(3,047,682)	(13,967,727)
Balances at end of year	(97,819,439)	(94,531,491)
OTHER COMPREHENSIVE INCOME (LOSS)		
Not to be reclassified to profit or loss in subsequent periods		
Remeasurement loss on retirement benefit liability (net of deferred tax)		
Balances at beginning of year	165,316	383,398
Remeasurement gain (loss) on retirement benefit liability	–	(218,082)
Balances at end of year	165,316	165,316
	3,902,586,147	3,905,633,829

See accompanying Notes to Consolidated Financial Statements

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2017
(With Comparative Figures for the Three Months Ended March 31, 2016

	Note	Unaudited March 31 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax		**(3,047,682)**	(4,533,985)
Adjustments for:			
Provision for unrecoverable input VAT	7	**48,960**	65,405
Interest expense	12	**344,617**	430,567
Depreciation and amortization	9	**60,947**	366,156
Interest income	5	**(92,197)**	(237,042)
Operating loss before working capital changes		**(2,685,355)**	(3,908,899)
Decrease (increase) in:			
Advances to affiliates		**933,073**	973,870
Funds held in escrow		**6,310,583**	9,765,148
Other current assets		**(1,519,250)**	(184,100)
Increase(decrease) in trade and other payables		**(823,434)**	(2,003,160)
Net cash generated from (used for) operations		**2,215,617**	4,642,859
Interest paid		**(344,617)**	(430,567)
Interest received		**92,197**	237,042
Net cash provided by (used in) operating activities		**1,963,197**	4,449,334
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property and equipment	9	**-**	(32,245)
Additions to exploration and evaluation asset	8	**(2,040,180)**	(8,503,501)
Net cash used in investing activities		**(2,040,180)**	(8,535,746)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of loan		**(2,547,125)**	(1,370,289)
Net cash provided by (used in) financing activities		**(2,547,125)**	(1,370,289)
NET INCREASE (DECREASE) IN CASH		**(2,624,108)**	(5,456,701)
CASH AT BEGINNING OF YEAR		**6,906,425**	9,795,965
CASH AT END OF PERIOD		**4,282,317**	4,339,264
NONCASH FINANCIAL INFORMATION			
Additions to exploration and evaluation asset	8	**10,890,916**	10,927,795

See accompanying Notes to Consolidated Financial Statements

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

General Information

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

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

On October 23, 2012, the Parent Company became a publicly listed company. As at March 31, 2016 and 2015, 4,000,000,004 common shares of the Parent Company at P1 par value are listed in the Philippine Stock Exchange (PSE). Of those shares, 20% are publicly-owned in 2016 and 2015.

Status of Operations

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

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

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

2 Summary of Significant Accounting and Reporting Policies

Basis of Preparation

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

Measurement Bases

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

The consolidated financial statements have been prepared on a historical cost basis.

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

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

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

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

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

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

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

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

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

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

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

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

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

- Amendment to PAS 19, *Employee Benefits - Discount Rate: Regional Market Issue* – The amendment clarifies that in determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. Thus, the assessment of whether there is a deep market in high quality corporate bonds is based on corporate bonds in that currency (not corporate bonds in a particular country), and in the absence of a deep market in high quality corporate bonds in that currency, government bond in the relevant currency should be used.

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

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

New and Amended PFRS Not Yet Adopted
Relevant new and amended PFRS which are not yet effective for the year ending March 31, 2016 and have not been applied in preparing the financial statements are summarized below.

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

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

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

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

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

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

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

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

For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-Financial risk exposures. The derecognition provisions are carried over almost unchanged from PAS 39.

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

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

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

Basis of Consolidation

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

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

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

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

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

a. Recognition

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

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

b. Classification

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

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

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

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

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

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

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

c. Reclassifications

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

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

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

d. Impairment of Financial Assets

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

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

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

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

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

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

c. Derecognition

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

- the right to the cash flows from the financial asset expired; or

- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

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

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

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

f. Offsetting

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

<u>Other Current Assets</u>
Other current assets include input value-added tax (VAT) and prepayments

Input VAT. Input VAT represents tax imposed on the Company 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 Company's current VAT liability. Input VAT is stated at net realizable value (NRV).

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

12 months after the financial reporting period are classified as current assets. Otherwise these are classified as noncurrent assets.

