This Prospectus is being displayed on the website to make this Prospectus accessible to more investors. The Philippine Stock Exchange, Inc. assumes no responsibility for the correctness of any of the statements made or opinions or reports expressed in this Prospectus. Furthermore, The Philippine Stock Exchange, Inc. makes no representation as to the completeness of this Prospectus and disclaims any liability whatsoever for any loss arising from or in reliance in whole or in part on the contents of this Prospectus.



Coal Asia Holdings

Reliable energy resources through responsible mining

COAL ASIA HOLDINGS INCORPORATED
(A corporation duly organized under the laws of the Republic of the Philippines)

Prospectus relating to the ₱800,000,000 Primary Offering of 800,000,000 Common Shares with a par value of ₱1.00 per Share Through an Initial Public Offering at an Offer Price of ₱1.00 per Offer Share

To be listed and traded on the First Board of The Philippine Stock Exchange, Inc.

Issue Manager and Underwriter



Abacus Capital & Investment Corporation

Selling Agents

The Trading Participants of The Philippine Stock Exchange, Inc.

Prospectus dated September 28, 2012

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN IS TRUE AND CURRENT.

Coal Asia Holdings
Reliable energy resources through responsible mining

NOTICE TO THE INVESTING PUBLIC

ADDENDUM TO THE PROSPECTUS OF

COAL ASIA HOLDINGS, INC.

Please be advised that COAL ASIA HOLDINGS, INC. (COAL) and its wholly owned subsidiary, Titan Mining and Energy Corporation (TMEC) have decided to exclude Coal Operating Contract No. 167 (COC #167) among its existing coal operating contracts. Accordingly, please disregard all discussions and/or references to COC #167 throughout this Prospectus.

The exclusion of COC #167 will not result in any material change in COAL's business plans and prospects as the same was not included in any of COAL's projections given that exploration works in the coal operating area covered by it are still in the initial stages. Furthermore, COC# 167 had no material impact on the resource and reserve estimates, as well as the independent third party valuation of TMEC in page 43 of the Prospectus.

It should also be noted that the Management of COAL and TMEC are still pursuing the renewal of COC #167 with the DOE. Appropriate disclosures to the SEC and PSE will be made in due course.

Accordingly, please disregard the discussions in the following pages: 9, 10, 11, 12, 13, 14, 15, 16, 18, 28, 31, 43, 52, 53, 57, 58, 59, 65, 67, 68, 74, 77, 78, 84, 87, 92, 93, 94, 95, 100, 136, 144, 153, 154, and 168. References to COC #167 on the aforementioned pages were likewise omitted in the uploaded final Prospectus found in the Company's website (www.coalasiaholdings.com) and The Philippine Stock Exchange, Inc.'s website (www.pse.com.ph).

HARALD R. TOMINTZ
Chairman

COAL ASIA HOLDINGS INCORPORATED
A corporation duly organized under the laws of the Republic of the Philippines
3rd floor JTKC Center, 2155 Don Chino Roces Ave., Makati City
Telephone Number: (+632) 818-6772
www.coalasiaholdings.com

Initial Public Offering of
800,000,000 Common Shares
of the Capital Stock of Coal Asia Holdings Incorporated on
the First Board of The Philippine Stock Exchange, Inc.
at an Offer Price of ₱1.00 Per Share

This Prospectus relates to the initial public offering ("IPO" or the "Offer") of Eight Hundred Million (800,000,000) common shares (the "Offer Shares") with a par value of One Peso (₱1.00) per share of Coal Asia Holdings Incorporated ("COAL", the "Company", or the "Issuer"), at an offer price of One Peso (₱1.00) per share (the "Offer Price") or an aggregate Offer Size of Eight Hundred Million Pesos (₱800,000,000). See "Determination of Offer Price" on page 44 of this Prospectus. The Offer Shares will represent 20.00% of the issued and outstanding Common Shares of the Company after the Offer. All of the Offer Shares shall be primary shares to be taken from the existing authorized capital stock of the Company. No secondary shares shall form part of the Offer.

The Offer Shares will be issued out of the existing authorized capital stock of the Company of Five Billion Pesos (₱5,000,000,000) divided into Five Billion (5,000,000,000) Common Shares with a par value of One Peso (₱1.00) per share, of which Three Billion Two Hundred Million and Four (3,200,000,004) Common Shares are issued and outstanding. After the completion of the Offer, the issued and outstanding common shares of the Company shall be Four Billion and Four (4,000,000,004) Common Shares. Please refer to the section "Ownership Structure" on page 50 of this Prospectus for the details on the holders of the Common Shares.

The Company shall cause its existing stockholders who own at least 10.00% of the outstanding shares of stock after the Offer to enter into an escrow agreement with an escrow agent not to sell, assign, or in any manner dispose of their shares for a period of 180 days after Listing Date. Furthermore, shares issued and fully paid for within 180 days prior to the start of the Offer Period, with a transaction price lower than that of the Offer Price in the IPO shall likewise be locked up for at least 365 days from full payment of said shares. Certain stockholders of the Company are subject to these lock up requirements. See the sub-section "Lock-Up" starting on page 48 of this Prospectus.

All Common Shares issued or to be issued pursuant to the Offer have, or upon issuance will have, identical rights and privileges. Please see the sub-section "Rights Relating to the Common Shares" on page 39 of this Prospectus.

The Common Shares may be subscribed by eligible investors regardless of citizenship or nationality, subject to the limits prescribed by Philippine laws on foreign ownership in certain types of domestic companies. Please see "Philippine Foreign Investment, Exchange Controls, and Foreign Ownership" on page 173 of this Prospectus.

The Company expects to raise gross proceeds of ₱800,000,000. The net proceeds from the Offer, after deducting the issue management and underwriting fees, registration and licensing fees, listing fees, taxes, and other related fees and expenses from the gross proceeds, are estimated to amount to ₱726,868,750. The net proceeds from the Offer will be used for: (a) further exploration work for both the Davao Oriental and Zamboanga-Sibugay Projects; (b) mine development of the Davao Oriental Project; and (c) working capital purposes as discussed under the section "Use of Proceeds" starting on page 35 of this Prospectus.

The Company is authorized to distribute dividends out of its surplus profit, in cash, properties of the Company, shares of stock, and/or securities of other companies belonging to the Company. Dividends paid, in the form of cash or property, are subject to approval by the Company's Board of Directors. Dividends paid in the form of additional Common Shares are subject to the approval of the Company's Board of Directors and stockholders who own at least two-thirds ($^2/_3$) of the outstanding capital stock of the Company. Holders of outstanding Common Shares as of a dividend record date will be entitled to full dividends declared without regard to any subsequent transfer of such Common Shares. The Company has not declared any kind of dividend to its shareholders for the past three (3) years. At present, the Company has not adopted a specific dividend policy. Refer to the section "Dividends and Dividend Policy" on page 41 of this Prospectus.

The information contained in this Prospectus is publicly available and has been supplied by the Company solely for the purpose of the Offer. Unless otherwise stated, the information contained in this Prospectus is as of September 28, 2012. Unless otherwise stated, all information contained in this Prospectus has been supplied by the Company. The Company, through its Board of Directors, which accepts full responsibility for the accuracy and completeness of the information contained herein. The Company, through its Board of Directors, confirms that, after having made all reasonable inquiries, and to the best of its knowledge and belief, there are no other material facts, the omission of which would make any statement in this document misleading in any material respect. Neither the delivery of this document nor any sale made hereunder shall, under any circumstance, create any implication that the information contained herein is correct as of any time subsequent to the date hereof.

Abacus Capital & Investment Corporation ("Abacus Capital"), as the Issue Manager and Underwriter, represents and warrants that it has exercised the level of due diligence required under existing regulations in ascertaining that all material information appearing in this Prospectus are true and correct as of the date indicated herein. The Issue Manager and Underwriter also warrants and represents that, to the best of its knowledge, after exercising the appropriate due diligence review, there are no other material facts, the omission of which would make any statement in the Prospectus, as a whole, misleading. Except for failure to exercise the required due diligence review, the Issue Manager and Underwriter assumes no liability for any information supplied in this Prospectus. Abacus Capital, as the Issue Manager and Underwriter, shall receive an estimated fee of Three Percent (3.00%) of the gross proceeds of the Offer, inclusive of amounts to be paid to any other underwriters and selling agents. See "Use of Proceeds" on page 35. The Offer will be underwritten on a firm commitment basis at the Offer Price. Please refer to the section "Plan of Distribution" on page 47 of this Prospectus.

Prospective investors to the Offer Shares must conduct their own evaluation of the Company and the terms and conditions of the Offer, including the merits and risks involved. Please refer to the section entitled "Investment Considerations and Risk Factors" discussed on pages 25 to 34 of this Prospectus. The readers of this Prospectus are further enjoined to consult their financial advisers, tax consultants, and other professional advisers with respect to the acquisition, holding, or disposal of the Offer Shares described herein.

Market and certain industry data used throughout this Prospectus were obtained from internal surveys, market research, publicly available information, and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information are not guaranteed. Similarly, internal surveys, industry forecasts, and market research, while believed to be reliable, have not been independently verified, and neither the Company nor the Issue Manager and Underwriter make any representation as to the accuracy of such information.

This Prospectus includes forward-looking statements. The Company has based these forward-looking statements largely on its current expectations and projections about future events and financial trends affecting its business. Words including, but not limited to, "believes", "may", "will", "estimates", "continues", "anticipates", "intends", "expects", "forecasts", and similar words are intended to identify forward-looking statements. In light of these risks and uncertainties associated with forward-looking statements, investors should be aware that the forward-looking events and circumstances discussed in this Prospectus might not occur. The Company's actual results could differ substantially from those anticipated in the Company's forward-looking statements. One should read this Prospectus and the documents referenced in this Prospectus and filed as exhibits to the Registration Statement, of which this Prospectus is a part, completely and with the understanding that actual future results may be materially different from what the Company expects. Forward-looking statements contained herein are qualified by these cautionary statements.

On July 16, 2012, the Company filed a Registration Statement with the Securities and Exchange Commission ("SEC") covering the Offer Shares and the issued and outstanding shares of the Company not covered by the Offer in accordance with the provisions of the Securities Regulation Code ("SRC"). The SEC issued an order on October 8, 2012, rendering effective the Registration Statement and a Certificate of Permit to Offer Securities for Sale. The issuance of the Certificate of Permit to Offer Securities for Sale is merely permissive and does not constitute a recommendation or endorsement by the SEC of the Offer Shares.

The Company filed its application with The Philippine Stock Exchange, Inc. ("PSE") for the listing of the Common Shares of the Company that are already issued and outstanding, as well as the Offer Shares on July 20, 2012. The Board of Directors of the PSE approved the listing of the Common Shares on September 12, 2012.

The approval of the application will be made only upon compliance with the requirements for listing. The PSE assumes no responsibility for the correctness of any of the statements, opinions, and reports made or expressed in this Prospectus. The listing of the Common Shares of the Company is subject to the approval of the PSE Board of Directors. Such approval for listing, however, is permissive only and does not constitute a recommendation or endorsement of the Offer Shares by the PSE.

The PSE assumes no responsibility for the correctness of any of the statements made or opinions or reports expressed in the Prospectus. Furthermore, the PSE makes no representation as to the completeness of the Prospectus and disclaims any liability whatsoever for any loss arising from or in reliance in whole or in part on the contents of the Prospectus.

This Prospectus shall not constitute an offer to sell or the solicitation of an offer to buy any securities other than those described herein, nor does it constitute an offer to sell or a solicitation of an offer to buy the shares described herein in any jurisdiction in which such offer or solicitation or sale is not authorized, or to any person to whom it is unlawful to make such offer, solicitation, or sale.

No dealer, salesperson, or other person has been authorized by the Company or the Issue Manager and Underwriter to issue any advertisement or to give information or make any representation in connection with the Offer other than those contained in this document, and if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorized by the Company or by the Issue Manager and Underwriter.

This Prospectus has been authorized for circulation and distribution only in the Philippines. The distribution of this Prospectus and the Offer of the Offer Shares may be restricted by law in certain jurisdictions. The Company and the Issue Manager and Underwriter require persons into whose possession this Prospectus comes to inform them of, and observe all such restrictions. Prospective investors should also inform themselves on any taxation or legislation affecting them personally, and should consult their professional advisers with respect to the acquisition or disposition of the Offer Shares.

For investor relations matters, investors may contact Ms. Rosanna T. Desiderio, the Company's Chief Information Officer ("CIO") or Ms. Mie Marie Shinozuka, the Company's Information Relations Officer, at telephone number (+632) 818-6772, telefax number (+632) 810-3536, and through email addresses rosanna.desiderio@titanmining.com and Mie.shinozuka@titanmining.com.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN IS TRUE AND CURRENT.

COAL ASIA HOLDINGS INCORPORATED

By:

JAIME T. ANG
President

SUBSCRIBED AND SWORN to before me this 28 SEP 2012 at PASIG CITY, Metro Manila, affiant exhibiting to me his Philippine Passport No. XX3122871, issued by the Department of Foreign Affairs – Manila, and expiring on February 27, 2014.

Doc. No. 342;
Page No. 70;
Book No. III;
Series of 2012.

MARIA CECILIA VASORIA
Notary Public for and in the Cities of Pasig, Taguig,
San Juan and Municipality of Pateros
Appointment No. 186 (2011-2012)
Commission Expires on December 31, 2012
27/F East Tower, Phil. Stock Exchange Centre
Exchange Road, Ortigas Center, Pasig City 1605
PTR No. 7345983 / 01.04.2012 / Pasig City
IBP No. 875884 / 12.27.2011 / RSM
Roll No. 54537

Conventions Applying to this Prospectus

In this Prospectus, the terms "Coal Asia Holdings Incorporated" or "COAL" or the "Company" or the "Issuer" refer to Coal Asia Holdings Incorporated on a consolidated basis. References to "TMEC" refer to its wholly-owned subsidiary, Titan Mining Energy Corporation.

In this Prospectus, unless otherwise specified or the context otherwise requires, all references to the "Philippines" are references to the Republic of the Philippines. All references to the "Government" herein are references to the Government of the Republic of the Philippines. All references to the "BSP" are references to Bangko Sentral ng Pilipinas, the central bank of the Philippines. All references to "United States" or "U.S." herein are to the United States of America. All references to "Peso" and "₱" herein are to the lawful currency of the Philippines and all references to "U.S. dollar" or "US$" herein are to the lawful currency of the United States

Presentation of Financial Information

Unless otherwise stated, all financial information relating to Coal Asia Holdings Incorporated and its Subsidiary contained herein is stated in accordance with Philippine Financial Reporting Standards ("PFRS").

In this Prospectus, references to "2009", "2010" and "2011" refer to the fiscal years ended December 31, 2009, December 31, 2010, and December 31, 2011, respectively.

Reyes Tacandong & Co. has reviewed the Pro-Forma Consolidated Financial Information as of December 31, 2011 and for the six months ended June 30, 2012 and the year ended December 31, 2011 and the financial statements of TMEC for the year ended December 31, 2011, prepared in accordance with the PFRS. The PFRS is substantially based on the International Financial Reporting Standards. The financial statements of TMEC as at and for the years ended December 31, 2010 and 2009 were audited by Alden C. Calimutan, whose report dated March 30, 2011 expressed an unmodified opinion on those statements. The opinion of such auditor, however, did not include amendments made to effect a reclassification within the statement of financial position. This reclassification, however, did not affect Reyes Tacandong & Co.'s audit opinion on the financial statements of TMEC for December 31, 2011.

Industry and Market Data

Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, neither the Company nor the Issue Manager and Underwriter make any representation as to the accuracy of such information.

Forward-Looking Statements

This Prospectus contains forward-looking statements that reflect COAL's expectations regarding, among other things:

- Future growth;
- Results of operations (including, without limitation, future production and capital expenditures) and performance (both operational and financial);
- Business prospects; and
- Business opportunities.

