

COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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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		A		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		D	o	n		C	h	i	n	o	
R	o	c	e	s		A	v	e	n	u	e	,		M	a	k	a	t	i		C	i	t	y														

Form Type

A	A	C	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

N	/	A
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COMPANY INFORMATION

Company's Email Address

johnson.sanhi.jr@titanmining.com

Company's Telephone Number/s

(02) 8813-8892

Mobile Number

0917 853 5701

No. of Stockholders

24

Annual Meeting (Month / Day)

April 30

Calendar Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Johnson A. Sanhi Jr.

Email Address

johnson.sanhi.jr@titanmining.com

Telephone Number/s

(02) 8818-6772

Mobile Number

—

CONTACT PERSON'S ADDRESS

3rd Floor, JTKC Center, 2155 Don Chino Roces Avenue, 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.



INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Coal Asia Holdings Incorporated and a Subsidiary
3rd Floor, JTKC Center
2155 Don Chino Roces Avenue
Makati City

Opinion

We have audited the consolidated financial statements of Coal Asia Holdings Incorporated (the Parent Company) and a Subsidiary (collectively referred to as the Group), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, 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, 2024, 2023 and 2022 and notes to consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2024, 2023 and 2022 in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

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 *Auditors' 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 audit 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, 2024. 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. We have determined the matter described below to be the key audit matter to be communicated in our report.



Recoverability of Coal Reserves and Exploration and Evaluation Asset

The Group has coal reserves and exploration and evaluation asset amounting to ₱2,286.4 million as at December 31, 2024. The ability of the Group to recover these nonfinancial assets would depend on its ability to proceed with the development and production phase in areas covered by its Coal Operating Contracts, which is still awaiting the necessary Government approval. This is significant to our audit because these nonfinancial assets are material to the consolidated financial statements and involves significant management judgment in assessing whether there is any indication of impairment. The impairment assessment of coal reserves and exploration and evaluation asset in 2024 resulted to recognition of impairment loss amounting to ₱936.0 million.

We have reviewed management's determination of impairment indicators and assessment on the recoverability of these nonfinancial assets. We evaluated the assumptions used by the Group in its impairment assessment of the nonfinancial assets. The assumptions include the estimated volume of coal reserves, projected coal prices, foreign exchange rate and discount rate, which we compared against available market information. We compared the recoverable amount determined from the Group's impairment test using the value in use calculations and discounted cash flow approach, with the carrying amount of the nonfinancial assets as at December 31, 2024. We also reviewed the adequacy of the Group's disclosures about the assumptions used, the outcome of which the impairment test is most sensitive, that is, those that have the most significant effect on the determination of the recoverable amount of the nonfinancial assets. We also reviewed the adequacy of the Group's disclosures in Notes 4 and 17 to the consolidated financial statements.

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, 2024, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2024 are expected to be made available to us after the date of this auditors' 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 audit 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 audit 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 Accounting Standards, 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.

Auditors' 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 auditors' 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 auditors' 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 auditors' 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 audits.

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 auditors' 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.

The engagement partner on the audit resulting in this independent auditors' report is Cedric M. Caterio.

REYES TACANDONG & Co.

CEDRIC M. CATERIO

Partner

CPA Certificate No. 87322

Tax Identification No. 102-083-647-000

BOA Accreditation No. 4782/P-008; Valid until June 6, 2026

BIR Accreditation No. 19-005765-001-2022;

Valid until December 13, 2025

PTR No. 10467124;

Issued January 2, 2025, Makati City

April 28, 2025

Makati City, Metro Manila

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

		December 31	
	Note	2024	2023
ASSETS			
Current Assets			
Cash	5	₱790,316	₱506,818
Advances to related parties	12	2,050,940	2,070,917
Other current assets	6	–	449,293
Total Current Assets		2,841,256	3,027,028
Noncurrent Assets			
Coal reserves and exploration and evaluation asset	4	2,286,431,394	3,222,477,218
Property and equipment	7	37,403,605	49,749,965
Restricted cash	6	1,089,465	1,082,925
Total Noncurrent Assets		2,324,924,464	3,273,310,108
		₱2,327,765,720	₱3,276,337,136
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	8	₱13,348,567	₱10,004,964
Advances from stockholders	12	75,635,941	69,275,381
Income tax payable		–	11,250
Total Current Liabilities		88,984,508	79,291,595
Noncurrent Liabilities			
Retirement benefits liability	11	540,425	494,396
Net deferred tax liability	13	1,179,796	1,191,303
Total Noncurrent Liabilities		1,720,221	1,685,699
Total Liabilities		90,704,729	80,977,294
Equity			
Capital stock		4,000,000,004	4,000,000,004
Deficit		(1,766,267,935)	(807,969,084)
Cumulative remeasurement gains on retirement benefits liability, net of deferred tax	11	3,328,922	3,328,922
Total Equity		2,237,060,991	3,195,359,842
		₱2,327,765,720	₱3,276,337,136

See accompanying Notes to Consolidated Financial Statements.

COAL ASIA HOLDINGS INCORPORATED AND A SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	2024	2023	2022
GENERAL AND ADMINISTRATIVE EXPENSES	9	(P22,272,894)	(P22,168,229)	(P31,502,566)
PROVISION FOR IMPAIRMENT LOSS ON COAL RESERVES AND EXPLORATION AND EVALUATION ASSET	4	(936,045,824)	(211,922,923)	–
INTEREST INCOME	5	8,360	1,171	965
GAIN ON SALE OF TRANSPORTATION EQUIPMENT	7	–	750,000	–
LOSS BEFORE INCOME TAX		(958,310,358)	(233,339,981)	(31,501,601)
PROVISION FOR (BENEFIT FROM) INCOME TAX	13			
Current		–	11,250	–
Deferred		(11,507)	(12,448)	(19,576)
		(11,507)	(1,198)	(19,576)
NET LOSS		(958,298,851)	(233,338,783)	(31,482,025)
OTHER COMPREHENSIVE INCOME		–	–	–
TOTAL COMPREHENSIVE LOSS		(P958,298,851)	(P233,338,783)	(P31,482,025)
BASIC/DILUTED LOSS PER SHARE	16	(P0.240)	(P0.058)	(P0.008)

See accompanying Notes to Consolidated Financial Statements.

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

		Years Ended December 31		
	Note	2024	2023	2022
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				
Balance at beginning of year		(807,969,084)	(574,630,301)	(543,148,276)
Net loss		(958,298,851)	(233,338,783)	(31,482,025)
Balance at end of year		(1,766,267,935)	(807,969,084)	(574,630,301)
CUMULATIVE REMEASUREMENT GAINS ON RETIREMENT BENEFITS LIABILITY, NET OF DEFERRED TAX				
	11			
Balance at beginning and end of year		3,328,922	3,328,922	3,328,922
		₱2,237,060,991	₱3,195,359,842	₱3,428,698,625

See accompanying Notes to Consolidated Financial Statements.