<u>Coal Reserves</u>

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

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

<u>Exploration and Evaluation Asset</u>

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

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

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

Exploration and evaluation activity includes:

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

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

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

Property and Equipment

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

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

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

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

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

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

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

Construction in progress represents properties under construction and is stated at cost, including cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property and equipment are capitalized during the construction period.

Construction in progress is not depreciated until such time that the relevant assets are completed and ready for operational use.

<u>**Intangibles**</u>

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

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

<u>**Impairment of Nonfinancial Assets**</u>

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

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets of the Group. Impairment losses are recognized in profit or loss in the period incurred.
The recoverable amount of a nonfinancial asset is the greater of its value in use or its fair value less costs to sell. Value in use is the present value of future cash flows expected to be derived from an asset while the fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

<u>**Capital Stock**</u>

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

Deficit
Deficit represents the cumulative balance of net losses.

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

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

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

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

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

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

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

Employee Benefits

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

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

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

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

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

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

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

Income Tax

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

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

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

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

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

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

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

Earnings (Loss) per Share
Basic earnings (loss) is computed by dividing earnings (loss) applicable to common stock by the weighted average number of common shares outstanding after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year.

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

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

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

3. **Significant Accounting Judgments and Estimates**

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

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

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

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

Rent expense incurred for the period ended March 31, 2017 and December 31, 2016 amounted to P0.1 million and P4.6 million, respectively (see Note 13 and 21).

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

As at March 31, 2017 and December 31, 2016, exploration and evaluation asset amounted to P489.7 million and P480.8 million, respectively (see Note 8).

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

Based on management's assessment as at March 31, 2017, there is no change in estimated useful lives of property and equipment during the period. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

As at March 31, 2017 and December 31, 2016, property and equipment, net of accumulated depreciation, amounted to P254.3 million and P261.3 million, respectively (see Note 9).

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

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

The Group's nonfinancial assets are consists of:

	Note	March 31, 2017	December 31, 2016
Coal reserves	4	**3,131,596,101**	3,131,596,101
Exploration and evaluation asset	8	**489,735,964**	480,756,581
Property and equipment	9	**254,324,514**	261,324,664
Intangible assets	10	**-**	-
		3,875,656,579	3,873,677,346

No impairment losses were recognized on nonfinancial assets in as of March 31, 2017.

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

The retirement benefit liability as at March 31, 2017 amounted to P3.7 million.

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

As at March 31, 2017, the Group has deferred tax assets amounting to P3.0 million. (See Note 19).

4. Coal Reserves

The Parent Company acquired TMEC in 2012 (see Note 1) in exchange for Parent Company common shares valued at P3.2 billion. The acquisition resulted in the recognition of TMEC's coal reserves of P3.1 billion representing the excess of the consideration over the net assets acquired.

5. Cash

This account consists of:

	March 31, 2017	December 31, 2016
Cash on hand	**244,150**	174,990
Cash in bank	**4,038,167**	6,731,435
	4,282,317	6,906,425

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

Interest income consists of:

	Note	March 31, 2017	March 31, 2016
Cash in bank		**2,780**	6,729
Funds held in escrow	6	**89,417**	623,972
		92,197	630,701

6. **Funds Held in Escrow**

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

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

The funds held in escrow consist of the following:

	March 31, 2017	December 31, 2016
Assets:		
Time certificates of deposit – other bank	**31,011,520**	37,324,562
Time certificates of deposit – own bank	**546,911**	544,452
Other assets	**5**	5
	31,558,436	37,869,019
Equity:		
Principal	**18,361,420**	24,761,420
Net accumulated income	**13,107,599**	13,107,599
	31,469,019	37,869,019

Net withdrawals of principal from the fund held in escrow amounted to P6.4 million and P50.0 million in March 31, 2017 and December 31, 2016, respectively.

Interest Income earned amounted to P0.09 million and P.20 million in March 31, 2017 and March 31, 2016, respectively (see Note 5).

7. **Other Current Assets**

This account consists of:

	March 31, 2017	December 31, 2016
Accounts Receivable – Others	**2,394,245**	902,927
Input VAT	**1,750,218**	1,701,258
Restricted cash	**2,693,122**	2,693,122

Prepayments	**77,124**	131,662
Advances to officers and employees	**134,103**	90,593
	7,038,812	5,519,562
Less allowance for unrecoverable input VAT	**(1,750,218)**	(1,701.258)
	5,288,594	3,818,304

The input VAT is fully provided with allowance for unrecoverability in March 31, 2017 as management has assessed that no future taxable revenue will be available to allow all or part to be utilized.