Certain words, including, but not limited to, "plan", "expect", "budget", "forecast", "project", "anticipate", "believe", "intend" and similar expressions or statements that certain actions events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, have been used to identify these forward-looking statements. Although the forward-looking statements contained in this Prospectus reflect the Company's current beliefs based upon information currently available to management and reasonable assumptions that management believes in, the Company cannot be certain that its actual results will be consistent with these forward-looking statements. Forward-looking statements necessarily involve significant known and unknown risks, assumptions and uncertainties that may cause the Company's actual future growth, results of operations, performance, business prospects and opportunities to differ materially from those expressed or implied by such forward-looking statements. These risks and uncertainties include, among other things, uncertainties relating to:

- General economic, market, business and political conditions in the Philippines;
- Actual growth in demand for the Company's products;
- The Company's expectations and estimates concerning its future financial performance;
- The Company's growth and expansion plans;
- Technological changes;
- Effects of competition in the coal industry;
- The outcome of any legal or regulatory proceedings to which the Company is or may become a party;
- The future impact of new accounting standards;
- The impact of Philippine regulations;
- The Company's exposure to market risk; and
- Risk factors discussed in this Prospectus as well as other factors beyond the Company's control. See "Risk Factors". Accordingly, prospective investors should not place undue reliance on such forward-looking statements. These forward-looking statements are made as of the date of this Prospectus and the Company assumes no obligation to update or revise them to reflect new events or circumstances.

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TABLE OF CONTENTS

GLOSSARY OF TERMS **1**

PARTIES TO THE OFFER **8**

SUMMARY INFORMATION **9**

- THE OFFER 9
- THE COMPANY 9
- SUBSIDIARY 17
- KEY AFFILIATES IN THE MINING AND ENERGY INDUSTRY 18
- RISKS OF INVESTING 18
- SUMMARY OF FINANCIAL INFORMATION 20

TERMS OF THE OFFER **21**

INVESTMENT CONSIDERATION AND RISK FACTORS **25**

- RISKS RELATED TO THE COMPANY AND ITS SUBSIDIARY 25
- RISKS RELATED TO THE COMPANY'S COCS 30
- RISKS RELATED TO THE PHILIPPINES 32
- RISKS RELATED TO THE SHARES 34

USE OF PROCEEDS **35**

DESCRIPTION OF SECURITIES **38**

DIVIDENDS AND DIVIDEND POLICY **41**

HISTORY OF SHARE ISSUANCES **42**

VALUATION OF TITAN MINING AND ENERGY CORPORATION **43**

DETERMINATION OF OFFER PRICE **44**

CAPITALIZATION **45**

DILUTION **46**

PLAN OF DISTRIBUTION **47**

OWNERSHIP STRUCTURE **50**

INTERESTS OF NAMED EXPERTS AND INDEPENDENT COUNSEL **51**

THE COMPANY **52**

- COMPANY HISTORY 52
- CORPORATE VISION 54
- CORPORATE MISSION 54
- CORPORATE VALUES 54
- COMPETITIVE STRENGTHS 55
- BUSINESS PLAN 59
- KEY AFFILIATES IN THE MINING AND ENERGY INDUSTRY 62
- CORPORATE AND ORGANIZATIONAL STRUCTURE 63

TITAN MINING AND ENERGY CORPORATION **65**

- BACKGROUND 65
- HISTORY OF SHARE ISSUANCES 66
- BUSINESS OVERVIEW 67
- EXPLORATION ACTIVITIES 80
- BUSINESS DEVELOPMENT COSTS 85
- PRODUCTS 85

COMPETITION 87
SUPPLIERS 89
ACTIVITIES CONDUCTED IN THE COCS 90
TRANSACTIONS WITH AND/OR DEPENDENCE ON RELATED PARTIES 93
NEED FOR GOVERNMENT APPROVALS ON PRODUCTS AND SERVICES 94
EFFECT OF EXISTING OR PROBABLE GOVERNMENTAL REGULATIONS ON THE BUSINESS 94
ENVIRONMENTAL LAWS 94
INDEGENOUS PEOPLE'S RIGHTS 95
CORPORATE STRUCTURE 96
EMPLOYEES 96
KEY OFFICERS 98
CONSULTANTS 100
DESCRIPTION OF PROPERTIES 100
LEGAL PROCEEDINGS 100
SUMMARY OF FINANCIAL INFORMATION 101

INDUSTRY OVERVIEW 102

GLOBAL ENERGY ON COAL 102
COMPETITION/DEMAND OF COAL ORE IN THE WORLD MARKET 104
THE PHILIPPINE COAL MARKET 106

MARKET INFORMATION 118

INVESTOR RELATIONS PROGRAM 119

MANAGEMENT 120

BOARD AND DIRECTORS 120
PRINCIPAL OFFICERS 122
SIGNIFICANT EMPLOYEES 122
FAMILY RELATIONS 123
INVOLVEMENT IN LEGAL PROCEEDINGS 123
EXECUTIVE COMPENSATION 123
COMPENSATION OF DIRECTORS 124
STANDARD ARRANGEMENTS AND OTHER ARRANGEMENTS 124
EMPLOYMENT CONTRACTS, TERMINATION OF EMPLOYMENT, CHANGE IN CONTROL OF ARRANGEMENTS 124
WARRANTS AND OPTIONS OUTSTANDING 124

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS 125

MANAGEMENT'S DISCUSSION ON TMEC'S FINANCIALS 128

MANAGEMENT'S DISCUSSION ON COAL'S FINANCIALS 140

INDEPENDENT AUDITORS' REPORTS 147

REGULATORY FRAMEWORK 148

MATERIAL CONTRACTS AND AGREEMENTS 153

MANUAL OF CORPORATE GOVERNANCE 156

LEGAL AND OTHER MATTERS 159

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS 160

THE PHILIPPINE STOCK MARKET 162

PHILIPPINE TAXATION 167

PHILIPPINE FOREIGN INVESTMENT, EXCHANGE CONTROLS, AND FOREIGN OWNERSHIP 173

ANNEX I:

PRO-FORMA CONSOLIDATED FINANCIAL INFORMATION OF
COAL ASIA HOLDINGS INCORPORATED
AS OF DECEMBER 31, 2011 AND FOR THE SIX MONTHS ENDED
JUNE 30, 2012 AND THE YEAR ENDED DECEMBER 31, 2011

ANNEX II:

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF
COAL ASIA HOLDINGS INCORPORATED
AS OF AND FOR THE 20-DAY PERIOD ENDED JUNE 30, 2012

ANNEX III:

FINANCIAL STATEMENTS OF TITAN MINING AND ENERGY CORPORATION
AS OF JUNE 30, 2012 AND DECEMBER 31, 2011
AND FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011

ANNEX IV:

FINANCIAL STATEMENTS OF TITAN MINING AND ENERGY CORPORATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011
(WITH COMPARATIVE FIGURES IN 2010 AND 2009)

ANNEX V

CP REPORTS – DAVAO ORIENTAL AND ZAMBOANGA-SIBUGAY PROJECTS

ANNEX V-A: INTERNAL GEOLOGIC REPORT
RESULT OF EXPLORATION
DAVAO COAL PROJECT

ANNEX V-B: INTERNAL GEOLOGIC REPORT
RESULT OF EXPLORATION
ZAMBOANGA-SIBUGAY COAL PROJECT

ANNEX VI

BREAKDOWN OF MINE EQUIPMENT TO BE ACQUIRED
FOR THE DAVAO ORIENTAL PROJECT

LIST OF TABLES

TABLE 1: COAL RESERVES OF DAVAO ORIENTAL 10
TABLE 2: COAL RESOURCES OF DAVAO ORIENTAL AND ZAMBOANGA-SIBUGAY 11
TABLE 3: SUMMARY OF COAL OPERATING CONTRACTS OF TMEC 11
TABLE 4: DAVAO ORIENTAL PROJECT SUMMARY 12
TABLE 5: ZAMBOANGA-SIBUGAY PROJECT SUMMARY 13
TABLE 6: PROVED AND PROBABLE COAL RESERVES FOR COC #159 DAVAO ORIENTAL 13
TABLE 7: COAL RESOURCES OF DAVAO ORIENTAL 13
TABLE 8: ESTIMATED POTENTIAL DEPOSIT FOR COC #159 14
TABLE 9: COAL RESOURCES ZAMBOANGA-SIBUGAY 14
TABLE 10: TOTAL POTENTIAL DEPOSIT FOR COC #166 ZAMBOANGA-SIBUGAY 14
TABLE 11: DAVAO ORIENTAL PROJECT COAL QUALITY 15
TABLE 12: ZAMBOANGA-SIBUGAY PROJECT COAL QUALITY 15
TABLE 13: PRODUCTION AND OPERATIONAL PARAMETERS 17
TABLE 14: COAL'S SUMMARY CONSOLIDATED PRO-FORMA FINANCIAL INFORMATION 20
TABLE 15: SUMMARY OF COAL OPERATING CONTRACTS OF TMEC 31
TABLE 16: BREAKDOWN OF PROCEEDS FROM OFFER 35
TABLE 17: BREAKDOWN OF ESTIMATED OFFER EXPENSES 35
TABLE 18: BREAKDOWN OF NET PROCEEDS FROM OFFER 36
TABLE 19: INCORPORATORS OF THE COAL ASIA HOLDINGS INCORPORATED 42
TABLE 20: NEW SHARE ISSUANCE AFTER INCORPORATION 42
TABLE 21: SHAREHOLDERS OF COAL ASIA HOLDINGS INCORPORATED 42
TABLE 22: COAL RESOURCES OF DAVAO ORIENTAL AND ZAMBOANGA-SIBUGAY 43
TABLE 23: COAL RESOURCES OF DAVAO ORIENTAL AND ZAMBOANGA-SIBUGAY 43
TABLE 24: CAPITALIZATION 45
TABLE 25: DILUTION 46
TABLE 26: SHAREHOLDERS SUBJECT TO LOCK-UP 49
TABLE 27: PRE AND POST IPO OWNERSHIP STRUCTURE 50
TABLE 28: COAL RESERVES OF DAVAO ORIENTAL 53
TABLE 29: COAL RESOURCES OF DAVAO ORIENTAL AND ZAMBOANGA-SIBUGAY 53
TABLE 30: COAL RESERVES AND RESOURCES OF DAVAO ORIENTAL AND ZAMBOANGA-SIBUGAY 54
TABLE 31: PROVED AND PROBABLE COAL RESERVES FOR COC #159 DAVAO ORIENTAL 55
TABLE 32: COAL RESOURCES OF DAVAO ORIENTAL 56
TABLE 33: ESTIMATED POTENTIAL DEPOSIT FOR COC #159 56
TABLE 34: COAL RESOURCES ZAMBOANGA-SIBUGAY 57
TABLE 35: POTENTIAL DEPOSIT FOR COC #166 ZAMBOANGA-SIBUGAY 57
TABLE 36: DAVAO ORIENTAL PROJECT COAL QUALITY 57
TABLE 37: ZAMBOANGA-SIBUGAY PROJECT COAL QUALITY 57
TABLE 38: PHILIPPINE ANNUAL DEMAND FOR COAL 61
TABLE 39: PRODUCTION AND OPERATIONAL PARAMETERS 62
TABLE 40: INCORPORATORS OF THE TITAN MINING AND ENERGY CORP 66
TABLE 41: INCREASE IN CAPITAL STOCK IN 2009 66
TABLE 42: ADDITIONAL ISSUANCES ON DECEMBER 1, 2010 67
TABLE 43: ADDITIONAL ISSUANCES ON DECEMBER 1, 2011 67
TABLE 44: COAL RESOURCES OF DAVAO ORIENTAL AND ZAMBOANGA-SIBUGAY 68
TABLE 45: DAVAO ORIENTAL PROJECT SUMMARY 68
TABLE 46: SUMMARY OF COC #159 69
TABLE 47: ZAMBOANGA-SIBUGAY PROJECT SUMMARY 73
TABLE 48: SUMMARY OF COC #166 74
TABLE 49: POTENTIAL DEPOSIT FOR COC #166 ZAMBOANGA-SIBUGAY 77
TABLE 50: DRILL HOLE INTERCEPTS AND COAL OUTCROPS 82
TABLE 51: SUMMARY OF ACTIVITIES UNDERTAKEN ..... **ERROR! BOOKMARK NOT DEFINED.**
TABLE 52: SUMMARY OF DRILLING PROGRAM OF COC #166 85
TABLE 53: BUSINESS DEVELOPMENT COSTS FROM 2009 TO JUNE 30, 2012 85
TABLE 54: BREAKDOWN OF CAPITALIZED BUSINESS DEVELOPMENT COSTS AS OF JUNE 30, 2012 85

TABLE 55: TMEC SALES FROM 2009 TO JUNE 30, 2012 87
TABLE 56: COAL HOLDERS OF COC-EXPLORATION AS OF JUNE 2012 87
TABLE 57: COAL HOLDERS OF COC - DEVELOPMENT & PRODUCTION 88
TABLE 58: FINANCIAL HIGHLIGHTS OF COC HOLDERS -EXPLORATION AND DEVELOPMENT & PRODUCTION STAGE 89
TABLE 59: ESTIMATE OF COAL RESOURCES AT BACTINAN AND OLD MACOPA 91
TABLE 60: CALCULATED RESERVES IN A 214-HA. AREA BASED ON AN OBSERVED YIELD FACTOR OF 28,000 MT PER HECTARE 92
TABLE 61: ESTIMATE OF COAL RESOURCES IN ZAMBOANGA-SIBUGAY 93
TABLE 62: COAL POTENTIAL OR PROSPECTIVITY OF COC #166 93
TABLE 63: SUMMARY OF COAL OPERATING CONTRACTS OF TMEC 94
TABLE 64: TITAN MINING AND ENERGY CORPORATION MANPOWER COMPLEMENT 96
TABLE 65: KEY OFFICERS OF TITAN MINING AND ENERGY CORP 98
TABLE 66: TMEC'S COMPARABLE STATEMENT OF COMPREHENSIVE INCOME 101
TABLE 67: TMEC'S COMPARABLE STATEMENT OF FINANCIAL POSITION 101
TABLE 68: COAL HOLDERS OF COC – EXPLORATION AS JUNE 2012 108
TABLE 69: COAL HOLDERS OF COC - DEVELOPMENT & PRODUCTION 109
TABLE 70: PHILIPPINE COAL CONSUMPTION AND PRODUCTION 110
TABLE 71: PHILIPPINE COAL IMPORTS AND EXPORTS 112
TABLE 72: PRE AND POST IPO OWNERSHIP STRUCTURE 118
TABLE 73: BOARD OF DIRECTORS 120
TABLE 74: PRINCIPAL OFFICERS OF COAL ASIA HOLDINGS INCORPORATED 122
TABLE 75: EXECUTIVE COMPENSATION 124
TABLE 76: SECURITY OWNERSHIP OF 5.00% OR MORE 125
TABLE 77: DIRECT OWNERSHIP BY BOARD OF DIRECTORS AND MANAGEMENT 126
TABLE 78: TMEC'S COMPARABLE STATEMENT OF COMPREHENSIVE INCOME 128
TABLE 79: TMEC'S COMPARABLE STATEMENT OF FINANCIAL POSITION 128
TABLE 80: KEY PERFORMANCE INDICATORS OF TMEC 138
TABLE 81: COAL'S SUMMARY AUDITED CONSOLIDATED FINANCIAL INFORMATION AS AT AND 20-DAY ENDED JUNE 30, 2012 140
TABLE 82: KEY PERFORMANCE INDICATORS OF COAL 146