COAL ASIA HOLDINGS INCORPORATED AND A SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before income tax		(P958,310,358)	(P233,339,981)	(P31,501,601)
Adjustments for:				
Provision for impairment loss on coal reserves and exploration and evaluation asset	4	936,045,824	211,922,923	–
Depreciation and amortization	7	17,300,887	17,300,887	24,639,845
Provision for probable loss on input value-added tax	6	126,540	29,718	83,172
Retirement benefits cost	11	46,029	49,792	78,304
Interest income	5	(8,360)	(1,171)	(965)
Gain on sale of transportation equipment	7	–	(750,000)	–
Operating loss before working capital changes		(4,799,438)	(4,787,832)	(6,701,245)
Decrease (increase) in other current assets		322,753	(29,718)	(88,314)
Increase in trade and other payables		3,343,603	858,268	359,590
Net cash used for operations		(1,133,082)	(3,959,282)	(6,429,969)
Income tax paid		(11,250)	–	–
Interest received		1,820	1,171	965
Net cash used in operating activities		(1,142,512)	(3,958,111)	(6,429,004)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	7	(4,954,527)	–	–
Decrease (increase) in advances to related parties		19,977	(7,055)	–
Proceeds from sale of transportation equipment	7	–	750,000	–
Net cash provided by (used in) investing activities		(4,934,550)	742,945	–
CASH FLOW FROM A FINANCING ACTIVITY				
Additional advances from stockholders	12	6,360,560	3,259,820	6,039,671
NET INCREASE (DECREASE) IN CASH		283,498	44,654	(389,333)
CASH AT BEGINNING OF YEAR		506,818	462,164	851,497
CASH AT END OF YEAR		P790,316	P506,818	P462,164
COMPONENTS OF CASH				
	5			
Cash on hand		P15,000	P15,000	P15,000
Cash in banks		775,316	491,818	447,164
		P790,316	P506,818	P462,164

See accompanying Notes to Consolidated Financial Statements.

COAL ASIA HOLDINGS INCORPORATED AND A SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2024 AND 2023
AND FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022

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.

Titan Mining and Energy Corporation (the Subsidiary or TMEC), is a wholly owned subsidiary incorporated and registered with the SEC. TMEC is engaged in the operations of coal mining and energy related business.

The Parent Company and TMEC are collectively referred to as “the Group”.

On October 23, 2012, the Parent Company became a publicly-listed company. As at December 31, 2024 and 2023, 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 as at December 31, 2024 and 2023.

The Board of Directors (BOD) and the stockholders of the Parent Company approved the amendment of its articles of incorporation on May 23, 2024 and July 1, 2024, respectively, for the following:

- Change in primary purpose that the Parent Company is organized primarily as a holding company to engage in different sources of energy and technologies for power or energy generation.
- Increase in the authorized capital stock from 5,000.0 million to 50,000.0 million shares with corresponding decrease in the par value of shares of stock from ₱1.00 to ₱0.10 per share.

On February 18, 2025, the amended articles of incorporation was approved by the SEC.

The registered office address of the Group is at 3rd Floor, JTKC Center, 2155 Don Chino Roces Avenue, Makati City.

Status of Operations

As at December 31, 2024 and 2023, the Group has two Coal Operating Contracts (COCs) located in Davao Oriental (COC No. 159) and Zamboanga Sibugay (COC No. 166).

As discussed in Note 17 to the consolidated financial statements, on January 22, 2025, the Department of Energy (DOE) issued a notice of term expiration of COC No. 166 stating that TMEC failed to submit the complete requirements for conversion of COC No. 166 from Exploration Phase to Development and Production Phase. Accordingly, in accordance with the expressed provision of Presidential Decree No. 972, the term of COC No. 166 has lapsed, and TMEC was directed to immediately vacate the contract area and restore all sites that may have been affected by any coal operations.

As also discussed in Note 17 to the consolidated financial statements, the Group has already received from the DOE the approval of the conversion of COC No. 159 to Development and Production Phase, subject to obtaining the Certificate of Precondition (CP) (for Development and Production Phase) or Certificate of Non-Overlap (CNO) from the National Commission on Indigenous People (NCIP). The Group has been compliant with the requirements of the DOE and is confident that it will obtain the necessary approval from the NCIP.

Approval of Consolidated Financial Statements

The consolidated financial statements of the Group as at December 31, 2024 and 2023, and for the years ended December 31, 2024, 2023, and 2022 were approved and authorized for issuance by the BOD on April 28, 2025, and were reviewed and recommended for approval by the Audit Committee on the same date.

2. Summary of Material Accounting Policy Information

Basis of Preparation

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

The material accounting policies used in the preparation of the consolidated financial statements are consistently applied to all periods presented, unless otherwise stated.

Measurement Bases

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

The consolidated financial statements have been prepared on a historical cost basis, except for retirement benefits liability which is measured at the present value of defined benefit obligation. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and the fair value of the consideration received in exchange for incurring a liability.

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

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

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

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

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

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

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

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

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

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

Further information about the assumptions made in measuring fair value is disclosed in Notes 4 and 15 to the consolidated financial statements.

Adoption of Amendments to PFRS Accounting Standards

The adoption of the amendments to PFRS Accounting Standards did not materially affect the consolidated financial statements of the Group. Additional disclosures were included in the consolidated financial statements, as applicable.

New and Amendments to PFRS Accounting Standards in Issue But Not Yet Effective

Relevant new and amendments to PFRS Accounting Standards, which are not yet effective as at December 31, 2024 and have not been applied in preparing the consolidated financial statements, are summarized below:

Effective for annual periods beginning on or after January 1, 2026:

- Amendments to PFRS 9, *Financial Instruments*, and PFRS 7, *Financial Instruments: Disclosures – Classification and Measurement of Financial Assets* – The amendments clarify that a financial liability is derecognized when the related obligation is discharged, cancelled, expires or otherwise qualifies for derecognition (e.g. settlement date), and introduces a policy option to derecognize financial liabilities settled through an electronic payment system before settlement date if the required conditions are met. The amendments also clarify the assessment of contractual cash flow characteristics of financial assets, the treatment of non-recourse loans and contractually linked instruments, as well as require additional disclosure requirements for financial assets and liabilities with contingent features and equity instruments classified at fair value through other comprehensive income (FVOCI). Earlier application is permitted.

- Annual Improvements to PFRS Volume 11 -
 - Amendments to PFRS 7, *Financial Instruments: Disclosures* – The amendments update and remove some obsolete references related to the gain or loss on derecognition on financial assets of an entity that has a continuing involvement and to the disclosure requirements on deferred differences between fair value and transaction price. The amendments also clarify that the illustrative guidance does not necessarily illustrate all the requirements for credit risk disclosure. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2027:

- PFRS 18, *Presentation and Disclosure in Financial Statements* – This standard replaces PAS 1, *Presentation of Financial Statements*, and sets out the requirements for the presentation and disclosure of information to help ensure that the financial statements provide relevant information that faithfully represents the entity's assets, liabilities, equity, income and expenses. The standard introduces new categories and sub-totals in the statements of comprehensive income, disclosures on management-defined performance measures, and new principles for grouping of information, which the entity needs to apply retrospectively. Earlier application is permitted.

Deferred effectivity -

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

Under prevailing circumstances, the adoption of the foregoing amendment to PFRS Accounting Standards 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 the wholly-owned subsidiary and the Parent Company.