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

8. Exploration and Evaluation Asset

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

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

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

Balances and movements of this account are as follow:

	March 31, 2017	December 31, 2016
Balance at beginning of year	**480,756,581**	413,845,460
Additions	**12,931,096**	66,911,121
Balance at end of year	**493,687,677**	480,756,581

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

	Note	March 31, 2017	December 31, 2016
Depreciation and amortization	9	**10,890,916**	43,959,608
Personnel costs	14	**1,747,991**	13,585,957
Professional fees		–	1,852,667
Utilities		**11,039**	398,825
Others		**281,150**	7,114,064
		12,931,096	66,911,121

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

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

	Note	March 31, 2017	December 31, 2016
Depreciation and amortization	9	**10,890,916**	43,959,608
Retirement benefit cost	15	**–**	(1,009,464)
		10,890,916	42,950,144

The assets, liabilities, income and expense and operating and investing cash flows as at and for the March 31, 2017 and December 31, 2016 from the exploration for and evaluation of coal resources are as follows:

	March 31, 2017	December 31, 2016
Total assets	**764,336,688**	764,520,738
Total liabilities	**538,907,365**	536,908,158
Expenses	**1,883,710**	11,880,938
Net cash used in operating activities	**(2,632,128)**	(10,637,815)
Net cash used in investing activities	**(2,040,180)**	(23,360,977)
Net cash provided by Financing activities	**2,452,875**	38,360,465

9. Property and Equipment

Movements of this account are as follow:

March 31, 2017	Land	Drilling Equipment	Land Improvements	Laboratory and Camp Buildings	Survey Equipment and Machineries	Laboratory and Testing Equipment	Transportation Equipment	Office Furniture and Equipment	Construction in Progress	Total
Cost										
Balances at beginning of year	18,139,580	134,212,031	132,639,195	25,429,304	3,264,334	12,606,310	9,794,774	1,818,835	1,837,481	339,741,844
Balances at end of year	18,139,580	134,212,031	132,639,195	25,429,304	3,264,334	12,606,310	9,794,774	1,818,835	1,837,481	339,741,844
Accumulated Depreciation										
Balances at beginning of year	-	88,349,653	25,285,962	4,873,950	2,171,423	7,221,926	8,859,640	1,614,626	-	138,417,180
Depreciation	-	6,056,828	3,315,980	635,733	104,451	512,798	247,989	38,084		10,951,863
Balances at end of period	-	94,406,481	28,601,942	5,509,683	2,275,874	7,734,724	9,107,629	1,652,710	-	149,369,043
Carrying Amount	18,139,580	39,805,550	104,037,253	19,919,621	988,460	4,871,586	687,145	166,125	1,837,481	250,372,801

December 31, 2016	Land	Drilling Equipment	Land Improvements	Laboratory and Camp Buildings	Survey Equipment and Machineries	Laboratory and Testing Equipment	Transportation Equipment	Office Furniture and Equipment	Construction in Progress	Total
Cost										
Balances at beginning of year	18,139,580	134,212,031	132,639,195	25,429,304	3,264,334	12,606,310	9,794,774	1,818,835	1,837,481	339,741,844
Balances at end of year	18,139,580	134,212,031	132,639,195	25,429,304	3,264,334	12,606,310	9,794,774	1,818,835	1,837,481	339,741,844
Accumulated Depreciation										
Balances at beginning of year	-	64,002,342	12,022,042	2,331,020	1,756,337	4,735,836	7,867,686	1,412,788	-	94,132,051
Depreciation	-	24,347,311	13,263,920	2,542,930	415,086	2,486,090	991,954	201,838	-	44,285,129
Balances at end of year	-	88,349,653	25,285,962	4,873,950	2,171,423	7,221,926	8,859,640	1,614,626	-	138,417,180
Carrying Amount	18,139,580	45,862,378	107,353,233	20,555,354	1,092,911	5,384,384	935,134	204,209	1,837,481	261,324,664

Details of depreciation and amortization are as follow:

	Note	March 31, 2017	December 31, 2016
Property and equipment		10,951,863	44,285,129
Intangible asset	10	–	193,018
		10,951,863	44,478,147

Depreciation and amortization are charged as follows:

	Note	March 31, 2017	December 31, 2016
Exploration and evaluation asset	8	10,890,916	43,959,608
General and administrative expenses	13	60,947	518,539
		10,951,863	44,478,147