LIST OF FIGURES

FIGURE 1: COAL SEAMS BCT 03, 04, 05 FROM DAVAO ORIENTAL 56
FIGURE 2: CORPORATE STRUCTURE OF COAL ASIA HOLDINGS INCORPORATED 63
FIGURE 3: ORGANIZATIONAL CHART OF COAL ASIA HOLDINGS INCORPORATED 64
FIGURE 4: DAVAO ORIENTAL PROJECT LOCATION AREA 69
FIGURE 5: DAVAO ORIENTAL PROJECT LOCATION TENEMENT MAP 70
FIGURE 6: ZAMBOANGA-SIBUGAY PROJECT LOCATION AREA 75
FIGURE 7: ZAMBOANGA-SIBUGAY PROJECT LOCATION TENEMENT MAP 76
FIGURE 8: DRILL HOLE LOCATIONS AND OUTCROP MAP OF BACTINAN AREA 83
FIGURE 9: DRILL HOLE LOCATIONS AND OUTCROP MAP OF OLD MACOPA AREA 83
FIGURE 10: OPERATIONS AND MINING RIGHTS 86
FIGURE 11: ORGANIZATIONAL CHART OF TITAN MINING AND ENERGY CORP. 96
FIGURE 12: EXPLORATION DEPARTMENT ORGANIZATIONAL CHART 97
FIGURE 13: ADMIN & FINANCE DEPARTMENT ORGANIZATIONAL CHART 97
FIGURE 14: CORPORATE DEVELOPMENT DEPARTMENT ORGANIZATIONAL CHART 98
FIGURE 15: GLOBAL PRIMARY ENERGY CONSUMPTION IN 2010 102
FIGURE 16: INCREMENTAL WORLD DEMAND BY FUEL 2000-2010 103
FIGURE 17: TOP COAL EXPORTERS 2010 104
FIGURE 18: WORLDWIDE OIL, COAL, AND GAS RESERVES 104
FIGURE 19: PHILIPPINE COAL CONSUMPTION ANNUAL GROWTH RATE 111
FIGURE 20: PHILIPPINE COAL PRODUCTION ANNUAL GROWTH RATE 111
FIGURE 21: PHILIPPINE COAL PRODUCTION AND CONSUMPTIONS BY YEAR 112
FIGURE 22: PHILIPPINE COAL IMPORTS ANNUAL GROWTH RATE 113
FIGURE 23: PHILIPPINE COAL EXPORTS ANNUAL GROWTH RATE 113

GLOSSARY OF TERMS

"Abacus Capital", "Issue Manager and Underwriter"	Abacus Capital & Investment Corporation
"Anthracite"	Coal with a volatile-carbon ratio of 0.12 or less. It has a bright black luster and is the highest-ranked coal.
"Applicant"	A person whether natural or juridical who seeks to subscribe to the Offer Shares by submitting an Application in accordance with the terms and conditions prescribed in this Prospectus
"Application"	The application to subscribe to the Offer Shares in the form prescribed by the Company
"Application to Subscribe Form"	The application form actually accomplished and submitted by the Applicant for the purchase of a specified number of Offer Shares, together with all other requirements set forth in such application form
"ASL"	Above Sea Level
"Banking Day"	Any of the days in a week, except Saturdays, Sundays and holidays, when banks are not required to do, or are authorized by law to close for, business in Metro Manila
"BOI"	The Philippines' Board of Investments
"BIR"	The Philippines' Bureau of Internal Revenue
"Bituminous Coal"	Coal intermediate in rank between sub-bituminous and semi-anthracite and includes coking coal. Bituminous coal may be either glossy or dull and are usually banded in appearance.
"Board"	The Board of Directors of the Company
"BSP" or "Bangko Sentral"	Bangko Sentral ng Pilipinas or the Central Bank of the Philippines
"BTU"	British Thermal Unit or the quantity of heat required to raise the temperature of one pound of distilled water 1° F at its point of maximum density
"CAGR"	Compounded Annual Growth Rate
"CIO"	Chief Information Officer
"Coal"	A sedimentary rock composed predominantly of organic and mineral matter derived from the accumulation of plant remains in a sedimentary basin and altered to rock by heat and pressure
"COAL", the "Company", or the "Issuer"	Coal Asia Holdings Incorporated

”Coal Block”	This refers to the meridional blocks or quadrangles of two minutes (2') of latitude and one and one-half minutes (1-1/2') of longitude, containing an area of 1,000 hectares, more or less, as defined in the DOE coal blocking maps.
“Coal Deposit”	This is an accumulation of consolidated plant remains that have been chemical altered and metamorphosed by heat and pressure during geologic time. It contains more than 50.00% by weight and more than 70.00% by volume of carbonaceous material, including inherent moisture.
”Coal Seam”	A layer of coal in a coal deposit
”COC”	Coal Operating Contract entered into with the DOE for the exploration, development and extraction of coal resources within the area specified in the Coal Operating Contract
“COC #159”	Coal Operating Contract 159, encompassing seven (7) adjoining 1,000-hectare Coal Blocks located in Davao Oriental
“COC #166”	Coal Operating Contract 166, encompassing four (4) adjoining 1,000-hectare Coal Blocks located in Zamboanga-Sibugay
”Common Shares”	The common shares of the capital stock of the Issuer with a par value of One Peso (₱1.00) per share
”Company”	Coal Asia Holdings Incorporated
“CP” or ”Competent Person”	A professional recognized by duly Accredited Professional Organization and qualified to report and evaluate Exploration Results and/or Mineral Resources and/or Ore Reserves
”CPR”	Competent Person’s Report
“CPR-Davao Oriental Project”	The Internal Geologic Report for the Davao Coal Project -COC #159 dated April 4, 2012, authored by Mr. Enrique C. Payawal, an accredited Competent Person by the Geological Society of the Philippines and TMEC’s Vice President of Exploration and Mining.
“CPR-Zamboanga-Sibugay Project”	The Internal Geologic Report for the Zamboanga-Sibugay Project – COC #166 and 167 dated April 26, 2012, authored by Ms. Gizella Greta D.J. Gonzales, TMEC’s Senior Geologist, and reviewed and verified by Mr. Enrique C. Payawal, a Competent Person and TMEC’s Vice President for Exploration and Mining.
“Davao Oriental Project”	This is composed of COC #159, which is situated in Barangays Old Macopa, Holy Cross, San Ignacio, Capasnan, Lambog and Rizal in the Municipality of Manay in the Province of Davao Oriental, encompassing seven (7) adjoining 1,000-hectare Coal Blocks for a total area of 7,000-hectares
“DDH”	Diamond Drill Hole
”Diamond Drilling”	The drilling of a bore hole using diamond-studded bits, usually for

	core recovery in exploration
”DENR”	The Department of Environment and Natural Resources, refers to the agency of the government that is tasked to implement laws, and policies related to the environment and natural resources, and to supervise projects related to the environment and natural resources in accordance with Executive Order No. 192, s. 1987.
”DOE”	The Department of Energy
”ECC”	Environmental Compliance Certificate, refers to the certification issued by the DENR in accordance with Presidential Decree No. 1586 stating that the activity of the operator is covered by the Environment Impact System and has complied with all the requirements and standards therein.
“EDB”	Energy Development Board, the agency primarily responsible for implementing the laws under P.D. 972
“EMB”	Environmental Management Bureau
“Feasibility Study”	As defined in the PMRC, this is a project study to determine the economic viability of mining a mineral deposit or group of deposits.
“Government”	This refers to government of the Republic of the Philippines
“GPS”	Global Positioning System
“Heating Value” or “Calorific Value”	This refers to the amount of heat produced from the complete combustion of a specific amount of fuel.
”Indicated Resource”	Coal estimated in a resource block beyond the 100-meter but within the 200-meter radius of coal seam intercepted by the drill hole.
”Inferred Resource”	Coal estimated in a resource block beyond 200 meters but within a 500-meter radius of coal seam intercepted by the drill hole.
“IPO”	Initial Public Offering
Lignite	A brownish-black coal composed of vegetable matter which has been altered more than in peat but less than in sub-bituminous coal
“LGU”	Local government unit
“LSI” or “Local Small Investor”	A subscriber or purchaser of the Offer Shares who is willing to subscribe or purchase a minimum board lot or whose subscription or purchase does not exceed ₱25,000.00
”M&I”	Measured and Indicated
”Measured Resource”	Coal estimated in a resource block within a 100-meter radius of the coal seam intercepted by the drill hole.
“MIB”	Multinational Investment Bancorporation, a firm accredited by the PSE in accordance with the PSE Guidelines for Fairness Opinions and

	Valuation Reports, which rendered a valuation on TMEC.
”MMT”	Million metric tons
”MOA”	Memorandum of Agreement
“Mudstone”	This refers to a fine grained sedimentary rock composed of mud or clay, with individual grains too small to be distinguished without a microscope.
“NCIP”	National Commission on Indigenous Peoples
“OEA”	Office of Energy Affairs
”Offer”	The offer pursuant to this Prospectus of 800,000,000 primary Common Shares at the Offer Price
”Offer Period”	The period commencing on October 9, 2012 and ending on 12:00 noon of October 15, 2012
”Offer Price”	One Peso (₱1.00) per Offer Share
”Offer Shares”	The 800,000,000 primary Common Shares of the Company that are the subject of the Offer
”Open cut Mining” or “Open Pit Mining”	A mine worked at or from the surface
”Overburden”	Material which overlies a deposit of useful material
“PCD Nominee”	PCD Nominee Corporation
”PD 972”	Presidential Decree No. 972 also known as “The Coal Development Act of 1976” as amended by PD 1174
”PDTC”	The Philippine Depository and Trust Corp., the central securities depository of, among others, securities listed and traded on the PSE
“PECR”	The Philippine Energy Contracting Round is a government mechanism that allows the exploration and development of the Philippines’ petroleum, geothermal and coal resources through the awarding of service or operating contracts to local and international exploration companies.
”PFRS”	Philippine Financial Reporting Standards

”Philippine National”	As defined under Republic Act No. 7042, as amended, otherwise known as the Foreign Investments Act of the Philippines, means a citizen of the Philippines, or a domestic partnership or association wholly owned by citizens of the Philippines, or a corporation organized under the laws of the Philippines or which at least 60.00% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines, or a corporation organized abroad and registered to do business in the Philippines under the Philippine Corporation Code, of which 100.00% of the capital stock outstanding and entitled to vote is wholly owned by Filipinos or a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine National and at least 60.00% of the fund will accrue to the benefit of Philippine Nationals
”PMRC”	Philippine Mineral Reporting Code
”PNOC”	Philippine National Oil Company
“POL”	Petroleum, Oil, and Lubricant
”Potential Deposit”	Deposits where the host lithology exists with coal outcrops.
”Pre-Feasibility Study”	As defined in the Implementing Rules and Regulations of the PMRC, means the assessment of the indicated and/or measured mineral resources to determine if it can be considered as an Ore Reserve that can be mined at a profit by taking into consideration relevant parameters such as: (a) realistically estimated costs of mining; ore beneficiation; other relevant engineering activities; management including legal, environmental, and social matters to produce the desired element/mineral; (b) taxes/fees; and (c) its realistically assumed market price.
“Probable Reserve”	The economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource. It includes diluting materials and allowances for losses that may occur when the material is mined. Appropriate assessments to a minimum of Pre-Feasibility Study have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.
“Proved Reserve”	The economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses that may occur when the material is mined. Appropriate assessments to a minimum of Pre-Feasibility Study have been carried out, and include consideration of and modification by, realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified.
”PSE” or the ”Exchange”	The Philippine Stock Exchange, Inc.

”Receiving Bank”	Sterling Bank of Asia, Inc. –Trust Group
“Related Party”	Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.
”Reserves”	The economically mineable part of measured or indicated coal resources at the time of reporting
“Reserves to Production Ratio”	This refers to the remaining lifespan of a natural resource, expressed in years.
”Resources ”	This refers to the estimated volume of coal deposits as projected over a certain distance from a point of observation with a certain degree of confidence.
“SCCP”	Securities Clearing Corporation of the Philippines
”SEC”	The Securities and Exchange Commission
”Selling Agents”	The active trading participants of the PSE authorized to sell the Offer Shares
“SRC”	Republic Act No. 8799, otherwise known as the Securities Regulation Code
”Strip” or ”strip ratio”	The amount of overburden that must be removed to gain access to a unit amount of coal
”Sub-bituminous coal”	Coal with properties in between lignite and those of bituminous coal and used primarily for steam and electric power generation
“Surface Investigation Exploration”	This refers to the process in which geologic and structural features are studied and interpreted by a geologist through mapping and sampling of rocks and other geologic features exposed on the ground surface.
”Thermal coal”	Coal which is combusted to provide heat for steam generation and subsequent power generation or burned for heat generation alone
“TEDC”	Titan Exploration and Development Corporation, TMEC’s corporate name upon incorporation
“TMEC”	Titan Mining and Energy Corporation
”Underground mining”	Extraction of minerals from below the surface of the ground. Generally, access to an underground mine is through an adit (entrance in the side of a hill), down a mine shaft or through some other tunnel configuration
”VAT”	Value Added Tax

”Work Program”	This refers to all types of plans and activities formulated for the performance of the coal operation, including plans and programs for exploration, development, and production.
“Zamboanga-Sibugay Project”	This is composed of COC #166, which are situated in the Municipalities of Diplahan and Buug, Province of Zamboanga-Sibugay, encompassing four (4) adjoining 1,000-hectare Coal Blocks for a total area of 6,000-hectares.

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PARTIES TO THE OFFER

The Issuer:	**Coal Asia Holdings Incorporated** 3rd Floor JTKC Bldg. 2155 Don Chino Roces Avenue Makati City
Issue Manager and Underwriter:	**Abacus Capital & Investment Corporation** Unit-E 2904-A East Tower Philippine Stock Exchange Centre Exchange Road, Ortigas Center Pasig City 1600
Legal Counsel to the Issue:	**Tan Venturanza Valdez** 2704 East Tower Philippine Stock Exchange Centre Exchange Road, Ortigas Center Pasig, City, Metro Manila
Independent Auditors:	**Reyes Tacandong & Co.** PHINMA Plaza 39 Plaza Drive, Rockwell Center Makati City 1200 Metro Manila Philippines
Stock Transfer Agent:	**Rizal Commercial Banking Corporation-Stock Transfer Processing Section** Ground Floor West Wing 221 Grepalife Bldg. Sen. Gil Puyat Avenue Makati City, Philippines
Receiving, Escrow, and Custodian Bank:	**Sterling Bank of Asia, Inc. –Trust Group** 3/F Sterling Bank Corporate Center Ortigas Avenue, Greenhills San Juan City, Metro Manila

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SUMMARY INFORMATION

The following information is derived from, and should be read in conjunction with, the full text of this Prospectus.

The Offer

The Company is offering for subscription Eight Hundred Million (800,000,000) primary Common Shares to be issued out of the existing authorized capital stock, each with a par value of One Peso(₱1.00) per share. The Offer Shares shall enjoy equal rank, preference, and priority with the issued and outstanding Common Shares of the Company. The Offer Shares are being made available for subscription in the Philippines at an Offer Price of One Peso (₱1.00) per share.

The Company expects to raise gross proceeds of ₱800,000,000. The net proceeds from the Offer, after deducting all related fees and expenses from the gross proceeds, will approximately be ₱726,868,750. The net proceeds from the Offer will be used for: (a) further exploration work for both the Davao Oriental and Zamboanga-Sibugay Projects; (b) mine development of the Davao Oriental Project; and (c) working capital purposes.

The Offer Shares shall represent 20.00% of the Company's total issued and outstanding capital stock after the Offer. All of the Offer Shares shall be primary shares to be taken from the existing authorized capital stock of the Company. No secondary shares shall form part of the Offer.

The Offer Shares will be underwritten, on a firm basis, by Abacus Capital. The total fees to be derived by the Issue Manager and Underwriter shall be ₱24,000,000, which is exclusive of out of pocket expenses and inclusive of amounts that will be ceded to the Selling Agents.

The Company

Overview of Coal Asia Holdings Incorporated

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

COAL is an investment holding company primarily engaged in the business of investing in coal and energy related businesses. Currently, the Company has 100.00% equity interest in TMEC, which owns Coal Operating Contract ("COC") 159 ("COC #159) in Davao Oriental, and COC 166 ("COC #166") in Zamboanga-Sibugay. COAL may also venture into other mineral resource businesses in the future.