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

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

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

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

Financial Assets and Liabilities

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

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

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

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

As at December 31, 2024 and 2023, the Group does not have financial assets and liabilities at FVPL and financial assets at FVOCI.

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

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized or impaired or through the amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2024 and 2023, the Group's cash, advances to related parties, receivables (presented under "Other current assets" account), and restricted cash are classified under this category.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

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

As at December 31, 2024 and 2023, the Group has classified its trade and other payables (excluding statutory payables), and advances from stockholders under this category.

Reclassification

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

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

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

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

Impairment of Financial Assets at Amortized Cost

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

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

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

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

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

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

Receivables. The Group has applied the simplified approach in measuring the ECL on receivables. Simplified approach requires that ECL should always be based on the lifetime ECL. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date.

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

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

Derecognition of Financial Assets and Liabilities

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

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

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

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

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

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

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

Offsetting of Financial Assets and Liabilities

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

Classification of Financial Instrument between Liability and Equity

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

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

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

Input VAT

Input VAT represents tax imposed on the Group by its suppliers for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is recognized as an asset and will be used to offset the Group's output VAT liability.

Coal Reserves

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

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

Exploration and Evaluation Asset

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

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

Exploration and evaluation activity includes:

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

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

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

No amortization is charged during the exploration and evaluation phase.

Property and Equipment

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

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

Expenditures incurred after the property and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally charged to current operations. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

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

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

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

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

Impairment of Nonfinancial Assets

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

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

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

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

Capital Stock

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

Deficit

Deficit represents the cumulative balance of net losses.

OCI

OCI comprises of items of income and expense that are not recognized in profit or loss in accordance with PFRS Accounting Standards. This pertains to cumulative remeasurement gain on retirement benefits liability. This is not reclassified to profit or loss in subsequent periods.

Interest Income

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

Expense Recognition

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

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

Leases

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

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

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

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

Group as a Lessee. The Group has elected not to recognize right-of-use asset and lease liability for its short-term lease. The Group recognized the lease payments associated with this lease as an expense on a straight-line basis over the lease term.

Employee Benefits

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

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

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

The Group recognizes service costs, comprising of current service costs and interest expense in profit or loss. Net interest is calculated by applying the discount rate to the net retirement liability or asset.

Remeasurement comprising actuarial gains and losses is recognized immediately in OCI in the period in which they arise. Remeasurement is not reclassified to profit or loss in subsequent periods.

The retirement benefits liability is the present value of the retirement liability. The present value of retirement benefits liability is determined by discounting the estimated future cash outflows using interest rate on Government bonds that have terms to maturity approximating the terms of the related retirement benefits liability.

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

Income Taxes

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

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused net operating loss carryover (NOLCO) and tax credits from the excess of minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), 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 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. Any such reductions are reassessed at each reporting date and are reversed to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

Deferred tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity as other comprehensive income.

Related Party Relationships and Transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity, or between, and/or among the reporting entity and its key management personnel, directors or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form.

Related party transactions are transfers of resources, services, or obligations between the Group and its related parties.

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 only operating segment is related to coal mining operations (see Note 4).

Provisions and Contingencies

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

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

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

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

Events after the Reporting Date

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

3. Significant Judgment, Accounting Estimates and Assumptions

The preparation of the Group's consolidated financial statements in compliance with PFRS Accounting Standards requires management to exercise judgment, make accounting estimates and assumptions that affect amounts reported in the consolidated financial statements and related notes. Judgment and accounting 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 accounting estimates.

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

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

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

Assessing Going Concern. The Group has not started commercial operations because of delays in getting the necessary approval from the Government of its COCs. This has significantly reduced the Group's operating funds.

As discussed in Notes 1 and 17 to the consolidated financial statements, the Group has already received from the DOE the approval of the conversion of COC No. 159 to Development and Production Phase, subject to obtaining the CP (for Development and Production Phase) or CNO from the NCIP. The Group has been compliant with the requirements of the DOE. The Group's management is confident that TMEC will obtain the necessary approval from the NCIP.

Moreover, majority of the stockholders committed to provide continuous financial support not only for the Group's pre-operating activities but also for its working capital requirements when the Group starts commercial operations. Thus, the Group continues to prepare the consolidated financial statements on the going concern basis.

Assessing ECL on Financial Assets at Amortized Cost. The Group determines the allowance for ECL using general approach based on probability-weighted estimate of the present value of all cash shortfalls over the expected life of the financial assets at amortized cost. ECL are provided for credit losses that result to possible default events within 12-months unless there has been a significant increase in credit risk since initial recognition, in which case ECL are provided based on lifetime expected credit loss.

With the exception of receivables which are always subject to lifetime ECL, impairment of financial assets at amortized cost has been measured on 12-month ECL basis and reflects the short maturities of the exposures. The resulting ECL is not significant because the financial assets are with reputable counterparties as approved by management.

No provision for ECL was recognized on other financial assets at amortized cost in 2024, 2023 and 2022.

The carrying amounts of financial assets at amortized cost as at December 31, 2024 and 2023 are disclosed in Notes 5, 6 and 12 to the consolidated financial statements.

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

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

As the economic assumptions used may change and as additional geological information is obtained during the exploration and evaluation of the mine properties, estimates of reserves may change.

The amount of coal reserves and the related provision for impairment on coal reserves as at and for the years ended December 31, 2024 and 2023 are disclosed in Note 4 to the consolidated financial statements. No impairment loss on coal reserves was recognized in 2022.

Determining the Amount to be Capitalized as Exploration and Evaluation Asset. The capitalization of exploration and evaluation expenditures 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.

The amount of exploration and evaluation asset and the related provision for impairment on exploration and evaluation asset as at and for the years ended December 31, 2024 and 2023 are disclosed in Note 4 to the consolidated financial statements. No impairment loss on exploration and evaluation asset was recognized in 2022.

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

Based on management's assessment, there is no change in the estimated useful lives of property and equipment in 2024, 2023 and 2022.

Depreciation and amortization is disclosed in Note 7 to the consolidated financial statements.

The carrying amounts of depreciable property and equipment as at December 31, 2024 and 2023 are disclosed in Note 7 to the consolidated financial statements.

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

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

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

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

No impairment loss on other nonfinancial assets was recognized in 2024, 2023 and 2022.

The other nonfinancial assets of the Group include input VAT and property and equipment. The corresponding carrying amounts as at December 31, 2024 and 2023 are disclosed in Notes 6 and 7 to the consolidated financial statements.

Estimating the Retirement Benefits Cost. The determination of the obligation and cost of retirement and other long-term employee benefits is dependent on the assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 11 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.

Retirement benefits costs and carrying amount of retirement benefits liability as at December 31, 2024, 2023 and 2022 are disclosed in Note 11 to the consolidated financial statements.

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

The amounts of recognized and unrecognized deferred tax assets as at December 31, 2024 and 2023 are disclosed in Note 13 to the consolidated financial statements. The Group did not recognize a portion of the deferred tax assets as management has assessed that the Group may not be able to utilize these deductible temporary differences against future taxable income.