Fully depreciated property and equipment that are still being used by the Group amounted to 1.4 million as at March 31, 2017

10. Intangible Assets

Movements of the account are as follow:

	March 31, 2017	December 31, 2016
Cost	2,352,148	2,352,148
Accumulated Amortization		
Balances at beginning of year	2,352,148	2,159,130
Amortization	–	193,018
Balances at end of year	2,352,147	2,352,148
Carrying Amount	-	-

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

11. Trade and Other Payables

This account consists of:

	March 31, 2017	December 31, 2016
Trade	7,726,653	8,352,777
Accruals	316,503	451,311
Withholding taxes payable	130,258	150,355
Other statutory payables	-	42,405
	8,173,414.00	8,996,848.00

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

12. Loans Payable

In 2015, the Group has obtained a loan from UCPB Leasing and Finance Corporation of P30.3 million to refinance the acquisition of trucks and heavy equipment in 2014.

The loan is payable in five years, in 60 monthly instalments starting May 30, 2015, the month after the first drawdown. It bears an annual interest rate of 9%. As at March 31, 2017, the loan payable amounted to P13.7 million of which P11.3 million will be due within 12 months after the month – end and total interest expense amounted to P0.4 million

The loan is secured by a continuing suretyship by the Parent Company. It is collateralized by the pieces of equipment purchased presented under "Property and equipment" with an aggregate carrying value of P34.8 million.

13. General and Administrative Expenses

This account consists of:

	Note	March 31, 2017	December 31, 2015
Representation and entertainment		–	6,862,712
Rental	21	126,351	4,557,665
Personnel costs	14	1,065,400	3,889,135
Professional fees		644,856	1,514,442
Transportation and communication		79,362	887,375
Depreciation and amortization	9	60,947	518,539
Listing fee		250,000	250,000
Safekeeping fee		24,000	216,750
Janitorial services		21,553	214,349
Government's share	2	-	190,502
Insurance		54,538	184,805
Repairs and maintenance		-	166,920
Provision for unrecoverable input VAT	7	48,960	136,156
Meals		–	129,943
Office supplies		–	62,541
Seminar and membership fees		–	48,500
Taxes and licenses		3,750	48,203
Directors fee		25,000	45,000
Bank charges		–	1,625
Others		885,671	996,513
		3,290,388	20,921,125

14. Personnel Costs

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

	Note	March 31, 2017	December 31, 2016
Salaries and wages		1,717,492	14,148,346
Retirement benefit cost	15	–	(1,009,464)
Employee benefits		30,499	447,075
		1,747,991	13,585,957

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

	Note	March 31, 2017	December 31, 2016
Salaries and wages		1,028,598	3,973,762
Retirement benefit cost	15	–	(222,663)
Employee benefits		36,802	138,036
		1,065,400	3,889,135

15. Retirement Benefit Liability

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

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

The following tables summarize the components of the retirement benefits cost recognized in consolidated statements of comprehensive income in March 31, 2017 and December 31, 2016 and the liability amounts recognized in the consolidated statements of financial position.

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

	March 31, 2017	December 31, 2016
Past service cost	–	(2,956,014)
Current service cost	–	1,483,122
Interest cost	–	240,765
	–	(1,232,127)

Retirement benefit costs are charged as follows:

	March 31, 2017	December 31, 2016
Exploration and evaluation asset	–	(1,009,464)
General and administrative	–	(222,663)
	–	(1,232,127)

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

	March 31, 2017	December 31, 2016
Balances at beginning of year	**3,700,619**	4,621,200
Past service cost	–	(2,956,014)
Current service cost	–	240,755
Interest cost	–	1,483,122
Remeasurement (gains) losses:		
Experience adjustments	–	351,185
Change in assumptions	–	(39,639)
Balances at end of year	**3,700,619**	3,700,619

16 Related Party Transactions

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

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

	Nature of Transactions	Amount of Transactions		Outstanding Balance	
		March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
Advances to affiliates – Under Common Control	Advances for working capital	75,000	847,556	713,175	1,646,248
Trade and other payables – Under Common Control –	Rental	126,351	4,324,538	–	–
Advances from affiliates – Under Common Control	Advances for working capital	–	–	25,820	25,820

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

The advances of the Parent Company to TMEC amounting to 501.3 and P461.2 million as at March 31, 2017 and December 31, 2016, respectively, were eliminated during consolidation.