On May 28, 2012, COAL executed a Deed of Assignment with the shareholders of TMEC which effectively transfers 100.00% ownership of TMEC to COAL. The assigned TMEC shares were used to subscribe and fully pay COAL shares, at a ratio of one (1) TMEC common share for every 36.57 COAL common shares, resulting in the issuance of an aggregate total of 3,200,000,000 COAL shares to TMEC shareholders. The shareholders of TMEC commissioned Multinational Investment Bancorporation ("MIB"), a firm accredited by the PSE in accordance with the PSE Guidelines for

Fairness Opinions and Valuation Reports, to conduct a valuation of TMEC shares. MIB's valuation procedures relied on financial projections that were based on the assumptions presented to MIB and information secured from other sources, particularly the CPR-Davao Oriental Project and CPR-Zamboanga-Sibugay Project. MIB relied solely on the Discounted Cash Flow (DCF) approach to value TMEC.

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

As of June 30, 2012, the Company's assets amounted to ₱3.28 billion of which 95.55% consists of coal reserves amounting to ₱3.13 billion.

Overview of Titan Mining and Energy Corporation

TMEC was incorporated with the SEC on November 11, 2008. It was originally incorporated as "Titan Exploration and Development Corporation" ("TEDC"). The change in trade name was effected to reflect the TMEC's transition from exploration to actual commercial operation. This amendment was approved by the SEC on December 23, 2009. TMEC is a coal mining and energy related business. TMEC spent its first few years of operations on the acquisition and exploration of its COCs. TMEC acquired COC #159 on September 16, 2009 and COC #166 on November 18, 2009 under the Philippine Energy Contracting Round ("PECR") of 2009.

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

TMEC commissioned an independent consulting mining engineer, Engr. Rafael R. Baladad, in June 2012 to conduct a Preliminary Feasibility Study ("Pre-Feasibility Study") on the combined 214-hectare block from Bactinan and Old Macopa for its Davao Oriental Project. Based on this study, as a result of the exploration activities, the Davao Oriental Project has total reserves of 7.0 MMT, as follows:

Table 1: Coal Reserves of Davao Oriental	
Proved Reserves	1.0 MMT
Probable Reserves	6.0 MMT
Total Reserves	**7.0 MMT**

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

The estimates of the resources are summarized below:

Table 2: Coal Resources of Davao Oriental and Zamboanga-Sibugay

	Davao Oriental	Zamboanga-Sibugay	Total
M&I Resources	7.1 MMT	1.2 MMT	8.3 MMT
Inferred Resource	5.6 MMT	2.3 MMT	7.9 MMT
Remaining Potential Deposits	59.3 MMT	47.6 MMT	106.9 MMT

Please refer to the sub-section entitled "Activities Conducted in the COCs" on page 90 of this Prospectus for a complete discussion of the activities undertaken by TMEC.

As a result of the exploration activities of TMEC, it posted a net income of ₱5.0 million for the year December 31, 2011 and ₱2.0 million for the six (6) –month period ended June 30, 2012.

TMEC plans to enter the development and production phase by the second half of 2013. The development and production phase, as defined in TMEC's COCs, is the stage in the COC during which the operator conducts activities necessary to reach and extract the coal deposits, including but not limited to shaft sinking, tunneling, and open-pit mining, as well as the beneficiation and transportation of the coal up to the delivery point.

COAL intends to use its IPO proceeds to fully fund TMEC's planned exploration, development, and production in the Davao Oriental Project. Furthermore, COAL plans to use a portion of the IPO proceeds to partially fund its planned exploration in the Zamboanga-Sibugay Project.

Coal Operating Contracts

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

The following table presents the COCs of the Company:

Table 3: Summary of Coal Operating Contracts of TMEC

COC	Coal Block Nos.	Applicant/ Owner	Date Awarded	Original Expiration Date	Current Expiration
Davao Oriental Project					
159 (Manay and Tarragona, Davao Oriental)	CB- 136 CB-137	TMEC	September 16, 2009	September 15, 2011 (2 years Exploration)	September 15, 2013 (2 Years Extension)
	CB-176 CB-177 CB-178				
	CB- 217 CB- 218				

Table 3: Summary of Coal Operating Contracts of TMEC					
COC	**Coal Block Nos.**	**Applicant/ Owner**	**Date Awarded**	**Original Expiration Date**	**Current Expiration**
Zamboanga-Sibugay Project					
166 (Diplahan-Buug, Zamboanga-Sibugay)	CB-280	TMEC	November 18, 2009	November 17, 2011 (2 years Exploration)	November 17, 2013 (2 years Extension)
	CB-320				
	CB-241				
	CB-281				
	CB-359				

The Davao Oriental Project encompasses seven (7)adjoining 1,000-hectare Coal Blocks for a total area of 7,000-hectares and is covered by COC #159, which was awarded by the DOE to TMEC, then called TEDC, on September 16, 2009. This contract covers an Exploration Phase of two (2) years, which may be extended for another period of two (2) years, and a Development/Production Phase of 32 years. This COC was renewed by the DOE for another period of two (2) years, commencing from September 16, 2011 and expiring on September 15, 2013, subject to several conditions to include the conduction and completion of exploration work commitments. The development and production phase will commence upon the DOE's validation of the resource estimate made by TMEC.

The summary of the Davao Oriental Project based on its CPR dated April 4, 2012 is as follows:

Table 4: Davao Oriental Project Summary	
Location	Municipality of Manay, Davao Oriental
Primary Product	Thermal Coal
Proved Reserves	1.0 MMT
Probable Reserves	6.0 MMT
Total Reserves	**7.0 MMT**
M&I Resources	7.1 MMT
Inferred Resource	5.6 MMT
Remaining Potential Deposit	59.3 MMT
Potential Deposit	**72.0 MMT**
Strip Ratio	10:1
Stage	Pre-Feasibility
Heating Value	8,582 BTU/lb.
Ash Content	8.00%
Sulfur Content	0.80%
Moisture	7.00%

The Company's Pre-Feasibility Study dated June 2012 estimates that the Davao Oriental deposit has Proven Reserves of 1.0 MMT and Probable Reserves of 6.0 MMT.

The Zamboanga-Sibugay Project encompasses four (4) 1,000-hectare Coal Blocks for a total area of 6,000-hectares and is covered by COC #166, which were awarded by the DOE to TMEC, then called TEDC, on November 18, 2009. This contract covers an exploration phase of two (2) years, which may be extended for another period of two (2) years, and a development and production phase of 32 years. At present, COC #166 was renewed by the DOE for another period of two (2) years, commencing from November 18, 2011 and expiring on November 17, 2013 subject to several conditions to include the conduction and completion of exploration work commitments. The development and production phase will commence upon the DOE's validation of the resource estimate made by TMEC.

The summary of the Zamboanga-Sibugay Project based on its CPR dated April 26, 2012 is as follows:

Table 5: Zamboanga-Sibugay Project Summary	
Location	Municipalities of Diplahan, Buug, and Siay, Province of Zamboanga-Sibugay
Primary Product	Thermal Coal
M&I Resources	1.2 MMT
Inferred Resource	2.3 MMT
Remaining Potential Deposit	47.6 MMT
Potential Deposit	**51.1 MMT**
Stage	Resource Development and Project Scoping
Heating Value	11,603 BTU/lb.
Ash Content	15.00%
Sulfur Content	0.30 – 0.80%
Moisture	3.00%

Competitive Strengths

Coal Reserves and Resources

Davao Oriental Project

As of the date of this Prospectus, TMEC has Proved and Probable Reserves of 7.0 MMT for the Davao Oriental Project based on the Pre-Feasibility Study dated June 2012 prepared by Engr. Rafael R. Baladad. The said Reserves have an estimated market value of ₱23.0 billion based on coal prices of US$78.50 per metric ton and a peso-dollar exchange rate of ₱42.00. Engr. Baladad is an independent consulting mining engineer with no Competent Person ("CP") Accreditation. Mr. Enrique C. Payawal, TMEC's in-house CP-Geologist and Vice President for Exploration, determined TMEC to have 7.1 MMT of M&I Resources and 5.6 MMT of Inferred Resource based on his Internal Geologic Report dated April 2012.

The following table shows that TMEC has a total of 7.0 MMT of Proved and Probable Reserves for the Davao Oriental Project based on a small 214-hectare area from Old Macopa to Bactinan alone.

Table 6: Proved and Probable Coal Reserves for COC #159 Davao Oriental			
	Surface	**Underground**	**Total**
Proved	0.5 MMT	0.5 MMT	1.0 MMT
Probable	3.0 MMT	3.0 MMT	6.0 MMT
Total	**3.5 MMT**	**3.5 MMT**	**7.0 MMT**

These reserves are spread across a large land-base consisting of multiple deposits that mitigate resource risk. These reserves, which can be extracted through open-pit and underground mining, have been analyzed as market-ready – i.e. not requiring blending with high-quality imported coals, allowing quick mine-to-market ramp-up within the first three (3) to six (6) months of operation.

The table below, on the other hand, shows that the estimated M&I Resources for the Davao Oriental Project is 7.1 MMT and the Inferred Resource is 5.6 MMT based on drilling of mini-basins in Barangay Old Macopa and Bactinan in Davao Oriental.

Table 7: Coal Resources of Davao Oriental		
	Coal Volume	**Heating Values**
M&I Resources	7.1 MMT	8,582 BTU/lb

Inferred Resource	5.6 MMT	8,301 BTU/lb

Finally, the table below shows the estimated Potential Deposit for the Davao Oriental Project.

Table 8: Estimated Potential Deposit for COC #159

Coal Basin	Area (in hectares)	Coal volume (in MMT)
KN-1	275.5	n.a.
BB-2	50.0	1.3
ABB-2A	4.4	n.a.
BT-3	60.0	4.0
BE-4	35.0	2.6
AN-5	29.2	n.a.
TY-6	250.0	7.1
TY-6A	14.5	n.a.
OM-7	650.0	46.6
OM-7A	560.0	1
LK-8	7.0	n.a.
LK-9	12.2	n.a.
LK-10	2.1	n.a.
Total	**1,960.1**	**72.0**

Differences are due to rounding off.

Zamboanga-Sibugay Project

The table below shows that the estimated M&I Resources for the Zamboanga-Sibugay Project is 1.2 MMT and the Inferred Resource is 2.3 MMT.

Table 9: Coal Resources Zamboanga-Sibugay

	Coal Volume	Heating Values
M&I Resources	1.2 MMT	11,603 BTU/lb
Inferred Resource	2.3 MMT	11,603 BTU/lb

The table below shows that the estimated Potential Deposit for COC #166 is 30.6 MMT.

Table 10: Total Potential Deposit for COC #166 Zamboanga-Sibugay

COC #	Area of Basin	Coal Volume
166	547 hectares	30.6 MMT
Total	**967 hectares**	**51.1 MMT**

TMEC has a total of over 120.0 MMT of Potential Deposit for both the Davao Oriental and Zamboanga-Sibugay Projects.

Presence of High-Grade Quality Coal

The CPR-Davao Oriental Project shows the following values:

Table 11: Davao Oriental Project Coal Quality	
Strip Ratio	10:1
Stage	Pre-Feasibility
Heating Value	8,582 BTU/lb.
Ash Content	8.00%
Sulfur Content	0.80%
Moisture	7.00%

Two (2) coal seams were analyzed within the coal basin of COC #159. Seam A has a thickness of 1.28- to 4.57-meters as identified in five (5) cored holes and three (3) coal outcrops. Seam B varies from 0.9- to 7.11-meters and has been located in two (2) outcrops and five (5) cored holes. The dip angles of the coal seams vary from 20° to 30°. The average heating value of the sample taken from the coal outcrops is 8,582 BTU/lb., with an average total sulfur content of 0.80% and ash content of 8.00%.

The CPR-Zamboanga-Sibugay Project shows the following values:

Table 12: Zamboanga-Sibugay Project Coal Quality	
Stage	Resource Development and Project Scoping
Heating Value	11,603 BTU/lb.
Ash Content	15.00%
Sulfur Content	0.30 – 0.80%
Moisture	3.00%

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

Ideal Location for Mining

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

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

The peace and order situation in the TMEC's area of operation is relatively quiet and conducive to business. There have been no recorded attacks on TMEC's mine sites in Davao Oriental and Zamboanga-Sibugay. The Davao Oriental Project site is, in fact, less than five (5) kilometers away from a military detachment.

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

Experienced Technical Management and Staff

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

In the future, as TMEC expands its exploration work and mining activities, it will add more senior geologists and mining engineers as the need arises.

Experienced Executive Management

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

Business Plan

Exploration Work

Initial surface geologic mapping in COC #159 in Manay, Davao Oriental delineated ten (10) coal-bearing paralic basins with a Potential Deposit of 72.0 MMT. Sub-surface exploration via diamond drilling of two (2) of the ten (10) identified targets in June 2012 delineated a total M&I Resources of 7.1 MMT and Inferred Resource of 5.6 MMT and 7.0 MMT of Proved and Probable Reserves over a 214-hectare block using 28,000 MT coal yield per hectare as determined during the preparation of the Pre-Feasibility Study covering the drilled areas of the two (2) paralic basins.

The next phase of subsurface exploration will cover the extent of the two (2) paralic basins in Barangay Bactinan and Old Macopa, with 87-additional drill holes, which will further increase the estimated resources within the specific areas.

Surface exploration in COC #166 in Zamboanga-Sibugay identified one (1) paralic basin in the COC with a Potential Deposit of 30.6 MMT. Subsequent diamond drilling activities conducted at COC #166 blocked a total M&I Resources of 1.2 MMT and Inferred Resource of 2.3 MMT.

Diamond drillings in COC #159 are on-going.

Development Plan

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

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

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

Mining Plan and Layout

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

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

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

Production and Operational Parameters

The following initial operating parameters are planned for the 214-hectare area covered by the Pre-Feasibility Study for the Davao Oriental Project.

Table 13: Production and Operational Parameters	
Total Coal Surface Reserves	3 MMT assumed at 90.00% recovery
Mine Life	5-years
Annual Production	600,000 MT (average)
Monthly Production	50,000 (average)

Subsidiary

Titan Mining and Energy Corporation

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

TMEC currently has two (2) COCs in Mindanao, Philippines, namely COC #159 in Davao Oriental and COC #166 in Zamboanga-Sibugay, both in the mining exploration phase. The Davao Oriental Project is already in the Pre-Feasibility Stage as of June 2012, and has proved and probable reserves of 7.0 MMT and Potential Deposit of 72.0 MMT. The Zamboanga-Sibugay Project is in the advanced exploration stages, with Potential Deposit of 30.6 MMT. TMEC will directly conduct a Feasibility Study towards the end of the exploration period to determine the economic viability of developing the Zamboanga-Sibugay Project.

Key Affiliates in the Mining and Energy Industry

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

Pacifico Sul Mineraçao Corporation

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

Colossal Petroleum Corporation

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

Risks of Investing

Mining is a business that has been associated with several types of risks. Before making an investment decision, investors should carefully consider the risks associated with an investment in the Offer Shares. These risks include: (1) risks related to the Company and its subsidiary; (2); risks related to the Company's COCs; (3) risks related to the Philippines; and (4) risks related to the Shares.

Specifically, the risks are as follows, listed in the order of importance:

a) Risks Related to the Company and its subsidiary
    1. Risks Inherent in the Mining Business
    2. Exploration and Future Coal Reserves
    3. Estimation of Coal Resources and Reserves and the Valuation of Coal Reserves
    4. Drilling and Mining Equipment
    5. Customer Demand
    6. Coal Price
    7. Foreign Exchange
    8. Domestic and International Competition
    9. Limited Operating History and Track Record
    10. Reliance on Key Personnel
    11. Labor Matters
    12. Philippine Laws and Regulations
    13. Taxation

b) Risks Related to the Company's COCs
    1. Expiration of COCs
    2. Environmental Protection, Safe Mining Operations, and Social and Economic Development
    3. Third Party Claim on Specified Areas Defined in COCs

c) Risks Related to the Philippines
    1. Political or Social Instability in the Philippines
    2. Terrorist and Insurgent Group's Activities in the Philippines
    3. Anti-Mining Groups
    4. Occurrence of Natural Catastrophes or Blackouts

5. Foreign Exchange Controls

d) Risks Related to the Shares
    1. Listing of Offer Shares on the PSE
    2. Trading and Liquidity
    3. Market Volatility

Please refer to the section entitled "Investment Consideration and Risk Factors" starting on page 25 of this Prospectus for a complete discussion of the foregoing risks, which, while not intended to be an exhaustive enumeration of all the risks, must be considered in connection with a purchase of the Offer Shares.