4. Coal Reserves and Exploration and Evaluation Asset

The balances and movements of this account are as follows:

	2024		
	COC No. 159	COC No. 166	Total
Coal Reserves			
Balance at beginning and end of year	₱1,705,785,888	₱1,425,810,213	₱3,131,596,101
Exploration and Evaluation Asset			
Balance at beginning and end of year	580,645,506	56,580,572	637,226,078
	2,286,431,394	1,482,390,785	3,768,822,179
Allowance for Impairment Loss			
Balance at beginning of year	–	546,344,961	546,344,961
Provision for impairment loss	–	936,045,824	936,045,824
Balance at end of year	–	1,482,390,785	1,482,390,785
Carrying Amount	₱2,286,431,394	₱–	₱2,286,431,394

	2023		
	COC No. 159	COC No. 166	Total
Coal Reserves			
Balance at beginning and end of year	₱1,705,785,888	₱1,425,810,213	₱3,131,596,101
Exploration and Evaluation Asset			
Balance at beginning and end of year	580,645,506	56,580,572	637,226,078
	2,286,431,394	1,482,390,785	3,768,822,179
Allowance for Impairment Loss			
Balance at beginning of year	–	334,422,038	334,422,038
Provision for impairment loss	–	211,922,923	211,922,923
Balance at end of year	–	546,344,961	546,344,961
Carrying Amount	₱2,286,431,394	₱936,045,824	₱3,222,477,218

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

In 2012, the Group obtained an independent valuation report to estimate the value of TMEC's coal reserves in accordance with the PSE Guidelines for Fairness Opinions and Valuation Reports. The valuation was determined using the discounted cash flow approach based on assumptions and information secured from the Competent Persons Reports on the Davao Oriental and Zamboanga Sibugay Projects and available market information. The fair value measurement used is categorized as Level 2 using Market Approach. The inputs used to determine the market value of Group's coal reserves include location characteristics, size, time element, quality and marketability.

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

COC Nos. 159 and 166 provide a minimum work expenditure on obligations covered by the work program at the exploration phase (see Note 17). The recovery of these costs depends on the conversion of the COCs to development and production phase.

Impairment Assessment on Coal Reserves and Exploration and Evaluation Asset

The Group carried out a review of the recoverable amount of its coal reserves and exploration and evaluation asset due to the delays in obtaining the necessary approval of its COCs from the Government which has significantly reduced the Group's operating funds and resulted to continuing net losses. The impairment test is based on value in use calculations using discounted cash flow approach. The key assumptions used to determine the value in use of the nonfinancial assets include the projected coal price, foreign exchange rate, discount rate and estimated volume of coal reserves. The discount rates used are 11.48%, 10.35% and 10.58% in 2024, 2023 and 2022, respectively.

The cash flow projections, which have a period of five years, are based on the most recent feasibility study approved by the senior management. The values assigned to each key assumption are estimated with reference to recent external market information and take into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In 2024, management assessed that the carrying amount of the coal reserves and exploration and evaluation asset related to COC No. 166 is fully impaired and recognized an additional impairment loss of ₱936.0 million. The recognition of the additional impairment loss is driven by the notice from the DOE informing TMEC of the term expiration of COC No. 166 (see Notes 1 and 17).

In 2023, management assessed that the recoverable amount of the coal reserves and exploration and evaluation asset related to COC No. 166 is lower than its aggregate carrying amount and recognized an impairment loss of ₱211.9 million. The recognition of the impairment loss is driven by the reduction in coal price and unplanned expenditures caused by the delays in the conversion of COCs and start of commercial operations.

Movement in the allowance for impairment loss is as follows:

	2024	2023
Balance at beginning of year	₱546,344,961	₱334,422,038
Provision	936,045,824	211,922,923
Balance at end of year	₱1,482,390,785	₱546,344,961

The recoverable amount as at December 31, 2024 and 2023, based on the discounted cash flow approach, is classified as Level 3 of the fair value hierarchy. Management also believes that no reasonably possible change in any of the key assumptions would cause in a significantly higher or lower fair value measurement.

The financial information arising from exploration and evaluation activities as at and for the years ended December 31, 2024, 2023 and 2022 are as follows:

	2024	2023	2022
Total assets	₱626,803,146	₱694,459,716	₱710,171,730
Total liabilities	619,331,319	610,247,896	606,966,412
Expenses	76,759,008	19,745,303	29,073,283
Net cash provided by (used in)			
operating activities	267,642	(2,411,127)	(4,371,225)
Net cash used in investing activities	(6,604,550)	(857,055)	(1,973,022)
Net cash provided by financing activities	6,400,000	3,250,000	6,009,266

Operating Segment

For management reporting purposes, the Group is organized based on its activities and has one operating segment which is the coal mining segment. This segment undertakes the exploration and evaluation activities of the coal reserves of the Group which is within the Group's country of domicile.

5. Cash

This account consists of:

	2024	2023
Cash on hand	₱15,000	₱15,000
Cash in banks	775,316	491,818
	₱790,316	₱506,818

Cash in banks earn interest at the respective bank deposit rates and are immediately available for use in the current operations.

Interest income earned from cash in banks and restricted cash (see Note 6) amounted to ₱8,360, ₱1,171 and ₱965 in 2024, 2023 and 2022, respectively.

6. Other Assets

This account consists of:

	2024	2023
Current:		
Input VAT	₱2,533,875	₱2,407,335
Receivables	—	449,293
	2,533,875	2,856,628
Less allowance for probable loss	(2,533,875)	(2,407,335)
	₱—	₱449,293
Noncurrent -		
Restricted cash	₱1,089,465	₱1,082,925

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

Movement in the allowance for probable loss follows:

	Note	2024	2023
Balance at beginning of year		₱2,407,335	₱2,377,617
Provision	9	126,540	29,718
Balance at end of year		₱2,533,875	₱2,407,335

Receivables pertain to receivables from third parties. These are noninterest-bearing and are generally collectible on demand.

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

Interest income earned from the restricted cash in 2024, 2023, and 2022 is disclosed in Note 5 to the consolidated financial statements.

7. Property and Equipment

The balances and movements of this account are as follows:

	2024								Total
	Land	Land Improvements	Drilling Equipment	Laboratory and Camp Buildings	Survey Equipment and Machinery	Laboratory and Testing Equipment	Transportation Equipment	Office Furniture and Equipment	
Cost									
Balances at beginning of year	₱18,139,580	₱154,954,040	₱194,212,031	₱25,429,304	₱3,264,334	₱12,606,310	₱8,684,774	₱1,818,835	₱419,109,208
Additions	4,600,000	354,527	–	–	–	–	–	–	4,954,527
Balances at end of year	22,739,580	155,308,567	194,212,031	25,429,304	3,264,334	12,606,310	8,684,774	1,818,835	424,063,735
Accumulated Depreciation and Amortization									
Balances at beginning of year	–	126,098,498	194,212,031	22,674,461	3,264,334	12,606,310	8,684,774	1,818,835	369,359,243
Depreciation and amortization	–	14,757,956	–	2,542,931	–	–	–	–	17,300,887
Balances at end of year	–	140,856,454	194,212,031	25,217,392	3,264,334	12,606,310	8,684,774	1,818,835	386,660,130
Carrying Amount	₱22,739,580	₱14,452,113	₱–	₱211,912	₱–	₱–	₱–	₱–	₱37,403,605