Key Management Personnel Compensation

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

	March 31, 2017	December 31, 2016
Salaries and wages	1,402,427	8,916,522
Retirement benefits	–	496,356
	1,402,427	9,412,878

17. Financial Assets and Liabilities

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

Financial Risk Management Objectives and Policies

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

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

The following tables summarize the credit quality and per class aging analysis of the Group's financial assets as at March 31, 2017 and December 31, 2016:

	March 31, 2017			
	Neither Past Due nor Impaired		Past Due but	
	High Grade	Standard Grade	not Impaired	Total
Loans and receivables:				
Cash*	4,038,167	–	–	4,038,167
Advances to affiliates	713,175	–	–	713,175
Funds held in escrow	31,558,636	–	–	31,558,636
Other receivables	2,488,074	–	–	2,488,074
	38,798,052	–	–	38,798,052

*Excluding cash on hand amounting to P0.2 million as of March 31, 2017

	December 31, 2016			
	Neither Past Due nor Impaired		Past Due but	
	High Grade	Standard Grade	not Impaired	Total
Loans and receivables:				
Cash*	8,731,435	–	–	8,731,435
Advances to affiliates	657,777	–	–	657,777
Funds held in escrow	37,369,019	–	–	37,369,019
Other receivables	1,906,636	–		1,906,636
	47,010,156	–	–	47,010,156

*Excluding cash on hand amounting to P0.2 million as of December 31, 2016.

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

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

The table below summarizes the maturity profile of the financial liabilities of the Group based on remaining contractual undiscounted cash flows as at March 31, 2017 and December 31, 2016:

	March 31, 2017			
	On Demand	Within 1 Year	Over 1 Year	Total
Trade and other payables*	8,043,156	–	–	8,043,156
Advances from an affiliate	25,820	–	–	25,820
Loans payable	–	11,257,510	2,406,730	13,664,240
	8,068,976	11,257,510	2,406,730	21,733,216

*Excluding statutory payables amounting to P 1 million as of March 31, 2017

	December 31, 2016			
	On Demand	Within 1 Year	Over 1 Year	Total
Trade and other payables*	8,804,088	–	–	8,804,088
Advances from an affiliate	25,820	–	–	25,820
Loans payable	–	11,606,680	5,783,484	17,390,164
	8,829,908	11,606,680	5,783,484	26,220,072

*Excluding statutory payables amounting to P0.2 million as of December 31, 2016

Capital Management

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

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

In determining reasonable leverage, the Group evaluates its cost of capital and manages its level of debt to maintain an optional cost of capital based in current conditions. The Group considers its equity, excluding remeasurement loss on retirement benefit liability, as capital amounting to P3.5 billion as at March 31, 2017 and December 31, 2016, respectively.

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

18. Fair Value Measurement of Financial Instruments

Set out below is a comparison of carrying amounts and fair values of financial assets and liabilities as at March 31, 2017 and December 31, 2016:

	March 31, 2017		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Loans and receivables:				
Cash	4,282,317	4,282,317	6,906,425	6,906,425
Advances to affiliates	713,175	713,175	657,777	657,777
Funds held in escrow	31,558,436	31,558,436	37,869,019	37,869,019
Other receivables	2,488,074	2,488,074	1,911,000	1,911,000
	39,042,002	39,042,002	47,344,221	47,344,221

	March 31, 2017		December 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities				
Other financial liabilities at amortized cost:				
Trade and other payables*	8,043,156	8,043,156	8,804,088	8,804,088
Loans payable	13,644,240	13,644,240	16,211,365	16,958,958
Advances from an affiliate	25,820	25,820	25,820	25,820
	21,713,216	21,713,216	25,041,273	25,788,866

**Excluding statutory payables amounting to P0.1 million and P0.2 million as of March 31, 2017 and December 31, 2016, respectively.*

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

Loans payable. The fair value of the Group's loans payable were determined by discounting the sum of all future cash flows using prevailing market rates of interest for instruments with similar maturities. The discount rate used was 3.6%.

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

19. Income Taxes

TMEC is entitled to the following incentives under the COC:

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

The Group's current income taxes in December 31, 2016 amounting to P121,740. The Group has no current income tax recognized as of March 31, 2017. Deferred tax assets on NOLCO amounting to P3.0million and P3.1million as at December 31, 2016 and 2015, respectively, have not been recognized since the management believes that the Group may not be able to utilize these deductible temporary differences against future tax liabilities. Management's assessment based on available evidence, specifically the Group's positive financial forecasts, demonstrates that above deferred tax assets are realizable.