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Summary of Financial Information

The shareholders of COAL and TMEC executed a deed of assignment of shares resulting to the 100.00% ownership of TMEC by COAL on May 28, 2012. The pro-forma financial information provides investors with information on the impact of the deed of assignment of shares showing how this transaction might have affected the historical financial statements of TMEC if the transaction had been consummated at an earlier time.

The following table presents the summary pro-forma financial information of COAL and should be read in conjunction with Pro-Forma Consolidated Financial Information as of December 31, 2011 and for the six months ended June 30, 2012 and the year ended December 31, 2011.

The information below is not necessarily indicative of the results of future operations or financial condition of the Company.

Table 14: COAL's Summary Consolidated Pro-Forma Financial Information

Amounts are in ₱0.00	Dec. 31, 2011	June 30, 2012
Consolidated Pro-Forma Statement of Comprehensive Income		
Sales	21,837,655	13,408,888
Cost of Sales	12,986,847	6,733,874
Gross Profit	8,850,808	6,675,014
Operating Income	2,579,360	2,905,406
Income (loss) before income tax	2,582,079	2,906,517
Net Income (loss)	4,906,304	2,031,895
Consolidated Pro-Forma Statement of Financial Position[1]		
Assets		
Cash	1,353,149	1,349,952
Trade and other receivables	613,996	263,787
Coal Inventory	1,207,801	533,313
Advances to affiliates	1,733,383	1,763,197
Prepayments and other current assets	102,596	576,041
Total Current Assets	**5,010,925**	**4,486,290**
Exploration and evaluation assets	71,695,049	95,953,793
Property, Plant and Equipment –net	46,425,162	43,664,638
Coal Reserves	3,133,771,458	3,131,596,101
Deferred tax asset	2,324,225	1,583,103
Total Non-Current Assets	**3,254,215,894**	**3,272,797,635**
TOTAL ASSETS	**3,259,226,819**	**3,277,283,925**
Liabilities and Equity		
Trade and other payables	22,741,052	22,342,072
Advances from an affiliates	46,214,947	64,456,245
Income tax payable	-	133,500
Total Current Liabilities	**68,955,999**	**86,931,817**
Retirement benefit liability	483,900	698,650
Total Non-Current liabilities	**483,900**	**698,650**
Capital Stock	3,200,000,000	3,200,000,000
Deficit	(10,213,080)	(10,346,542)
Stockholder's equity	**3,189,786,920**	**3,189,653,458**
TOTAL LIABILITIES AND EQUITY	**3,259,226,819**	**3,277,283,925**
Key Indicators		
Revenue Growth (%)	1141.15%	-38.60%
Gross Profit Margin (%)	40.53%	49.78%
Net Income Margin (%)	22.47%	15.15%
Return on Asset (%)	0.15%	0.06%
Return on Equity (%)	0.15%	0.06%
Current Ratio (x)	0.07	0.05
Total Liabilities to Equity (x)	0.02	0.03
Earnings Per Share(Basic) (₱0.00)	0.00	0.00
Book Value Per Share (₱0.00)	1.00	1.00

Differences in decimal numbers are due to rounding off.

[1]The Statement of Financial Position as of June 30, 2012 is audited and not pro-forma.

TERMS OF THE OFFER

Offer Shares	COAL is offering for subscription 800,000,000 primary Common Shares to be issued out of the existing authorized capital stock. The Offer Shares have a par value of ₱1.00 per share and enjoy equal rank, preference, and priority with the existing issued and outstanding Common Shares of the Company.
Offer Price	The Offer Shares are being offered at the price of ₱1.00 per Offer Share, which is equivalent to the par value of the Company's Shares. Please see section "Determination of Offer Price" on page 44.
Payment Terms	The Offer Shares must be paid for in full upon submission of the Application and the requisite attachments. Payment for the Offer Shares shall be made either by: (i) a personal or corporate check/s drawn against an account with a BSP authorized bank at any of its branches located in Metro Manila; or (ii) a managers' or cashiers' check issued by such authorized bank. Checks must be made payable to the order of "**Coal Asia Holdings Incorporated IPO**" crossed "Payee's Account Only" and dated as of the date of the Application.
Offer Period	The Offer Period shall commence at 9:00 a.m. of October 9, 2012 up to 12:00 noon of October 15, 2012. COAL and the Issue Manager and Underwriter reserve the right to extend or terminate the Offer Period at any time subject to prevailing market conditions and the approval by the SEC and the PSE. The duration of the Offer Period shall be five (5) banking days, unless sooner terminated or extended by COAL. Thus, if, for any reason, any day of the Offer Period is a non-banking day, the Offer Period shall automatically be extended to the next succeeding banking day/s.
Eligible Applicant and Restrictions on Ownership	The Offer Shares may be subscribed to or held by any person of legal age or duly organized and existing corporation, partnerships, or other corporate entities regardless of nationality. However, because COAL's wholly owned subsidiary, TMEC, is engaged in the exploitation of natural resources, the Philippine Constitution and related statutes limit foreign ownership in TMEC to a maximum of 40.00% of its outstanding capital stock entitled to vote. Since COAL owns more than 60.00% of the outstanding capital stock of TMEC entitled to vote, then COAL must be a Philippine National in order for TMEC to comply with the restrictions on foreign ownership. Accordingly, COAL cannot allow the issuance or the transfer of shares to persons other than Philippine Nationals and cannot record transfers in the books of COAL if such issuance or transfer would result in COAL ceasing to be a Philippine National for purposes of complying with the restrictions on foreign ownership described above.

Minimum Subscription

The Offer Shares may be subscribed at a minimum of 1,000 Offer Shares and, thereafter, in multiples of 1,000 Offer Shares. No application for multiples of any other number of Offer Shares shall be considered.

Application

The application forms to subscribe to the Offer Shares may be obtained from Abacus Capital & Investment Corporation or any Selling Agent listed in the Prospectus.

All applications (the "Application") shall be evidenced by the Application to Subscribe form, duly executed in each case by an authorized signatory of the Applicant and accompanied by:

a) one (1) completed signature card;
b) the corresponding payment for the Offer Shares covered by the Application; and
c) photocopy of two (2) valid identification cards (IDs) for each signatory, one (1) of which should be a government ID;

Applications must be received by the Receiving Bank not later than 12:00 noon of October 15, 2012. Applications received thereafter or without the required documents will be rejected.

Other Documentary Requirements for Corporate Applicants

If the Applicant is a corporation, partnership, or trust account, the Application must be accompanied by the following documents:

a) A duly executed signature card authenticated by the corporate secretary of the Applicant corporation;
b) a certified true copy of the Applicant's latest Articles of Incorporation and By-Laws;
c) a certified true copy of the SEC Certificate of Registration of the Applicant, duly certified by its corporate secretary; and
d) a duly notarized corporate secretary's certificate that sets forth:
    1) the resolution of the Applicant corporation's Board of Directors authorizing the purchase of the Offer Shares subject of the Application and designating signatories for the purpose; and
    2) The specimen signatures of such designated signatories.

Requirements for Non-Resident Individual or Foreign Corporate and Institutional Applicants

In addition to the requirements for corporate applicants, non-resident individuals or foreign corporate and institutional Applicants are required to submit together with the Application, a representation and warranty stating that their investing in the Offer Shares being applied for will not violate the rules and jurisdiction, and that they are allowed to acquire or invest in the Offer Shares.

Right to Accept, Reject, and Scale Down Applications

The actual number of Offer Shares subject of the Application to Subscribe forms shall be subject to confirmation by the Issue Manager and Underwriter and the final approval of COAL. COAL and the Issue Manager and Underwriter reserve the right to accept, reject, or scale down the number and amount of Offer Shares covered by the Application. COAL and the Issue Manager and Underwriter have the right to reallocate available Offer Shares in the event that the Offer Shares are insufficient to satisfy the total applications received. The Offer Shares will be allotted in such a manner as COAL and the Issue

	Manager and Underwriter may, in their sole discretion, deem appropriate, subject to the distribution guidelines of the PSE. Applications received after the expiration of the Offer Period or any extension thereof or Applications with incomplete requirements shall be rejected. Applications where checks are dishonored upon first presentation and Applications that do not comply with the terms of the Offer shall be rejected. Any payment received pursuant to the Application does not mean approval or acceptance by COAL of the Application. Notwithstanding the acceptance of any Application, the actual subscription of the Offer Shares by the Applicant will be effected only upon the Listing of the Offer Shares at the PSE.
Refunds	In the event that the number of Offer Shares to be received by an Applicant, as confirmed by the Issue Manager and Underwriter, is less than the number covered by its Application, or if an Application is rejected by the Company, COAL shall refund, without interest, via check payable to the Applicant (or in case of joint Applicants to the first named Applicant) and crossed "Payee's Account Only", within five (5) banking days from the end of the Offer Period, all, or a portion of the payment corresponding to the number of Offer Shares wholly or partially rejected. Such refund check shall be made available for pickup at the Receiving Bank's offices five (5) days after the end of the Offer Period. Refund checks that remain unclaimed after 30 days from the date such checks are made available for pickup shall be mailed at the Applicant's risk to the address indicated in the Application.
Registration and Lodgment of Common Shares with the PDTC	All shares are required to be lodged with the Philippine Depository and Trust Corp.. (the "PDTC"). The Applicants must provide the required information in the space provided in the Application to effect the lodgment. The Offer Shares will be lodged with the PDTC at least two (2) trading days prior to the Listing Date. The Applicant may request for the uplifting of their shares and to receive stock certificates evidencing their investment in the Offer Shares through his/her broker after the Listing Date. Any expense to be incurred by such issuance of certificates shall be borne by the Applicant.
Issuance and Transfer Taxes	All fees of the Stock Transfer Agent, documentary stamp or other taxes, and other expenses that may be incurred in connection with the sale of the Offer Shares and the lodgment of the shares, shall be for the account of COAL.
Restriction on Issuance and disposal of shares	The Company's existing stockholders who own at least 10.00% of the outstanding shares of stock shall enter into an escrow agreement with an escrow agent not to sell, assign, or in any manner dispose of their shares for a period of 180 days after Listing Date. Furthermore, shares issued and fully paid for within 180 days prior to the start of the Offer Period, with a transaction price lower than that of the Offer Price in the IPO shall likewise be locked up for at least 365 days from full payment of said shares.

In accordance with the PSE revised listing rules, the following are covered by the lock-up requirement:

Shareholder	*No of Shares*	*% of Ownership Pre-IPO*
Dexter Y. Tiu	640,000,000	20.00%
Jaime T. Ang	640,000,000	20.00%
Alexander Y. Tiu	640,000,000	20.00%
Gertim G. Chuahiong	640,000,000	20.00%
Eric Y. Roxas	640,000,000	20.00%
	3,200,000,000	**100.00%**

Registration of Foreign Investments

The BSP requires that investments in shares of stock funded by inward remittance of foreign currency be registered with the BSP if the foreign exchange needed to service capital repatriation or dividend remittance will be sourced from the banking system. The registration with the BSP of all foreign investments in the Offer Shares will be the responsibility of the foreign investors. See "Philippine Foreign Investments, Exchange Controls, and Foreign Ownership," starting on page 173 of this Prospectus.

Listing and Trading

It is expected that the Offer Shares shall be listed on the PSE on October 23, 2012, and trading is expected to commence on the same date.

In the event that the shares are not listed in the PSE for any reason, COAL shall return the payments made by the Applicants for the Offer Shares under their respective Applications without interest.

Timetable

The timetable of the Offer is scheduled as follows:

Start of Offer Period ..... October 9, 2012

Deadline for Submission of Firm Commitment for Trading Participants ..... October 11, 2012

Deadline for Submission of Applications for Trading Participants, LSIs, and the General Public ..... October 15, 2012

End of Offer Period ..... October 15, 2012

Date of Lodgment of Shares with PDTC ..... October 22, 2012

Listing Date and Commencement of trading on the PSE ..... October 23, 2012

INVESTMENT CONSIDERATION AND RISK FACTORS

Before making an investment decision, prospective investors should carefully consider the risks described below in addition to the other information set forth in this Prospectus. However, this section does not purport to disclose all risks and other significant aspects of investing in the Offer Shares. Investors deal in a range of investments, each of which may carry a different level of risk. The occurrence of any of the events discussed below and any additional risks and uncertainties not presently known to the Company or that are currently considered immaterial could have a material adverse effect on the Company's business, results of operations, financial condition and prospects and may cause the market price of the Offer Shares to fall significantly.

The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performances. There is an extra risk of losing money when securities are bought from smaller companies. There may be a big difference between the buying and selling price of these securities.

The Prospectus contains forward-looking statements, which involve risks and uncertainties. The Company's actual results may differ materially from the results discussed in the forward-looking statements as a result of certain factors that may include, but are not limited to, those discussed below. Certain terms used in this description of risk factors are defined elsewhere in this Prospectus.

An investor should seek professional advice if he or she is uncertain of, or has not understood any aspect of the securities to be invested in or the nature of risks involved in trading of securities, especially in the trading of high-risk securities. Investors should undertake independent research regarding the Company and the trading of securities before commencing any trading activity and may request all publicly available information regarding the Company and the Offer Shares from the SEC. Each investor should consult his/her own counsel, accountant, and other advisors as to legal, tax, business, financial, and other related aspects of an investment in the Offer Shares.

The following risks are listed in the order of importance and discuss fully the factors that make the offering speculative or risky.

Risks Related to the Company and its Subsidiary

Risks Inherent in the Mining Business

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

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

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

Risks Related to Exploration and Future Coal Reserves

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

TMEC is currently at the advanced stage of exploration. As of the date of this Prospectus, and in the areas where the Company has conducted sufficient exploration and drilling work, it estimates that the Davao Oriental Project has Proved Reserves of 1.0 MMT, Probable Reserves of 6.0 MMT, M&I Resources of 7.1 MMT, an Inferred Resource of 5.6 MMT, and remaining Potential Deposit of 59.3 MMT. It also estimates its Zamboanga-Sibugay to have an M&I Resources of 1.2 MMT, an Inferred Resource of 2.3 MMT, and remaining Potential Deposit of 47.6 MMT.

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

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

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

The Company bases the estimation of the coal resources in COC #159 on the Internal Geologic Report for the Davao Coal Project dated April 4, 2012, authored by Mr. Enrique C. Payawal, an accredited Competent Person by the Geological Society of the Philippines and TMEC's Vice President of Exploration and Mining and the coal resources in COC #166 and COC #167 on the Internal Geologic Report for the Zamboanga-Sibugay Project dated April 26, 2012, authored by Ms. Gizella Greta D.J. Gonzales, TMEC's Senior Geologist, and reviewed and verified by Mr. Enrique C. Payawal. The aforementioned reports comply with the Philippine Mineral Reporting Code ("PMRC") and its implementing rules and regulations.

The Company bases the estimation of the coal reserves in COC #159 on the Pre-Feasibility Study completed on June 2012 by Engr. Rafael R. Baladad, an independent consulting mining engineer.

Risks Related to Drilling and Mining Equipment

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

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

Risks Related to Customer Demand

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

customers. This may have an adverse impact on the revenues of the Company.

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

TMEC has already signed a Memorandum of Agreement with a Chinese thermal power plant owner for a 10-year supply of coal equivalent to 600,000 MT per year. TMEC will fulfill its commitment under this agreement through its planned production in Davao Oriental.

Risks Related to Coal Price

The viability of the Company's and its subsidiary's business is highly dependent on the price of coal, the sale of which is the primary source of TMEC's revenues. As a globally traded commodity, the price of coal can be quite volatile and its price is affected by numerous factors, including demand from customers, changes in domestic and international coal supply conditions, the price of alternative fuels, among many other factors. In recent years, the price of coal has seen a significant spike driven by strong demand from the rapidly developing economies of China and India. There can be no assurance however, that the currently favorable world coal prices will be sustained. Furthermore, a substantial and extended decline in the price of coal will reduce TMEC's earnings potential.