	2023								Total
	Land	Land Improvements	Drilling Equipment	Laboratory and Camp Buildings	Survey Equipment and Machinery	Laboratory and Testing Equipment	Transportation Equipment	Office Furniture and Equipment	
Cost									
Balances at beginning of year	₱18,139,580	₱154,954,040	₱194,212,031	₱25,429,304	₱3,264,334	₱12,606,310	₱9,794,774	₱1,818,835	₱420,219,208
Disposal	–	–	–	–	–	–	(1,110,000)	–	(1,110,000)
Balances at end of year	18,139,580	154,954,040	194,212,031	25,429,304	3,264,334	12,606,310	8,684,774	1,818,835	419,109,208
Accumulated Depreciation and Amortization									
Balances at beginning of year	–	111,340,542	194,212,031	20,131,530	3,264,334	12,606,310	9,794,774	1,818,835	353,168,356
Depreciation and amortization	–	14,757,956	–	2,542,931	–	–	–	–	17,300,887
Disposal	–	–	–	–	–	–	(1,110,000)	–	(1,110,000)
Balances at end of year	–	126,098,498	194,212,031	22,674,461	3,264,334	12,606,310	8,684,774	1,818,835	369,359,243
Carrying Amount	₱18,139,580	₱28,855,542	₱–	₱2,754,843	₱–	₱–	₱–	₱–	₱49,749,965

In 2023, various fully depreciated transportation equipment were sold for ₱750,000, resulting to a gain equivalent to the proceeds.

Depreciation and amortization charged as general and administrative expenses amounted to ₱17.3 million in 2024 and 2023 and ₱24.6 million in 2022, respectively (see Note 9).

8. Trade and Other Payables

This account consists of:

	2024	2023
Trade payables	₱10,074,495	₱7,357,812
Accrued expenses	3,252,795	2,614,608
Statutory payables	21,277	32,544
	₱13,348,567	₱10,004,964

Trade payables, which include amounts payable to the Group's suppliers and financial obligation to the DOE (see Note 17), are noninterest-bearing and are due and demandable.

Accrued expenses pertain to accruals for administrative expenses which are expected to be settled within one year.

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

9. General and Administrative Expenses

This account consists of:

	Note	2024	2023	2022
Depreciation and amortization	7	₱17,300,887	₱17,300,887	₱24,639,845
Personnel costs	10	2,040,714	1,934,021	2,120,289
Professional fees		1,441,765	1,947,600	1,638,000
Listing maintenance fee		250,000	250,000	250,000
Provision for probable loss on input VAT	6	126,540	29,718	83,172
Safekeeping fee		120,000	160,000	258,400
Communication		99,894	86,957	159,779
Representation and entertainment		93,709	19,828	282,343
Taxes and licenses		70,954	70,391	219,032
Insurance		31,782	20,750	8,163
Repairs and maintenance		21,696	103,944	373,705
Office supplies		470	5,959	6,165
Others		674,483	238,174	1,463,673
		₱22,272,894	₱22,168,229	₱31,502,566

10. Personnel Costs

Personnel costs classified under “General and administrative expenses” account (see Note 9) consist of:

	Note	2024	2023	2022
Salaries and other employees’ benefits		₱1,994,685	₱1,756,427	₱2,041,985
Retirement benefits cost	11	46,029	49,792	78,304
		₱2,040,714	₱1,934,021	₱2,120,289

11. Retirement Benefits Liability

The Group has an unfunded, noncontributory defined benefit plan covering all 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 components of retirement benefits cost presented as part of “Personnel costs” under “General and administrative expenses” account are as follows (see Note 10):

	2024	2023	2022
Interest cost	₱30,386	₱26,885	₱26,082
Current service cost	15,643	22,907	52,222
	₱46,029	₱49,792	₱78,304

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

	2024	2023
Balance at beginning of year	₱494,396	₱444,604
Interest cost	30,386	26,885
Current service cost	15,643	22,907
Balance at end of year	₱540,425	₱494,396

The cumulative remeasurement gain recognized as OCI as at December 31, 2024, 2023 and 2022 amounted to ₱3,328,922, net of deferred tax of ₱1,109,641.

The principal actuarial assumptions used to determine the retirement benefits cost as at December 31, 2024 and 2023 are as follows:

	2024	2023
Discount rate	6.15%	6.05%
Salary increase rate	2.00%	2.00%

Sensitivity analysis on retirement benefits liability as at December 31, 2024 is as follows:

	Change in Assumption	Effect on retirement benefits liability
Discount rate	(1.00%)	₱73,265
	1.00%	(63,950)
Salary increase rate	1.00%	75,664
	(1.00%)	(66,983)

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the retirement benefits 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 weighted average duration of the retirement benefits liability is 13.43 years as at December 31, 2024.

12. Related Party Transactions

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

	Nature of Transactions	Amount of Transactions		Outstanding Balances	
		2024	2023	2024	2023
Advances to related parties -					
Entities under common ownership	Advances for working capital	₱-	₱7,055	₱2,050,940	₱2,070,917
Advances from stockholders	Advances for working capital	₱6,360,560	₱3,259,820	₱75,635,941	₱69,275,381

Terms and Conditions

Advances to related parties and advances from stockholders are unsecured, noninterest-bearing, generally settled in cash and due on demand. No impairment loss on advances to related parties was recognized in 2024, 2023 and 2022.

Key Management Personnel Compensation

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

	2024	2023	2022
Short-term employee benefits	₱1,983,600	₱1,786,164	₱1,470,289
Post-employment benefits	46,029	49,792	78,304
	₱2,029,629	₱1,835,956	₱1,548,593

Reconciliation of Liability Arising from a Financing Activity

The table below details the changes in the Group's liability arising from a financing activity as at December 31, 2024 and 2023, including both cash and non-cash changes:

	2024	2023
Advances from stockholders		
Balance at beginning of year	₱69,275,381	₱66,015,561
Proceeds	6,360,560	3,259,820
Balance at end of year	₱75,635,941	₱69,275,381

13. 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 provision for current income tax represents MCIT in 2023.

The components of provision for (benefit from) income tax are as follows:

	2024	2023	2022
Current	₱—	₱11,250	₱—
Deferred	(11,507)	(12,448)	(19,576)
	(₱11,507)	(₱1,198)	(₱19,576)

The Group's net deferred tax liability consists of:

	2024	2023
Deferred tax liability - Retirement benefits costs capitalized to exploration and evaluation asset	₱1,314,902	₱1,314,902
Deferred tax asset - Retirement benefits liability	(135,106)	(123,599)
Net deferred tax liability	₱1,179,796	₱1,191,303

The Group's unrecognized deferred tax assets are as follows:

	2024	2023
Allowance for impairment loss on coal reserves and exploration and evaluation asset	₱370,597,696	₱136,586,240
NOLCO	37,124,398	32,566,091
Excess MCIT over RCIT	11,250	11,250
	₱407,733,344	₱169,163,581

These deferred tax assets were not recognized because management has assessed that it is not probable that sufficient future taxable income may be available against which these deferred tax assets can be utilized within the period allowed by the tax regulation.