20. Basic Loss Per Share

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

	March 31, 2017	December 31, 2016
Net loss	3,047,682	13,967,727
Divided by weighted average number of common shares outstanding	4,000,000,004	4,000,000,004
Basic loss per share	0.001	0.003

The Group has no dilutive potential common shares outstanding, therefore basic loss per share is the same as diluted loss per share.

21. Commitments

The Group has the following contractual commitments:

Lease Agreement

The Group has a lease agreement with its affiliate, JTKC Equities, Inc., valid until July 31, 2015 and renewable upon mutual consent of both parties. The lease agreement was renewed in 2015. As March 31, 2017, Total Rent Expense amounted to P0.1million.

Operating Contracts 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 March 31, 2017, TMEC has two remaining COCs (COC Nos. 159 and 166).

COC No. 159 covers 7,000 hectares in Davao Oriental while COC No. 166 which is located in Zamboanga, Sibugay covers 4,000 hectares. Activities done in 2016 and 2015 include surface geological investigation which involves surface field geologic mapping, geodetic surveying and trenching and subsurface geologic investigation through cored diamond drilling. As at March 31, 2017 and December 31, 2016, TMEC has spent P493.7 million and P480.8 million, respectively, for the direct implementation of the work program for the exploration phase of these COCs.

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

In 2016 and 2015, the DOE granted various PTS for incidentally produced coal within TMEC's COC No. 159 area. Gain on sale of incidental coal presented under "Other income" account in the consolidated statement of comprehensive income amounted to P6.1 million, P0.5 million and nil in 2016, 2015 and 2014, respectively.

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

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

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

In 2016, the DOE waived penalties on the amount TMEC should have spent but did not in direct prosecution of work obligations on COCs which were given up due to non-prospectivity of coal.

Contingencies

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

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 March 31, 2017.

COAL's Summary Unaudited Consolidated Financial Information as at March 31, 2017	
Amounts are Php	
Consolidated Statement of Comprehensive Income	
Sales	–
Cost of Sales	–
Gross Profit	–
Operating Income	–
Income (loss) before income tax	(3,047,682)
Net Income (loss)	(3,047,682)
Consolidated Statement of Financial Position	
Assets	
Cash	4,262,317
Funds held in escrow	31,556,436
Advances to Affiliates	723,175
Prepayments and other current assets	5,289,594
Total Current Assets	41,842,522
Exploration and evaluation assets	493,687,677
Property, plant and equipment – net	250,372,801
Intangible asset	–
Coal Reserves	3,131,596,101
Deferred Tax Asset	10,772,888
Total Non–Current Assets	3,886,429,467
TOTAL ASSETS	3,928,271,989
Liabilities and Equity	
Trade and other payables	6,173,414
Loan Payable–Current Portion	11,257,511
Advances from related parties	25,823
Income tax payable	121,749
Total Current Liabilities	15,578,493
Retirement benefit liability	3,700,619
Loan Payable	2,406,730
Total Non–Current Liability	6,107,349
Capital Stock	4,000,000,004
Deficit	(97,579,173)
Remeasurement loss on retirement benefit liability	165,316
Stockholders' Equity	3,902,586,147
TOTAL LIABILITIES AND EQUITY	3,928,271,989
Key Indicators	
Gross Profit Margin (%)	–
Net Income (Loss) Margin (%)	
Return on Asset (%)	–
Return on Equity(%)	–
Current Ratio(x)	2.14:1
Total Liabilities to Equity (x)	0.02:1
Earnings Per Share (Basic) (Php 0.0000)	(0.0008)
Book Value Per Share (Php 0.0000)	0.9756

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED MARCH 31, 2017

General and Administrative Expenses

General and Administrative expenses amounted to P3.29 million for the three months ended March 31, 2017. These expenses were comprised primarily of personnel costs, professional fee, office rental expense, maintenance expense and listing fee for the year 2017.

Operating Income and Operating Loss Margin

The Company incurred an operating loss of P3.29 million.

Interest Income

Interest income amounted to P0.09 million, which came from interest earned from bank deposits, cash equivalents and funds held in escrow.

Interest Expense

Interest Expense on loan payable for three months ended March 31, 2017 amounting to P0.34 million.