Risks Related to Foreign Exchange

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

Risks Related to Domestic and International Competition

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

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

Relative to imported foreign coal, and considering the cost of shipping and other logistics costs and duties and taxes imposed on coal imports, the Company believes that it has cost advantages for coal of equivalent quality. Furthermore, Indonesia, the leading exporter of thermal coal in the world, is mulling legislation that will: (a) ban the export of thermal coal with a heating value of 10,250 BTU/lb. and below by 2014; (b) levy additional taxes on the export of thermal coal; and (c) impose a domestic market quota for coal producers. Such developments in Indonesia would potentially benefit the Company, as Indonesia is one of the primary sources of thermal coal for the country given its proximity. Lastly, countries such as India have banned the export of coal to preserve their huge coal reserves for their own domestic use.

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

Risks Related to Limited Operating History and Track Record

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

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

TMEC commenced surface investigation exploration on COC #159 during two periods from October to November 2009 and May to June 2010, which resulted in the identification of coal exposures/outcrops. Trenches were dug along major coal exposures and estimates were set resulting in an initial report on estimated Potential Deposit of 53 MMT in June 2010. A second surface investigation conducted by Mr. Arturo A. Ona, an independent consulting geologist, under NI-43101 from Nevada, USA on June 2011 on the mudstone "islands" gave a figure of about 68 MMT tons of coal. An initial 10 probes/exploratory DDH programmed for Bactinan and Old Macopa areas with mudstone units (two (2) out of 13 mudstone potential coal bearing areas) were initiated in late November 2010. A second drilling program was undertaken in August 2011 where nine (9) holes were drilled with seven (7) holes intercepting coal seams at depth. In April 2012, Mr. Enrique C. Payawal, TMEC's Vice President for Exploration and an accredited Competent Person-Geologist, conducted a field geological investigation to determine the resources in COC #159. The results of the investigation were collated and reported through an Internal Geologic Report. The report provides that out of the 72.0 MMT Potential Deposit identified during the surface exploration (mapping), the results of the diamond drilling (subsurface exploration) provides TMEC to have estimated M&I Resources of 7.1 MMT and Inferred Resource of 5.6 MMT. The remaining Potential Deposit for the Davao Oriental Project is 59.3 MMT. A Pre-Feasibility Study was completed in June 2012 by an independent consulting mining engineer, Engr. Rafael R. Baladad on a combined 214-hectare block from Bactinan and Old Macopa identifying total Probable and Proved Reserves of 7.0 MMT.

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

Notwithstanding the limited operating history and track record, the management of the Company and TMEC believe that its organization, business systems and processes, have been built up substantially to the level adequate for full-scale coal mining operations.

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

Risks Related to Reliance on Key Personnel

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

Risks Related to Labor Matters

TMEC is naturally exposed to the risk of industrial or labor disputes. At present, 22 of the rank and file employees are regular and 32 are probationary. Furthermore, once TMEC starts production, it will need to employ more workers.

At present, TMEC's labor force in all locations is not unionized, hence the risk of work stoppage due to strikes or similar concerted action is mitigated. The Company complies with all the labor laws, rules, and regulations, thus avoiding any significant dispute with its workers. The Company's management believes that current relations between the Company and its employees are generally good. None of the employees is under any collective bargaining agreement. The Company has not experienced any work stoppage or strike since it started operations. See the section entitled "Employees" on page 96 of this Prospectus.

Risks Related to Philippine Laws and Regulations

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

On July 6, 2012, President Benigno S. Aquino III issued E.O. 79 entitled, "Institutionalizing and Implementing Reforms in the Philippine Mining Sector Providing Policies and Guidelines to Ensure Environmental Protection and Responsible Mining in the Utilization of Mineral Resources". E.O. 79 pertains to the mining sector but it does not cover coal mining as the latter is covered under PD 972, or the Coal Development Act, while E.O. 79 pertains to mining activities under RA 7492, or the Philippine Mining Act of 1995.

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

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

Risks Related to Taxation

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

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

TMEC is currently in the process of filing an application for registration with the Board of Investments under the Omnibus Investment Code of 1987 for the exploration and development of indigenous thermal coal in Davao Oriental and Zamboanga-Sibugay as a new producer of coal under the 2012 Investment Priorities Plan.

There is no guarantee, however, that the existing tax regime will remain, and that no changes will be implemented that will be adverse to the Company's operations.

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

Risks Related to the Company's COCs

Risks Related to Expiration of COCs

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

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

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

Table 15: Summary of Coal Operating Contracts of TMEC					
COC	**Coal Block Nos.**	**Applicant**	**Date Awarded**	**Original Expiration Date**	**Max. Extension**
Davao Oriental Coal Operating Contract					
159	CB- 136 CB-137	TMEC	September 16, 2009	September 15, 2011 (2 years Exploration)	September 15, 2013 (2 Years Extension)
	CB-176 CB-177 CB-178				
	CB- 217 CB- 218				
Zamboanga-Sibugay Coal Operating Contracts					
166	CB-280	TMEC	November 18, 2009	November 17, 2011 (2 years Exploration)	November 17, 2013 (2 years Extension)
	CB-320				
	CB-241				
	CB-281				
	CB-359				

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

TMEC is in the process of fulfilling their respective obligations as regards the COC and satisfying the terms and conditions of the COCs, including the requirements of the DOE in connection therewith. For the Davao Oriental Project, as a pre-requisite to enter the development and production phase, TMEC plans to complete the Feasibility Study by the second quarter of 2013. For the Zamboanga-Sibugay Project, TMEC plans to complete the Feasibility Study by the second quarter of 2014 to be able to enter the development and production phase.

TMEC plans to enter the development and production phase by the second half of 2013 for the Davao Oriental Project and second half of 2014 for the Zamboanga-Sibugay Project. COAL intends to use its IPO proceeds to fully fund TMEC's planned exploration, development, and production in the Davao Oriental Project and use a portion of it to partially fund its planned exploration in the Zamboanga-Sibugay Project. If TMEC suddenly can not proceed to the development/production phase for some unexpected reason, the Company's long term business performance and eventually, its viability will be put to risk. To address this risk, TMEC continues to fulfill and comply with, and even exceed, the conditions that the DOE set forth in the COCs it granted toTMEC. These conditions include the conduction and completion of exploration work commitments and financial investments in the coal projects. Thus, with the proceeds coming from the IPO and the Company's good standing with the DOE as regards its COCs, the Company is confident that it will be able to secure the COC for the development/production stage by the second half of 2013 for the Davao Oriental Project and by the second half of 2014 for the Zamboanga-Sibugay Project.

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

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

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

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

Risks Related to the Philippines

Risks Related to Political or Social Instability in the Philippines

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

President Benigno S. Aquino III was elected President of the Philippines after the presidential elections held on May 10, 2010. There is no assurance that the new President of the Philippines will continue to implement the economic policies favored by the previous administration. Any potential instability could have an adverse effect on the Philippine economy, the Company's business, and the Company's results of operations and financial condition.

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

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

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

Risks Related to Anti-Mining Groups

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

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

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

Risks Related to Occurrence of Natural Catastrophes or Blackouts

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

Risks Related to Foreign Exchange Controls

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

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

Risks Related to the Shares

Risks Related to Listing of Offer Shares on the PSE

The subscribers of the Offer Shares are required to pay for their subscription upon submission of their Applications during the Offer Period. Although the PSE has approved the Company's application to list the Offer Shares, there can be no guarantee that listing will occur on the anticipated listing date or at all. Delays in the commencement of trading in shares of the PSE have occurred in the past. If the PSE does not list the Offer Shares, the market for the Offer Shares will be illiquid and shareholders may not be able to trade the Offer Shares. However, they would be able to sell their shares by negotiated sale. This may materially and adversely affect the value of the Offer Shares.

Risks Related to Trading and Liquidity

The Company's common stock will be traded in the PSE. Trading of the Offer Shares, however, is not expected to commence until 10 calendar days after the end of the Offer Period, thereby making an investment in the Offer Shares illiquid before said date.

There can be no assurance that a holder of the Offer Shares will be able to dispose of such Offer Shares in a timely manner. As a result, a holder of such Offer Shares may not be able to take full advantage of market gains during periods of share price increases and conversely, may not be able to limit losses during periods of sharp price declines.

Risks Related to Market Volatility

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

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

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USE OF PROCEEDS

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

The following table shows the breakdown of the Offer proceeds:

Table 16: Breakdown of Proceeds from Offer

Particulars	Amount
Gross Proceeds	₱800,000,000
Estimated Offer Expenses	73,131,250
Total	**₱726,868,750**

The subsequent table shows the estimated breakdown of the expenses to the Offer:

Table 17: Breakdown of Estimated Offer Expenses

Particulars	Amount
Taxes	₱40,536,000
Issue Management and Underwriting Fees	24,000,000
PSE Listing and Processing Fees	4,050,000
SEC Registration and Filing Fees	1,580,650
Estimated Legal, Audit, and Third Party Fairness Opinion Fees	1,623,000
Estimated Stock Transfer/Receiving Bank Fees	200,000
Escrow and Custodian Bank Fees	150,000
Estimated Other Related Expenses	991,600
Total	**₱73,131,250**

Differences in decimal numbers are due to rounding off.

The Company will deposit in escrow the net proceeds of the Offer to be released based on the schedule of disbursements in accordance with the work program disclosed herein.

The net proceeds from the Offer will be used for: (a) further exploration work for both the Davao Oriental and Zamboanga-Sibugay Projects; (b) mine development of the Davao Oriental Project; and (c) working capital purposes.

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The following table shows the allocation of the net proceeds:

Table 18: Breakdown of Net Proceeds from Offer			
Purpose	**Amounts**		**Date of Disbursement**
Davao Oriental Project			
Exploration work		₱105,000,000	2012 to 2013
Diamond Drilling	₱66,000,000		
Manpower	20,000,000		
Camp supplies	15,000,000		
Others	4,000,000		
Mine development cost		432,000,000	2013 to 2014
Engineering studies & permitting	₱13,000,000		
Infrastructure	98,000,000		
Equipment	290,000,000		
Others	10,000,000		
Contingency	21,000,000		
Total Allocation for Davao Oriental		**₱537,000,000**	
Zamboanga-Sibugay Project			
Diamond Drilling	₱40,000,000		2013
Manpower	12,000,000		2013
Camp supplies	9,000,000		2013
Others	2,000,000		2013
Total Allocation for Zamboanga-Sibugay		**₱63,000,000**	
Working Capital		**₱126,868,750**	Immediately after Offer
TOTAL		**₱726,868,750**	

The following discusses the Company's planned use of proceeds:

Davao-Oriental Project

Exploration Work

Out of the net proceeds of ₱726.9 million, the Company will allocate ₱105.0 million for the exploration program for the Davao Oriental Project, which includes the completion of diamond drilling and the related expenses such as manpower cost, campsites and supplies, etc.

Mine Development Cost

The Company will allocate ₱432.0 million to the mine development of the Davao Oriental Project, which includes conducting feasibility and engineering studies, permitting, construction of access roads, stream crossovers, coal stockyard, port facilities, POL storage, building of offices and campsites, procuring mining equipment, manpower, contingency, and others.

The equipment to be procured for mine development pertains to the equipment required for production unit operations (i.e. for direct unit operations), supplemental operations (i.e. for supplemental/support work operations such as road maintenance, repairs of infrastructures, equipment, etc.), and auxiliary (i.e. for auxiliary operations such as office machines, exploration drill rigs, laboratory equipment and paraphernalia, tools, implements and special equipment for maintenance and repairs, etc.) that must be located on site prior to the production start.

COAL may opt for direct procurement from original equipment suppliers (OEM), acquisition of reconditioned equipment from reputable equipment rebuilders, or procurement of new or unused equipment surplus from planned production from suppliers; or rent/lease-to-own from reputable equipment depots.

COAL shall identify the equipment required to satisfy operations with references to optimum results, minimum costs (capital and operational), ease of operation, maintenance and repair, availability of after-market services and replacement parts, equipment utility, availability and efficiency, and equipment life.

After identification, COAL shall search and locate suppliers, get price quotations, and evaluate and asses best option, and do actual procurement as the equipment usually require some lead time prior to the actual delivery.

After procurement, COAL shall transport the equipment to the site, to which the Company shall bear the transport cost from supplier site to mine site, which includes freight, insurance, handling, taxes, tariff duties, port services, and cost of on-site assembly or erection when applicable. All of these expenses shall form part of the equipment cost.

A breakdown of the mine equipment is shown on Annex VII of this Prospectus.

Zamboanga-Sibugay Project

The Company will allocate ₱63.0 million for the further exploration of the Zamboanga-Sibugay Project. This shall include further diamond drilling and other related expenses such as manpower cost, campsites and supplies, etc.

Working Capital

The remaining ₱126.9 million will be used for the Company's working capital requirements, which will include general and administrative expenses including but not limited to salaries, office rental, equipment and motor vehicle lease, office supplies, transportation, marketing, mine planning, technical studies, third party consultants, audit and legal fees, business and local taxes, DOE fees and others.

In the event of any deviation or adjustment in the planned use of proceeds, the Company shall inform its shareholders, the SEC, and the PSE in writing at least 30 days before such deviation or adjustment is implemented. Any material or substantial adjustments to the use of proceeds, as indicated above, should be approved by the Company's Board of Directors and disclosed to the PSE. In addition, the Company shall submit via the PSE's Online Disclosure System the following disclosure to ensure transparency in the use of proceeds:

- Any disbursements made in connection with the planned use of proceeds from the Offer;
- Quarterly Progress Report on the application of the proceeds from the Offer or on before the first 15 days of the following quarter;
- Annual Summary of the application of proceeds on or before January 31 of the year following the Offer; and
- Certification of an external auditor on the accuracy of the information reported by the Company to the PSE in the quarterly and annual reports.

DESCRIPTION OF SECURITIES

The following description of the Company's capital stock does not purport to be complete or to give full effect to the provisions of law and is in all respects qualified by reference to the applicable provisions of the Company's Amended Articles and By-Laws.

IPO Board Approval

In a separate meeting held on June 26, 2012, the Board of Directors and stockholders approved the issuance of 800,000,000 Common Shares with a par value of ₱1.00 per share by way of an IPO at an Offer Price of ₱1.00 per Offer Share.

The IPO net proceeds will be used for: (a) further exploration work for both the Davao Oriental and Zamboanga-Sibugay Projects; (b) mine development of the Davao Oriental Project; and (c) working capital purposes, as under the section "Use of Proceeds" starting on page 35.

In the same board resolution, the Company approved the engagement of Abacus Capital & Investment Corporation as Issue Manager and Underwriter for the IPO.

Share Capital

On May 28, 2012, COAL executed a Deed of Assignment with the shareholders of TMEC which effectively transfers 100.00% ownership of TMEC to COAL. The assigned TMEC shares were used to subscribe and fully pay COAL shares, at a ratio of one (1) TMEC common share for every 36.57 COAL common shares, resulting in the issuance of an aggregate total of 3,200,000,000 COAL shares to TMEC shareholders out of the Company's authorized capital stock of Five Billion Pesos (₱5,000,000,000) divided into Five Billion (5,000,000,000) Common Shares with a par value of One Peso (₱1.00) per share.

The shareholders of TMEC commissioned MIB, a firm accredited by the PSE in accordance with the PSE Guidelines for Fairness Opinions and Valuation Reports, to conduct a valuation of TMEC shares. MIB's valuation procedures relied on financial projections that were based on the assumptions presented to MIB and information secured from other sources, particularly the CPR-Davao Oriental Project and CPR-Zamboanga-Sibugay Project. In its report, MIB relied solely on the Discounted Cash Flow (DCF) approach to value TMEC.

As of the date of this Prospectus, Three Billion Two Hundred Million and Four (3,200,000,004) Common Shares are issued and outstanding.

Subject to the approval of the SEC, the Company may increase or decrease its authorized capital, provided that the increase or decrease is with the approval of a majority of the Board of Directors and by its stockholders representing at least two-thirds ($^2/_3$) of the outstanding capital stock of the Company.