As at December 31, 2024, details of the related NOLCO from the Parent Company are as follows:

Year Incurred	Balance at Beginning of Year	Incurred	Expired	Balance at End of Year	Expiry Date
2024	₱—	₱1,929,639	₱—	₱1,929,639	2027
2023	2,380,550	—	—	2,380,550	2026
2022	2,346,111	—	—	2,346,111	2025
2021	4,185,088	—	—	4,185,088	2026
2020	2,527,910	—	—	2,527,910	2025
	₱11,439,659	₱1,929,639	₱—	₱13,369,298	

As mandated by Section 4 of Republic Act No. 11494 or the "Bayanihan to Recover as One Act" and implemented under Revenue Regulations No. 25-2020, the net operating loss of a business enterprise incurred for the taxable years 2020 and 2021 can be carried over as a deduction from taxable income for the next five consecutive taxable years following the year of such loss.

As at December 31, 2024, details of NOLCO from TMEC are as follows:

Year Incurred	Balance at Beginning of Year	Incurred	Expired	Balance at End of Year	Expiry Date
2024	₱—	₱20,076,977	₱—	₱20,076,977	2029
2023	18,938,341	—	—	18,938,341	2028
2022	28,712,636	—	—	28,712,636	2027
2021	33,853,030	—	—	33,853,030	2026
2020	33,547,309	—	—	33,547,309	2025
2019	3,773,389	—	(3,773,389)	—	2024
	₱118,824,705	₱20,076,977	(₱3,773,389)	₱135,128,293	

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 consecutive years immediately following the year of loss.

TMEC incurred excess MCIT over RCIT amounting to ₱11,250 for the year ended December 31, 2023, which can be claimed as tax credit against RCIT due until 2026.

A reconciliation between the benefit from income tax at statutory income tax rate and the effective income tax rate is as follows:

	2024	2023	2022
Benefit from income tax at statutory tax rate	(₱239,577,590)	(₱58,334,995)	(₱7,875,400)
Change in unrecognized deferred tax assets	238,569,763	56,892,358	5,725,245
Income tax effects of:			
Expired NOLCO	943,347	1,429,345	2,039,442
Nondeductible expenses	55,063	12,387	91,379
Interest income already subjected to final tax	(2,090)	(293)	(242)
Benefit from income tax at effective tax rate	(₱11,507)	(₱1,198)	(₱19,576)

The Corporate Recovery and Tax Incentives for Enterprises (“CREATE”) Act

Under the CREATE Act which took effect on July 1, 2020, domestic corporations are subject to 25% or 20% RCIT depending on the amount of total assets and total amount of taxable income. In addition, MCIT is computed at 1% of gross income for a period of three (3) years up to June 1, 2023 and reverted to 2% of gross income effective July 1, 2023 under Revenue Memorandum Circular No. 69-2023.

Accordingly, the income tax rates used in preparing the consolidated financial statements as at and for the years ended December 31, 2024, 2023 and 2022 are 25% for RCIT, and 2%, 1.5% and 1% for MCIT, respectively.

14. Financial Risk Management Objectives and Policies

The Group’s financial instruments consist mainly of financial assets and financial liabilities directly related to operations, specifically cash, advances to related parties, receivables (presented under “Other current assets” account), restricted cash, trade and other payables (excluding statutory payables), and advances from stockholders.

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

Credit risk is a risk due to an uncertainty in a counterparty’s ability to meet its obligations. When a counterparty defaults, the maximum exposure is equal to the carrying amount of the related financial asset. The Group’s credit risk arises principally from cash in banks, advances to related parties, receivables (presented under “Other current assets” account), and restricted cash.

The Group transacts mainly with recognized and creditworthy third parties as well as with related parties. In addition, the Group only deals with financial institutions duly evaluated and approved by the BOD.

The following tables summarize the credit quality of the Group’s financial assets at amortized cost as at December 31, 2024 and 2023:

	2024					
	Neither Past Due nor Impaired			Past Due but not Impaired	Credit-impaired	Total
	High Grade	Standard Grade	Substandard Grade			
Financial assets at amortized cost:						
Cash in banks	₱775,316	₱—	₱—	₱—	₱—	₱775,316
Advances to related parties	2,050,940	—	—	—	—	2,050,940
Restricted cash	1,089,465	—	—	—	—	1,089,465
	₱3,915,721	₱—	₱—	₱—	₱—	₱3,915,721

	2023					
	Neither Past Due nor Impaired			Past Due but not Impaired	Credit-impaired	Total
	High Grade	Standard Grade	Substandard Grade			
Financial assets at amortized cost:						
Cash in banks	₱491,818	₱—	₱—	₱—	₱—	₱491,818
Advances to related parties	2,070,917	—	—	—	—	2,070,917
Receivables*	—	—	449,293	—	—	449,293
Restricted cash	1,082,925	—	—	—	—	1,082,925
	₱3,645,660	₱—	₱449,293	₱—	₱—	₱4,094,953

*Presented under “Other current assets” account.

The credit quality of the financial assets is managed by the Group using internal credit quality ratings. 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 as standard grade accounts. Financial assets that are still collectible but require persistent effort from the Group to collect are considered substandard grade accounts. Past due but not impaired are those with history of frequent default nevertheless the amount due are still collectible. Credit impaired are those that are long outstanding or those that have been provided with an allowance for impairment.

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

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

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

Liquidity Risk

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

The table below summarizes the maturity profile of the financial liabilities at amortized cost of the Group based on the remaining contractual undiscounted cash flows as at December 31, 2024 and 2023:

	2024			
	On Demand	Within 1 Year	Over 1 Year	Total
Trade and other payables*	₱10,074,495	₱3,252,795	₱—	₱13,327,290
Advances from stockholders	75,635,941	—	—	75,635,941
	₱85,710,436	₱3,252,795	₱—	₱88,963,231

*Excluding statutory payables (see Note 8).

	2023			
	On Demand	Within 1 Year	Over 1 Year	Total
Trade and other payables*	₱7,357,812	₱2,614,608	₱—	₱9,972,420
Advances from stockholders	69,275,381	—	—	69,275,381
	₱76,633,193	₱2,614,608	₱—	₱79,247,801

*Excluding statutory payables (see Note 8).

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains strong and healthy financial position to support its current business operations. The Group's overall strategy remains unchanged from the previous year.

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

In determining reasonable leverage, the Group evaluates its cost of capital and manages its level of debt to maintain an optional cost of capital based in current conditions. The Group considers its equity, excluding OCI, as capital aggregating to ₱2,233.7 million and ₱3,192.0 million as at December 31, 2024 and 2023, respectively.

TMEC is subject to externally-imposed capital requirements applicable to applicants for exploration permits. The minimum paid-up capital is ₱6.3 million. TMEC has complied with the capital requirements during the reported financial periods and no changes were made to its capital base, objectives, policies and processes from the previous years.

15. Fair Value Measurement of Financial Instruments

Presented below is a comparison category of the carrying amounts and fair values of all the Group's financial assets and liabilities as at December 31, 2024 and 2023.