Other Income

Other Income for three months ended March 31, 2017 amounting to P0.50 million.

Net Income and Net Income Margin

The net loss of the Group for the period amounted to P 3.05 million.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2017

As at March 31, 2017, the total assets of the group amounted to P3,928.27 million as against P3,3,934.69 million as at December 31, 2016. Total current assets decreased to P41.84 million from P50.24 million, attributed mainly to the decrease in funds held in escrow used in the development of the Group. Noncurrent assets increased to P3,886.43 million from P3,884.45 million due to the increase in exploration and evaluation assets as at March 31, 2017 and December 31, 2016, respectively.

Current liabilities as at the end of the quarter decreased to P19.58 million from P19.73 million as at December 31, 2016 due to the decrease in trade and other payable. Total equity of the group decrease to P3,902.59 from 3,905.63 due to net loss incurred by the Group for the three months period in year 2017.

Other Financial Information

As of and for period ended March 31, 2017:

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

Causes of major movements in financial statements

Statement of Financial Position Items
(March 31, 2017 vs. December 31, 2016)

Cash and cash equivalents

Cash and cash equivalents decreased by P2.62 million or a 38% decrease from P6.91 million to P4.28 million.

Funds held in escrow

The decrease of funds held in escrow by P6.31 million or a 17% decrease from P37.87 million to P31.56 million.

Prepayments and other current assets

The increase of P5.29 million or a 39% increase from P3.82 million to 5.29 million was due to increase in receivables of the Group.

Exploration and evaluation assets

The P12.93 million increased in exploration and evaluation assets or a 3% increase from P480.76 million to P493.69 million comprised of P10.89 million depreciation expenses and P2.04 million for cash-paid on pre – development of COC areas.

Property and Equipment

The net 4% decrease from P261.32 million to P250.37 million of property and equipment pertains to depreciation. There was no additional purchase of property and equipment during the period.

Liabilities

Total liabilities of the Group went down by P3.37 million or 12% from P29.06 million to P25.69 million due to decreased in loan payable and trade and other payables.

Equity

Capital position went down by P3.05 million due to net loss for the period

Statement of Financial Performance Items
Three months ended March 31, 2017 vs. March 31, 2016

Revenue/Sales–Nil

Cost of sales–Nil

General and Administrative expenses

General and administrative expenses of the Group decreased by 2.10 million or 39%. Mainly due to decreased on expenses incurred for the period namely: rental, representation and entertainment, depreciation and transportation and communication

Interest income

The decrease of P.85 million due to decreasing balance of funds held in escrow.

Other income

Other Income for three months ended March 31, 2017 amounting to P0.50 million.

Net loss

Net Loss of the Company for the three months ended March 31, 2017 was decreased by 33% compared to previous year of the same quarter due to decreased in general and administrative expenses stated above.

COAL ASIA HOLDINGS INCORPORATED and Subsidiary
Aging of Receivables
As of March 31, 2017

DESCRIPTION			PAST DUE			
	Amount	Current	30 days	60 days	90 days	120 days
Trade Receivables	182,298.00	-				182,298.00
Other Receivables	2,305,775.00	-		200,293.00	1,941,110.00	164,372.00
Total	2,488,073.00		-	200,293.00	1,941,110.00	346,670.00

In this Interim period:

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

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

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

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

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

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

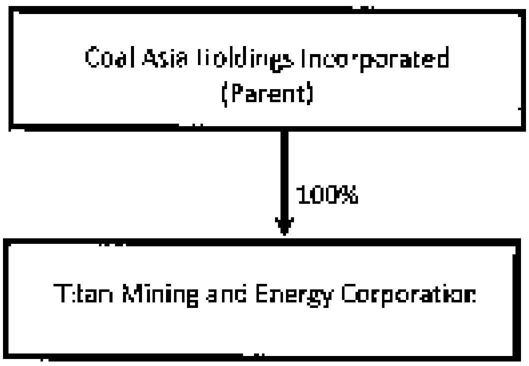
March 31, 2017 and March 31, 2016

	March 31, 2017	March 31, 2016
Current assets	41,842,522	84,212,529
Current liabilities	19,578,493	18,644,545
Liquidity ratio	2.14:1	4.52:1
Net loss before depreciation	(2,986,735)	(4,167,829)
Total liabilities	25,685,842	36,879,745
Solvency ratio	(0.12):1	(0.11):1
Total liabilities	25,685,842	36,879,745
Total equity	3,902,586,147	3,915,285,653
Debt-to-equity ratio	0.010:1	0.010:1
Total assets	3,928,271,989	3,952,165,398
Total equity	3,902,586,147	3,915,285,653
Asset-to-equity ratio	1.01:1	1.01:1
Net loss	(3,047,682)	(4,533,985)
Total assets	3,928,271,989	3,952,165,398
Return on asset	(0.001):1	(0.001):1
Net loss	(3,047,682.00)	(4,533,985.00)
Total equity	3,902,586,147.00	3,915,285,653.00
Return on Equity	(0.001):1	(0.001):1