After the completion of the IPO, the issued and outstanding common shares of the Company shall be Four Billion and Four (4,000,000,004) Common Shares. Please refer to "Ownership Structure" found on page 50 of this Prospectus for the details on the holders of the Common Shares.

Rights Relating to the Common Shares

Voting Rights

Each Common Share entitles the holder to one (1) vote, and enjoys full dividend rights. In the event of liquidation or dissolution of the Company, holders are entitled to receive their proportionate share of all assets available for distribution, after the settlement of the Company's liabilities.

In the election of Directors, each stockholder is entitled to such number of votes as is equivalent to the product of the number of Common Shares owned by him multiplied by the number of Directors to be elected. The stockholder may cumulate his votes in favor of one (1) or more candidates as he may see fit. A Director may also be removed by the vote of stockholders representing two-thirds ($^2/_3$) of the outstanding voting shares.

Pre-emptive Rights

The Corporation Code provides that all stockholders of a stock corporation will enjoy pre-emptive right to subscribe to all issues or disposition of shares of any class, in proportion to their respective shareholdings, unless such right is denied by the articles of incorporation or an amendment thereto. Under the Company's Articles of Incorporation, pre-emptive rights are denied as to all issuances or dispositions of the Company's Common Shares.

The Company's Amended Articles of Incorporation state that:

> "No stockholder shall have a right to purchase or subscribe to any additional share of the capital stock of the corporation whether such shares of capital stock are now or hereafter authorized, whether or not such stock is convertible into or exchangeable for any stock of the Corporation or of any oher class, and whether out of the number of shares authorized by the Articles of Incorporation of the Corporation as originally filed, or by any amendment thereof, or out of shares of the capital stock of any class of the Corporation acquired by it after the issue thereof; nor shall any holder of any such stock of any class, as such holder, have any right to purchase or subscribe for any obligation which the Corporation may issue or sell that shall be convertible into, or exchangeable for, any shares of the capital stock of any class of the Corporation or to which shall be attached or appertain any warrant or warrants or any instrument or instruments that shall confer upon the owner of such obligation, warrant or instrument the right to subscribe for, or to purchase from the Corporation, any shares of its capital stock of any class.
>
> The Board of Directors may, from time to time, grant stock options, issue warrants or enter into stock purchase reciprocal investments, private placements, joint ventures, or similar agreements for purpose necessary or deisrable for the corporation and allocate, issue, sell or otherwise transfer, convey or dispose of shares of stock of the corporation of a class or classes and to such persons or entities to be determined by the Board, including, but not limited, to employees, officers and directors of the corporation."

Treasury Shares

Subject to the authorization of the SEC, the Company may acquire its own Common Shares, provided that, it has unrestricted retained earnings to pay for the Common Shares to be acquired or purchased and only for a legitimate corporate purpose/s.

The Common Shares repurchased by the Company shall become treasury shares that may again be disposed of at a reasonable price as may be fixed by the Board of Directors. These treasury shares have neither voting rights nor dividend rights as long as they remain as treasury shares.

As of the date of this Prospectus, the Company does not hold any treasury shares.

Dividends

The Company is authorized to distribute dividends out of its surplus profit, in cash, properties of the Company, shares of stock, and/or securities of other companies belonging to the Company. Dividends paid in the form of cash or property is subject to approval of the Company's Board of Directors. Dividends paid in the form of additional shares are subject to the approval of the Company's Board of Directors and stockholders that own at least two-thirds ($^2/_3$) of the outstanding capital stock of the Company. Holders of outstanding Common Shares as of a dividend record date will be entitled to full dividends declared without regard to any subsequent transfer of such shares.

The Company has not adopted a specific dividend policy specifying a minimum dividend rate based on its net earnings for any given year. The Company intends to adopt such dividend policy after completion of the Offer.

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

Other Securities

The Company has not issued any other form of securities other than its Common Shares.

Transfer of Common Shares

All transfer of legal title to the Common Shares must be evidenced by a transfer document in a form acceptable to the Company, and must be registered in the share register of the Company. The law does not require the transfer of the Common Shares to be effected through the PSE. However, off-exchange sales will subject the transferor to a capital gains tax that is significantly greater than the share transfer tax applicable to sales effected through the PSE. All sales of Common Shares listed on the PSE must be effected through a licensed stockbroker in the Philippines. No share of stock against which the Company holds unpaid claims, like unpaid subscriptions due and payable shall be transferable in the books of the Company. In case of delinquent shares, no stock certificate, either physical or electronic, shall be issued to a shareholder until the full amount of his/her subscription together with interest and expenses, if any is due, has been paid.

Stock Transfer Agent

The Company's stock and transfer book is maintained at the principal office of the Company's stock transfer agent, Rizal Commercial Banking Corporation- Stock Transfer Processing Section located at the Ground Floor West Wing, 221 Grepalife Bldg., Sen. Gil Puyat Avenue, Makati City, Philippines.

Changes in Control

There are no existing provisions in the amended Articles of Incorporation and amended By-Laws of the Company, which may cause delay, deferment, or in any manner prevent a change in control of the Company.

DIVIDENDS AND DIVIDEND POLICY

The Company is authorized to distribute dividends out of its surplus profit, in cash, properties of the Company, shares of stock, and/or securities of other companies belonging to the Company. Dividends paid in the form of cash or property is subject to approval of the Company's Board of Directors. Dividends paid in the form of additional shares are subject to the approval of the Company's Board of Directors and stockholders that own at least two-thirds ($^2/_3$) of the outstanding capital stock of the Company. Holders of outstanding Common Shares as of a dividend record date will be entitled to full dividends declared without regard to any subsequent transfer of such shares.

The Company has not adopted a specific dividend policy specifying a minimum dividend rate based on its net earnings for any given year. The Company intends to adopt such dividend policy after completion of the Offer.

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

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HISTORY OF SHARE ISSUANCES

Below is the history of the Common Shares issuances and subscriptions from the date of incorporation of the Company.

The Company was incorporated on June 11, 2012, with an authorized capital stock of Five Billion Pesos (₱5,000,000,000) divided into Five Billion (5,000,000,000) Common Shares with a par value of One Peso (₱1.00) per share, paid in shares of stocks of TMEC at a ratio of one (1) TMEC common share for every 36.57 COAL common shares:

The following are the incorporators of the Company.

Table 19: Incorporators of the Coal Asia Holdings Incorporated

Subscribers	Nationality	No. of Shares Subscribed	Amount Subscribed	Amount Paid-up
Dexter Y. Tiu	Filipino	640,000,000	₱640,000,000	₱640,000,000
Jaime T. Ang	Filipino	640,000,000	640,000,000	640,000,000
Alexander Y. Tiu	Filipino	640,000,000	640,000,000	640,000,000
Gertim G. Chuahiong	Filipino	640,000,000	640,000,000	640,000,000
Eric Y. Roxas	Filipino	640,000,000	640,000,000	640,000,000
Total		**3,200,000,000**	**₱3,200,000,000**	**₱3,200,000,000**

On July 10, 2012, the Company issued shares to Mr. Harald R. Tomintz, Atty. A. Bayani K. Tan, Mr. Juan Kevin G. Belmonte, and Mr. Aristides S. Armas. Mr. Harald R. Tomintz is the Company's Chairman and Atty. Bayani K. Tan is one of the Company's directors. Mr. Juan Kevin G. Belmonte and Mr. Aristides S. Armas are the Company's two (2) independent directors. The details of the issuances are as follows:

Table 20: New Share Issuance after Incorporation

Subscribers	Nationality	No. of Shares Subscribed	Amount Subscribed	Amount Paid-up
Harald R. Tomintz	Austrian	1	₱1	₱1
A. Bayani K. Tan	Filipino	1	1	1
Juan Kevin G. Belmonte	Filipino	1	1	1
Aristides S. Armas	Filipino	1	1	1
Total		**4**	**₱4**	**₱4**

After the said stock issuances and as of the date of this Prospectus, the following is the shareholder structure of the Company:

Table 21: Shareholders of Coal Asia Holdings Incorporated

Subscribers	Nationality	No. of Shares Subscribed	Amount Subscribed	Amount Paid-up
Dexter Y. Tiu	Filipino	640,000,000	₱640,000,000	₱640,000,000
Jaime T. Ang	Filipino	640,000,000	640,000,000	640,000,000
Alexander Y. Tiu	Filipino	640,000,000	640,000,000	640,000,000
Gertim G. Chuahiong	Filipino	640,000,000	640,000,000	640,000,000
Eric Y. Roxas	Filipino	640,000,000	640,000,000	640,000,000
Harald R. Tomintz	Austrian	1	1	1
A. Bayani K. Tan	Filipino	1	1	1
Juan Kevin G. Belmonte	Filipino	1	1	1
Aristides S. Armas	Filipino	1	1	1
Total		**3,200,000,004**	**₱3,200,000,004**	**₱3,200,000,004**

VALUATION OF TITAN MINING AND ENERGY CORPORATION

The shareholders of TMEC commissioned Multinational Investment Bancorporation, a firm accredited by the PSE in accordance with the PSE Guidelines for Fairness Opinions and Valuation Reports, to conduct a valuation of TMEC shares. MIB's valuation procedures relied on financial projections that were based on the assumptions presented to MIB and information secured from other sources, particularly the Competent Persons Reports on the Davao Oriental and Zamboanga-Sibugay Projects. MIB relied solely on the Discounted Cash Flow (DCF) approach to value TMEC. In a report dated May 8, 2012, MIB determined the value of TMEC at ₱12.5 billion or US$277.5 million, as shown in the following table:

Table 22: Coal Resources of Davao Oriental and Zamboanga-Sibugay			
	Davao-Oriental	**Zamboanga-Sibugay**	**Total**
US$ Model	US$151,147,273	US$126,339,025	US$277,486,299
Peso Model	₱6,803,138,779	₱5,686,519,520	₱12,489,658,300

On April 2012, Mr. Enrique C. Payawal, TMEC's Vice President of Exploration, as a duly certified Competent Person in the field of Geology, Mineral Resource, and Exploration, conducted a field geological investigation to determine the resources in COC #159. The results of the investigation were collated and recounted through an Internal Geologic Report.

In addition, on April 2012, Ms. Gizella Greta D.J. Gonzales, TMEC's Senior Geologist, conducted a field geological investigation to determine the resources in COC #166 and COC #167. The results of the investigation were collated and reported through an Internal Geologic Report. This report was reviewed and verified by Mr. Enrique C. Payawal.

The following provides the mineral resource estimates based on the aforesaid CPRs:

Table 23: Coal Resources of Davao Oriental and Zamboanga-Sibugay			
	Davao-Oriental	**Zamboanga-Sibugay**	**Total**
M&I Resources	7.1 MMT	1.2 MMT	8.3 MMT
Inferred Resource	5.6 MMT	2.3 MMT	7.9 MMT
Remaining Potential Deposit	59.3 MMT	47.6 MMT	106.9 MMT

On May 28, 2012, COAL executed a Deed of Assignment with the shareholders of TMEC which effectively transfers 100.00% ownership of TMEC to COAL. The assigned TMEC shares were used to subscribe and fully pay COAL shares, at a ratio of one (1) TMEC common share for every 36.57 COAL common shares, resulting in the issuance of an aggregate total of 3,200,000,000 COAL shares to TMEC shareholders.

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DETERMINATION OF OFFER PRICE

The Offer Shares are being offered at the price of ₱1.00 per Offer Share, which is equivalent to the par value of the Company's Shares.

The Offer Price was determined by the Company, in consultation with the Issue Manager and Underwriter, considering the following factors:

- The estimates of the volume and value of the Company's coal assets;
- MIB's Valuation Report on TMEC;
- The Company's mining operations at present and in the near term;
- The Company's ability to generate and increase revenues considering its plans for production and marketing;
- The Company's ability to generate prospective revenues, cash flows from operations, and prospective earnings;
- The prevailing stock market conditions; and
- The market price of listed comparable companies.

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CAPITALIZATION

The following table sets out the capitalization of the Company based on the Consolidated Financial Statements as of and for the six months ended June 30, 2012 and the year ended December 31, 2011, as adjusted to reflect the issuance of the Offer Shares at the Offer Price of ₱1.00 per share, after deducting estimated fees and expenses from the Offer. See "Use of Proceeds" for the breakdown of the estimated fees and expenses.

Table 24: Capitalization		
	June 30, 2012	**Post Offer**
Capital Stock	3,200,000,000	4,000,000,004
Deficit	(10,346,542)	(10,346,542)
Total Equity	**3,189,653,458**	**3,989,653,462**
Total Capitalization	**3,254,109,703**	**3,989,653,462**

For additional information, refer to the financial statements and accompanying notes included in Annex II of this Prospectus.

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DILUTION

The net tangible book value of the Company as of June 30, 2012 was ₱3,189,653,458 or ₱0.9968 per share. The net tangible book value represents the amount of the Company's Total Assets less its Total Liabilities and intangible assets. The Company's net tangible book value per share represents its net tangible book value divided by the number of Common Shares outstanding.

After giving effect to the increase in the Company's Total Assets to reflect its receipt of the net proceeds from the Offer estimated to be ₱726,868,750 and the addition of 800,000,000 primary Common Shares subject of the Offer, the Company's adjusted net tangible book value would be ₱3,916,522,208 or ₱0.9791 per share. This represents an immediate decrease of ₱0.0177 per share to existing shareholders and dilution of ₱0.0209 per share to the investors participating in the Offer.

The dilution in book value per share represents the estimated difference between the Offer Price and the approximate adjusted book value per share immediately following the completion of the Offer. The dilution effects are presented in the following summary:

Table 25: Dilution

Offer Price per Share	₱1.0000	(a)
Net Tangible Book Value per Share as of June 30, 2012	₱0.9968	(b)
Pro-forma Net-Tangible Book Value per Share after the Offer	₱0.9791	(c)
Decrease per share to existing shareholders attributable to the Offer	₱0.0177	(d=c-b)
Net Tangible Book Value Dilution per Share to IPO Investors, at an Offer Price of ₱1.00	₱0.0209	(e=a-c)

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PLAN OF DISTRIBUTION

The Company is offering to the public Eight Hundred Million(800,000,000)primary Common Shares with a par value of ₱1.00 per share, which are being made available for subscription in the Philippines at the Offer Price of ₱1.00 per share. The Offer Shares will be issued out of its existing authorized capital stock of Five Billion Pesos(₱5,000,000,000) divided into Five Billion (5,000,000,000) common Shares with a par value of One Peso(₱1.00) per share. The Offer Shares will represent 20.00% of the issued and outstanding Common Shares of the Company after the Offer. All of the Offer Shares shall be primary shares to be taken from the existing authorized capital stock of the Company. No secondary shares shall form part of the Offer.

Distribution of the Offer

The Offer Shares shall initially be offered by the Company to all of the PSE Trading Participants and small investors ("LSIs") in the Philippines. The PSE shall allocate approximately 240,000,000, or 30.00% of the Offer Shares among the PSE Trading Participants. Each PSE Trading Participant shall initially be allocated approximately 1,804,000 Offer Shares (computed by dividing the Offer Shares allocated to the PSE Trading Participants between 133 PSE Trading Participants) and subject to reallocation as may be determined by the PSE.

Approximately 80,000,000 or 10.00% of the Offer Shares shall be allocated to the LSIs.

The Issue Manager and Underwriter will distribute 60.00% of the Offer Shares, or 480,000,000 Offer Shares, directly to the general public. The Issue Manager and Underwriter has agreed to underwrite the whole Offer on a firm basis. Prior to the closing of the Offer, any allocation of Offer Shares not taken up by the PSE Trading Participants and the LSIs shall be subscribed and/or distributed by the Issue Manager and Underwriter to their clients or the general public in the Philippines.

To facilitate the Offer, the Company has appointed Abacus Capital & Investment Corporation as the Issue Manager and Underwriter for the IPO.