	2024		2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets at Amortized Cost:				
Cash in banks	₱775,316	₱775,316	₱491,818	₱491,818
Advances to related parties	2,050,940	2,050,940	2,070,917	2,070,917
Restricted cash	1,089,465	1,089,465	1,082,925	1,082,925
Receivables*	—	—	449,293	449,293
	₱3,915,721	₱3,915,721	₱4,094,953	₱4,094,953

*Presented under "Other current assets" account.

	2024		2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Liabilities at Amortized Cost:				
Trade and other payables*	₱13,327,290	₱13,327,290	₱9,972,420	₱9,972,420
Advances from stockholders	75,635,941	75,635,941	69,275,381	69,275,381
	₱88,963,231	₱88,963,231	₱79,247,801	₱79,247,801

*Excluding statutory payables (see Note 8).

Cash in Banks, Advances to Related Parties, Receivables (presented under "Other Current Assets" account), Trade and Other Payables (excluding Statutory Payables) and Advances from Stockholders. The carrying amounts of these financial assets and liabilities approximate their fair values primarily due to the relatively short-term maturity of these financial instruments.

Restricted Cash. The carrying amounts of this financial instrument approximate its fair value.

16. Basic and Diluted Loss Per Share

Basic and diluted loss per share are computed as follows:

	2024	2023	2022
Net loss	(P958,298,851)	(P233,338,783)	(P31,482,025)
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	(P0.240)	(P0.058)	(P0.008)

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.

17. Commitments and Contingencies

The Group has the following contractual commitments:

COCs with the DOE

The Philippine Government, through the DOE, awarded COCs to TMEC. The exploration phase under the COCs is for two (2) years and can be extended for another two (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, 2024 and 2023, TMEC has two COCs (COC No. 159 and COC No. 166).

COC No. 159 covers 7,000 hectares in Davao Oriental while COC No. 166 which is located in Zamboanga Sibugay covers 4,000 hectares. Completed activities include surface geological investigation which involves surface field geologic mapping, geodetic surveying and trenching and subsurface geologic investigation through cored diamond drilling. As at December 31, 2024 and 2023, TMEC has incurred P637.2 million, respectively, for the direct implementation of the work program for the exploration phase of these COCs (see Note 4).

COC No. 159

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

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

On September 11, 2018, the Group submitted the required documents to the NCIP for the issuance of the CP. The CP is the final requirement for the conversion of COC No. 159.

On December 14, 2018, TMEC received the original copy of the CP and the certified true copy approving the CP from the NCIP.

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

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.

On November 2, 2022, TMEC received notice from the NCIP that its Provincial Team had submitted their Field Based Investigation Report and has recommended for the conduct of mandatory Free, Prior Informed Consent (FPIC) process pursuant to NCIP Administrative Order No. 3, series of 2012. Consequently, the NCIP invited TMEC for a Pre-FPIC Conference.

On March 28, 2023, TMEC received notice from the NCIP to provide the necessary documents in relation to the issuance of CP or CNO following its special session where the project and FPIC report were presented.

On November 18, 2024, TMEC submitted a request to the NCIP for the immediate commencement of the FPIC process.

On January 16, 2025, TMEC re-submitted the revised Five-Year Work Program to DOE for evaluation and approval.

TMEC has been submitting quarterly financial reports to the DOE. As at report date, the Group is still in the process of obtaining a CP or CNO from the NCIP.

COC No. 166

The Group is working on the extension of the COC. As required, the Group has submitted to the DOE the Result of Exploration covering the exploration activities conducted and estimates of the resultant coal resource and reserve of the property, which have been verified by the DOE. In 2016, the DOE evaluated the documents submitted and requested additional information to further process the application for conversion.

On September 18, 2018, TMEC has re-submitted the Five-Year Work Program in support for the processing of TMEC's application for the conversion of its COC.

On September 4, 2019, the Group cited difficulties in complying with the other necessary requirements because of the peace and order disturbances in the area, security threats to its employees by lawless elements, and dwindling competitiveness of coal.

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

On January 26, 2020, TMEC submitted the supporting documents and action plans for the cited problems with the conversion of COC No. 166 from Exploration to Development and Production Phase.

On November 23, 2020, TMEC re-submitted the Five-Year Work Program in support for the processing of its application for the conversion of its COC.

On May 16, 2024, a meeting was held between the DOE and TMEC in which the status of COC No. 166 was presented and wherein TMEC expressed its intention to pursue the conversion to Development and Production Phase.

On June 25, 2024, the DOE issued a final notice to TMEC for COC No. 166 to comply on its conversion requirements in settling its outstanding obligations to the DOE (see Note 8) and submitting a new Five-Year Work Program and Budget and Feasibility Study.

On January 22, 2025, the DOE issued a notice of term expiration of COC No. 166 stating that TMEC failed to submit the complete requirements for conversion of COC No. 166 from Exploration Phase to Development and Production Phase. Accordingly, in accordance with the expressed provision of Presidential Decree No. 972, the term of COC No. 166 has lapsed, and TMEC was directed to immediately vacate the contract area and restore all sites that may have been affected by any coal operations.

On February 18, 2025, TMEC submitted an appeal for reconsideration to DOE, requesting a one-year grace period to facilitate the conversion of COC No. 166 from Exploration to Development and Production Phase.

As at report date, the Group is still awaiting approval from the DOE on its appeal for reconsideration on the term expiration.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Coal Asia Holdings Incorporated and a Subsidiary
3rd Floor, JTKC Center
2155 Don Chino Roces Avenue
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Coal Asia Holdings Incorporated and a Subsidiary (the Group) as at December 31, 2024 and 2023 and for the years ended December 31, 2024, 2023 and 2022 and have issued our report dated April 28, 2025. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying Supplementary Schedules for submission to the Securities and Exchange Commission are the responsibility of the Group's management. These supplementary schedules include the following:

- Conglomerate Map as at December 31, 2024
- Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration of the Parent Company as at December 31, 2024
- Schedules as required by Part II of the Revised SRC Rule 68 as at December 31, 2024

These supplementary schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These supplementary schedules have been subjected to the auditing procedures applied in the audits 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.

CEDRIC M. CATERIO

Partner

CPA Certificate No. 87322

Tax Identification No. 102-083-647-000

BOA Accreditation No. 4782/P-008; Valid until June 6, 2026

BIR Accreditation No. 19-005765-001-2022;

Valid until December 13, 2025

PTR No. 10467124;

Issued January 2, 2025, Makati City

April 28, 2025
Makati City, Metro Manila



**INDEPENDENT AUDITORS' REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS**

The Stockholders and the Board of Directors
Coal Asia Holdings Incorporated and a Subsidiary
3rd Floor, JTKC Center
2155 Don Chino Roces Avenue
Makati City

We have audited in accordance with Philippines Standards on Auditing, the accompanying consolidated financial statements of Coal Asia Holdings Incorporated and a Subsidiary (the Group) as at December 31, 2024 and 2023, and for the years ended December 31, 2024, 2023 and 2022, and have issued our report dated April 28, 2025. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) Accounting Standards and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS Accounting Standards. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2024 and 2023, and for the years ended December 31, 2024, 2023, and 2022 and no material exceptions were noted.