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

CONGLOMERATE MAP

MARCH 31, 2017



COAL ASIA HOLDINGS INCORPORATED

SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

MARCH 31, 2017

Unappropriated Retained Earnings (deficit), beginning	(94,531,491)
Unappropriated Retained Earnings (deficit), as adjusted to amount available for dividend declaration, beginning	(94,531,491)
Net Income (loss) based on the face of AFS	(3,047,682)
Less: Non-actual/unrealized income net of tax	
Equity in net income of associate/joint venture	–
Unrealized foreign exchange gain – net (except those attributable to Cash and Cash Equivalents) Unrealized actuarial gain	–
Fair value adjustment (M2M gains)	–
Fair value adjustment of Investment Property resulting to gain Adjustment due to deviation from PFRS/GAAP–gain	–
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–
Add: Non-actual losses	–
Depreciation on revaluation increment (after tax)	–
Adjustment due to deviation from PFRS/GAAP – loss	–
Loss on fair value adjustment of investment property (after tax)	–
Net loss actually earned/realized during the year	(97,579,173)
Less appropriation during the year	–
Unappropriated Retained earnings (deficit) available for dividend declaration, end	(97,579,173)

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

SEC Supplementary Schedule as Required by Part II of SRC Rule 68 as Amended
MARCH 31, 2017

Table of Contents

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

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

MARCH 31, 2017

			Deductions		*Ending Balance*		
Name and designation of debtor	*Balance at beginning of period*	*Additions*	*Amounts collected*	*Amounts written off*	*Current*	*Not current*	*Balance at end of period*
Advances to TMEC	P508,250,257	P5,000,000	P–	P–	P–	P513,250,257	P513,250,257

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

D. Intangible Assets

MARCH 31, 2017

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

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

Long Term Debt
March 31, 2017

			Deduction		*Ending Balance*		
Name of the Lender	*Balance at the beginning of the Period*	*Additions*	*Amount Paid*	*Amount Written – Off*	*Current*	*Noncurrent*	*Balance at the end of period*
UCPB Leasing and Finance Corp.	P16,211,365	P–	P2,567,125	P–	P11,237,510	P2,406,730	P13,644,240

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

H. CAPITAL STOCK

MARCH 31, 2017

Title of Issue	*Number of shares authorized*	*Number of shares issued and outstanding as shown under the related statements of financial position caption*	*Number of shares reserved for options, warrants, conversion and other rights*	*Number of shares held by*		
				Related parties	*Directors, officers and employees*	*Others*
Capital Stock – ₱1 par value	5,000,000,000	4,000,000,004	–	640,000,000	1,280,402,204	2,079,597,800

Coal Asia Holdings Incorporated
Utilization of IPO Proceeds
As of March 31, 2017

Net Proceeds		726,868,750
Add: Accumulated Interest Income, March 31, 2017		13,752,512
		740,621,262
Less: Disbursements		(709,062,826)
Balance as of March 31, 2017		**31,558,436**

Details of Disbursements:

1)	**Working Capital** Q4 2012	126,868,750
2)	**Davao Oriental Project**	
	Exploration Work	137,664,566
	Mine Development Cost	392,246,132
3)	**Zamboanga Sibugay Project**	
	Exploration Work	52,283,378
		709,062,826

By:

JOHNSON A. SANHI JR.
President/Chief Operating Officer
April 26, 2017

DEXTER Y. TIU
Treasurer
April 26, 2017

ROSANNA T. DESIDERIO
Accounting Manager
April 26, 2017

SIGNATURE

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

Issuer: Coal Asia Holdings Incorporated
By:

JOHNSON A. SANHI JR.
President/Chief Operating Officer
April 26, 2017

DEXTER Y. TIU
Treasurer
April 26, 2017

ROSANNA T. DESIDERIO
Accounting Manager
April 26, 2017