REYES TACANDONG & Co.

CEDRIC M. CATERIO

Partner

CPA Certificate No. 87322

Tax Identification No. 102-083-647-000

BOA Accreditation No. 4782/P-008; Valid until June 6, 2026

BIR Accreditation No. 19-005765-001-2022;

Valid until December 13, 2025

PTR No. 10467124;

Issued January 2, 2025, Makati City

April 28, 2025

Makati City, Metro Manila

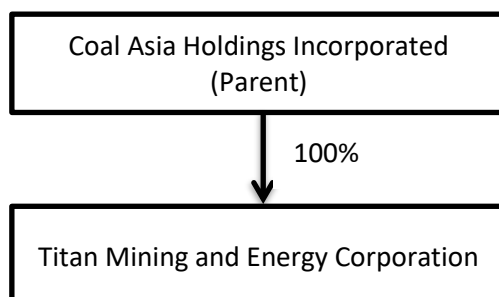
COAL ASIA HOLDINGS INCORPORATED AND A SUBSIDIARY
SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
DECEMBER 31, 2024 AND 2023

Ratio	Formula	2024	2023
Current ratio	Total Current Assets	₱2,841,256	₱3,027,028
	Divided by: Total Current Liabilities	88,984,508	79,291,595
	Current ratio	0.03:1	0.04:1
Acid test ratio	Total Current Assets	₱2,841,256	₱3,027,028
	Less: Other current assets	—	449,293
	Quick assets	2,841,256	2,577,735
	Divide by: Total Current Liabilities	88,984,508	79,291,595
	Acid test ratio	0.03:1	0.03:1
Solvency ratio	Net loss before depreciation	(₱940,997,964)	(₱216,037,896)
	Divide by: Total Liabilities	90,704,729	80,977,294
	Solvency ratio	(10.37):1	(2.67):1
Debt-to-equity ratio	Total Liabilities	₱90,704,729	₱80,977,294
	Divide by: Total Equity	2,237,060,991	3,195,359,842
	Debt-to-equity ratio	0.0405:1	0.0253:1
Asset-to-equity ratio	Total Assets	₱2,327,765,720	₱3,276,337,136
	Divide by: Total Equity	2,237,060,991	3,195,359,842
	Asset-to-equity ratio	1.04:1	1.03:1
Return on equity	Net loss	(₱958,298,851)	(₱233,338,783)
	Divide by: Average total equity	2,716,210,417	3,312,029,234
	Return on equity	(35.28%)	(7.05%)
Return on assets	Net loss	(₱958,298,851)	(₱233,338,783)
	Divide by: Average total assets	2,802,051,428	3,390,923,187
	Return on assets	(34.20%)	(6.88%)

COAL ASIA HOLDINGS INCORPORATED AND A SUBSIDIARY

CONGLOMERATE MAP

DECEMBER 31, 2024



**PARENT COMPANY’S RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION
FOR THE REPORTING PERIOD ENDED DECEMBER 31, 2024**

COAL ASIA HOLDINGS INCORPORATED
3rd Floor, JTKC Center, 2155 Don Chino Roces Avenue, Makati City

	Amount
Deficit, beginning of reporting period and as adjusted	(P760,150,990)
Add: Net loss for the current year	(735,886,363)
Total deficit, end of the reporting period available for dividend	(P1,496,037,353)

COAL ASIA HOLDINGS INCORPORATED AND A SUBSIDIARY
SEC Supplementary Schedule as Required by Part II of SRC Rule 68 as Amended
DECEMBER 31, 2024

Table of Contents

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

Notes:

A – The Company has no financial assets measured at fair value through profit or loss.

B – All receivables arises from ordinary course of business.

D – The Company has no long-term debt.

E – The amount of the Company's indebtedness to related parties is less than five per cent of its total assets.

F – The Company has no guarantee of securities of other issuers.

COAL ASIA HOLDINGS INCORPORATED AND A SUBSIDIARY

**C. Amounts Receivable from Related Parties which are Eliminated
During the Consolidation of the Financial Statements
DECEMBER 31, 2024**

<i>Name and designation of debtor</i>	<i>Balance at beginning of period</i>	<i>Additions</i>	<i>Deductions</i>		<i>Ending Balance</i>		<i>Balance at end of period</i>
			<i>Amounts collected</i>	<i>Amounts written off</i>	<i>Current</i>	<i>Not current</i>	
Advances to TMEC	₱565,309,431	₱—	₱—	₱—	₱565,309,431	₱—	₱565,309,431

COAL ASIA HOLDINGS INCORPORATED AND A SUBSIDIARY

G. Capital Stock
DECEMBER 31, 2024

				Number of shares held by		
Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related statements of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Related parties	Directors, officers and employees	Others
Capital stock - ₱1 par value	5,000,000,000	4,000,000,004	—	1,920,000,000	1,280,000,000	800,000,004

COAL ASIA HOLDINGS INCORPORATED AND A SUBSIDIARY

SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR FEE-RELATED INFORMATION

DECEMBER 31, 2024 and 2023

	2024	2023
Total Audit Fees	₱570,000	₱570,000
Non-audit services fees:		
Other assurance services	—	—
Tax services	—	—
All other services	—	—
Total Non-audit Fees	—	—
Total Audit and Non-audit Fees	₱570,000	₱570,000

The Group has no related party covered by Section 2.1c of SEC Memorandum Circular No. 18-2024.



“STATEMENT OF MANAGEMENT’S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS”

The Management of **COAL ASIA HOLDINGS INCORPORATED** is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2024 and 2023, in accordance with the prescribed financial reporting framework indicated therein, 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.

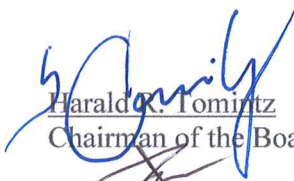
In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the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

The Board of Directors is responsible in overseeing the Group’s financial reporting process.

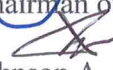
The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

Reyes Tacandong & Co., the independent auditor appointed by the stockholders for the years ended December 31, 2024 and 2023, has audited the consolidated financial statements of the Group 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 K. Tomintz
Chairman of the Board

Signature:


Johnson A. Sanhi Jr.
President

Signature:


Dexter Y. Tiu
Treasurer

Signed this _____ day of _____

SUBSCRIBED AND SWORN TO BEFORE ME
THIS DAY OF 28 APR 2025 MAKATI CITY
AFFIANT EXHIBITED TO ME HER
NO. _____


ATTY. RENE MA. M. VILLA

Notary Public of Makati City

Appointment No. M-110

(Ren) (2025 - 2026)

Until December 31, 2026

PTR No. 10467471, 01-03-2025; Makati City

IBP Lifetime No. 013595, 12-27 2013; I.C

Roll No. 37226

MCLE Compliance No. VIII-0012754, 08-27-2024

Ground Floor, Makati Terraces Condominium

3650 Davila St., Tejeros, Makati City

DOC. NO. 314

PAGE NO. 04

BOOK NO. XVII

SERIES OF 2025