The Issue Manager and Underwriter

Abacus Capital was incorporated on January 6, 1995. It has an authorized capital stock of ₱600,000,000, of which ₱500,000,000 represents its paid-up capital. The SEC granted it a license to operate as an underwriter of securities engaged in dealing government securities on the same date of its incorporation.

Abacus Capital is a culmination of a group of Filipino businessmen and entrepreneurs' objective to further their presence in the Philippine capital markets after years of success in the stock brokerage business. Since it started operations in 1995, the Issue Manager and Underwriter had actively participated in a number of initial public offering transactions. As a full-service investment house, the Issue Manager and Underwriter provides the full line of corporate finance and merchant banking products and services.

Abacus Capital, as the Issue Manager and Underwriter, represents and warrants that it has exercised the level of due diligence required under existing regulations in ascertaining that all material information appearing in this Prospectus are true and correct as of the date indicated herein. The Issue Manager and Underwriter also warrants and represents that, to the best of its knowledge, after exercising the appropriate due diligence review, there are no other material facts, the omission of which would make any statement in the Prospectus, as a whole, misleading. Except for failure to exercise the required due diligence review, the Issue Manager and Underwriter assumes no liability for any information supplied in this Prospectus.

Abacus Capital does not have any direct or indirect interest in the Company or in any securities thereof, including options, warrants, or rights thereto. Furthermore, it does not have any relationship with the Company other than as the Issue Manager and Underwriter for the Offer. Abacus Capital also has no direct relations with the Company in terms of ownership by either their respective major stockholders, and has no right to designate or nominate any member of the Company's board of directors.

There is no contract or arrangement existing between the Company, Abacus Capital, or any other third party whereby Abacus Capital may return any unsold securities from the Offer.

The Selling Agents

The Trading Participants of the PSE shall act as Selling Agents for the Issue, pursuant to the distribution guidelines of the PSE. The PSE Trading Participants who take up Offer Shares shall be entitled to a selling commission of one percent (1.00%) of the Offer Shares taken up and purchased by the relevant PSE Trading Participants. The selling commission, less a withholding tax of 10.00%, will be paid to the PSE Trading Participants within 10 banking days after the Listing Date.

Underwriting Commitment

The Offer will be underwritten on a firm commitment basis at the Offer Price. The Issue Manager and Underwriter and the Issuer will enter into, on or before the start of the Offer Period, an Underwriting Agreement wherein the Issue Manager and Underwriter will agree to subscribe for, or procure subscribers for the Offer Shares.

The Underwriting Agreement is subject to certain conditions and is subject to termination by the Issue Manager and Underwriter if certain circumstances, including force majeure, occur on or before the time the Shares are listed on the PSE. In addition, the Underwriting Agreement is conditional on the Offer Shares being listed on the PSE on or before the stipulated Listing Date, or at such other date as the Issue Manager and Underwriter and the Company may agree on. Under the terms and conditions of the Underwriting Agreement, the Company has agreed to indemnify the Issue Manager and Underwriter in respect of any breach of warranty by the Company as contained therein.

Underwriting Fees

The total issue management and underwriting fees expected from the Offer will be ₱24,000,000 based on a fee of three percent (3.00%) of the gross proceeds of the Offer. A part of the said fees will be ceded to the Selling Agents as compensation for their services during the underwriting and selling phase of the IPO process.

Lock up

Pursuant to the listing rules of the PSE, The Company's existing stockholders who own at least 10.00% of the outstanding shares of stock shall enter into an escrow agreement with an escrow agent not to sell, assign, or in any manner dispose of their shares for a period of 180 days after Listing Date.

Furthermore, shares issued and fully paid for within 180 days prior to the start of the Offer Period, with a transaction price lower than that of the Offer Price in the IPO shall likewise be locked up for at least 365 days from full payment of said shares.

In accordance with the PSE revised listing rules, the following are covered by the lock-up requirement:

Table 26: Shareholders Subject to Lock-Up		
Shareholder	**No of Shares**	**Pre-IPO Ownership**
Dexter Y. Tiu	640,000,000	20.00%
Jaime T. Ang	640,000,000	20.00%
Alexander Y. Tiu	640,000,000	20.00%
Gertim G. Chuahiong	640,000,000	20.00%
Eric Y. Roxas	640,000,000	20.00%
Total	**3,200,000,000**	**100.00%**

Notwithstanding the aforementioned lock-up periods, the above shareholders of COAL who each own 640,000,000 Common Shares of the Company voluntarily undertook to extend the lock-up period required under the PSE's Revised Listing Rules until one (1) trading day following the PSE's receipt of either of the following:

- Certified true copy of the BIR's ruling or confirmation that no gain or loss is recognized on the transfer of the 17,500,000 shares held in TMEC in exchange for the 640,000,000 COAL shares it currently owns and that the said shareholder is not liable to pay documentary stamp taxes, capital gains taxes, and value-added tax on the said transfer of shares; or

- In the event the BIR will not render such ruling or confirmation, a certified true copy of the Tax Clearance or any other document issued by the BIR stating that the said shareholder has paid all applicable documentary stamp taxes, capital gains taxes, value-added tax, penalties, interests and surcharges, and other similar fees for the said transfer of shares.

Relationship with the Issuer

No relationship exists between the Issue Manager and Underwriter and the Company other than as stated in the Underwriting Agreement entered into by both parties.

Finders

There are no finders involved in this Offer.

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OWNERSHIP STRUCTURE

The following table presents the ownership structure of the Company as of the date of this Prospectus, and the expected ownership structure immediately following the completion of the Offer:

Table 27: Pre and Post IPO Ownership Structure

Shareholder	Nationality	Shares Owned Prior to IPO		Shares Owned After IPO	
		No. of Shares	Percentage to Total	No. of Shares	Percentage to Total
Dexter Y. Tiu	Filipino	640,000,000	20.00%	640,000,000	16.00%
Jaime T. Ang	Filipino	640,000,000	20.00%	640,000,000	16.00%
Alexander Y. Tiu	Filipino	640,000,000	20.00%	640,000,000	16.00%
Gertim G. Chuahiong	Filipino	640,000,000	20.00%	640,000,000	16.00%
Eric Y. Roxas	Filipino	640,000,000	20.00%	640,000,000	16.00%
Harald R. Tomintz	Austrian	1	-nil-	1	-nil-
A. Bayani K. Tan	Filipino	1	-nil-	1	-nil-
Juan Kevin G. Belmonte	Filipino	1	-nil-	1	-nil-
Aristides S. Armas	Filipino	1	-nil-	1	-nil-
Public		-	0.00%	800,000,000	20.00%
Total		**3,200,000,004**	**100.00%**	**4,000,000,004**	**100.00%**

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INTERESTS OF NAMED EXPERTS AND INDEPENDENT COUNSEL

Legal

Legal matters in connection with the Offer have been passed upon for the Company by Tan Venturanza Valdez, the Legal Counsel to the Issue. Said counsel has no shareholdings in the Company, or any right, whether legally enforceable or not, to nominate persons or to subscribe to the securities of the Company, in accordance with the standards of independence required in the Code of Professional Responsibility and as prescribed by the Supreme Court of the Philippines.

Tan Venturanza Valdez does not have and will not receive any direct or indirect interest in the Company or in any of the Company's securities (including options, warrants or rights thereto) pursuant to, or in connection with the Offer Shares, and has not acted as promoter, underwriter, voting trustee, or as COAL or TMEC's employee.

Independent Auditors

The Pro-Forma Consolidated Financial Information as of December 31, 2011 and for the six months ended June 30, 2012 and the year ended December 31, 2011, including the notes thereto that are incorporated by reference in this Prospectus, have been reviewed without qualification by Reyes Tacandong & Co., auditors as stated in their reports appearing herein. The Company has not had any disagreements on accounting and financial disclosures with Reyes Tacandong & Co., for the same periods or any subsequent interim period.

There have been no disagreements on accounting and financial disclosures between the Company and its current external auditors for the same periods or any subsequent interim period. Reyes Tacandong & Co. has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities in the Company. Reyes Tacandong & Co. has no, and will not receive any, direct or indirect interest in the Company or in any securities pursuant to or in connection with the Issue in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

The Company's Audit Committee will review and approve the scope of audit work of the independent auditor and the amount of audit fees. The amount will then be presented for approval by the stockholders in the annual meeting. The scope of and amounts of any service rendered by the external auditors other than the audit and preparation of financial statements, are subject to review and approval by the Audit Committee.

Reyes Tacandong & Co. does not have and will not receive any direct or indirect interest in the Company or in any of the Company's securities (including options, warrants or rights thereto) pursuant to, or in connection with the Offer Shares, and has not acted as promoter, underwriter, voting trustee, or as COAL or TMEC's employee.

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THE COMPANY

Company History

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

COAL is an investment holding company primarily engaged in the business of investing in coal and energy related businesses. Currently, the Company owns the 100.00% equity interest in TMEC, which owns coal assets under COC #159, COC and #166. COAL may also venture into other mineral resource businesses in the future.

On May 28, 2012, COAL executed a Deed of Assignment with the shareholders of TMEC which effectively transfers 100.00% ownership of TMEC to COAL. The assigned TMEC shares were used to subscribe and fully pay COAL shares, at a ratio of one (1) TMEC common share for every 36.57 COAL common shares, resulting in the issuance of an aggregate total of 3,200,000,000 COAL shares to TMEC shareholders. The shareholders of TMEC commissioned MIB, a firm accredited by the PSE in accordance with the PSE Guidelines for Fairness Opinions and Valuation Reports, to conduct a valuation of TMEC shares. MIB's valuation procedures relied on financial projections that were based on the assumptions presented to MIB and information secured from other sources, particularly the CPR-Davao Oriental Project and CPR-Zamboanga-Sibugay Project. MIB relied solely on the Discounted Cash Flow (DCF) approach to value TMEC.

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

As of June 30, 2012, the Company's assets amounted to ₱3.3 billion of which 95.55% consists of coal reserves amounting to ₱3.1 billion.

The Company's registered office is at the 3rd Floor JTKC Bldg., 2155 Don Chino Roces Avenue, Makati City.

Background of Titan Mining and Energy Corporation

TMEC was organized on November 11, 2008 to engage in coal mining exploration and the extraction, processing, and trade of coal and other energy related products. It was originally incorporated as TEDC and changed its name on December 23, 2009. TMEC spent its first few years of operations on the acquisition and exploration of its COCs. TMEC acquired COC #159 on September 16, 2009 and COC #166 on November 18, 2009 under the PECR of 2009.

TMEC commenced surface investigation exploration on COC #159 during two periods from October to November 2009 and May to June 2010, which resulted in the identification of coal exposures/outcrops. Trenches were dug along major coal exposures and estimates were set resulting in an initial report on estimated Potential Deposit of 53 MMT in June 2010. A second surface investigation conducted by Mr. Arturo A. Ona, an independent consulting geologist, under

NI-43101 from Nevada, USA on June 2011 on the mudstone "islands" gave a figure of about 68 MMT tons of coal. An initial 10 probes/exploratory Diamond Drill Hole ("DDH") programmed for Bactinan and Old Macopa areas with mudstone units (two (2) out of 13 mudstone potential coal bearing areas) were initiated in late November 2010. A second drilling program was undertaken in August 2011 where nine (9) holes were drilled with seven (7) holes intercepting coal seams at depth. In April 2012, Mr. Enrique C. Payawal, TMEC's Vice President for Exploration and an accredited Competent Person-Geologist, conducted a field geological investigation to determine the resources in COC #159. The results of the investigation were collated and reported through an Internal Geologic Report. The report provides that out of the 72.0 MMT Potential Deposit identified during the surface exploration (mapping), the results of the diamond drilling (subsurface exploration) provides TMEC to have estimated M&I Resources of 7.1 MMT and Inferred Resource of 5.6 MMT. The remaining Potential Deposit for the Davao Oriental Project is 59.3 MMT, which warrants further exploration activity.

TMEC commissioned an independent consulting mining engineer, Engr. Rafael R. Baladad, in June 2012 to conduct a Pre-Feasibility Study on the combined 214-hectare block from Bactinan and Old Macopa for its Davao Oriental Project. Based on this study, as a result of the exploration activities, the Davao Oriental Project has total reserves of 7.0 MMT, as follows:

Table 28: Coal Reserves of Davao Oriental	
Proved Reserves	1.0 MMT
Probable Reserves	6.0 MMT
Total Reserves	**7.0 MMT**

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

TMEC will no longer conduct a Pre-Feasibility Study and will conduct directly a Feasibility Study towards the end of the exploration period to determine the economic viability of developing the Zamboanga-Sibugay Project.

The estimates of the resources are summarized below:

Table 29: Coal Resources of Davao Oriental and Zamboanga-Sibugay			
	Davao Oriental	**Zamboanga-Sibugay**	**Total**
M&I Resources	7.1 MMT	1.2 MMT	8.3 MMT
Inferred Resource	5.6 MMT	2.3 MMT	7.9 MMT
Remaining Potential Deposit	59.3 MMT	47.6 MMT	106.9 MMT

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The estimates of the resources and reserves are summarized below:

Table 30: Coal Reserves and Resources of Davao Oriental and Zamboanga-Sibugay			
	Davao Oriental	**Zamboanga-Sibugay**	**Total**
Proved Reserves	1.0 MMT	to be determined	1.0 MMT
Probable Reserves	6.0 MMT	to be determined	6.0 MMT
Total Reserves	**7.0 MMT**	**to be determined**	**7.0 MMT**
M&I Resources	7.1 MMT	1.2 MMT	8.3 MMT
Inferred Resource	5.6 MMT	2.3 MMT	7.9 MMT
Remaining Potential Coal Deposit	59.3 MMT	47.6 MMT	106.9 MMT

Differences in decimal numbers are due to rounding off.

Please refer to the sub-section entitled "Activities Conducted in the COCs" on page 90 of this Prospectus for a complete discussion of the activities done by TMEC.

As a result of the exploration activities of TMEC, it posted a net income of ₱5.02 million for the year December 31, 2011 and ₱2.0 million for the six (6) –month period ended June 30, 2012.

Corporate Vision

"Reliable energy resources through responsible mining."

Corporate Mission

"To become a key player in the Philippine mining industry known for its integrity, agility, and professional competence in delivering adequate, economic, and continuous supply of coal for the local and international markets."

Corporate Values

The following are the Company's corporate values, as quoted:

We are a world-class mining and exploration company that is committed to locating, developing, and mining natural resources "on-demand" – the resources you need when you need them.

We are dedicated to growing with our customers and partners and providing maximum profit to our investors and stakeholders.

We are devoted to building both the communities where we work and the countries in which we operate.

We conduct our business by keeping the above-mentioned objectives in mind while having global practices in Sustainable Development, Corporate Social Responsibility, and Safety and Environmental Protection at heart.

Our strength lies in our principles and our principles lie at the very core of our business.

Competitive Strengths

Coal Reserves and Resources

Davao Oriental Project

As of the date of this prospectus, TMEC has Proved and Probable Reserves of 7.0 MMT for Davao Oriental Project based on the Pre-Feasibility Study dated June 2012 prepared by Engr. Rafael R. Baladad. The said Reserves have an estimated market value of ₱23.0 billion based on coal prices of US$78.50 per metric ton and a peso-dollar exchange rate of ₱42.00. Engr. Baladad is an independent consulting mining engineer with no CP Accreditation. Mr. Enrique C. Payawal, TMEC's in-house CP-Geologist and Vice President for Exploration, determined TMEC to have 7.1 MMT of M&I Resources and 5.6 MMT of Inferred Resource based on his Internal Geologic Report dated April 2012.

For the Davao Oriental Project, the average yield per hectare based on the 214-hectare area (out of the 7,000 hectares) from Old Macopa to Bactinan was estimated at 28,000 MT of coal, having an average thickness of two (2) meters. This average yield per hectare can be replicated several times over with sufficient exploration efforts. The projected annual surface production was estimated at 600,000 MT per year for five (5) years.

The following table shows that TMEC has a total of 7.0 MMT of Proved and Probable Reserves for the Davao Oriental Project based on a small 214-hectare area from Old Macopa to Bactinan alone.

Table 31: Proved and Probable Coal Reserves for COC #159 Davao Oriental

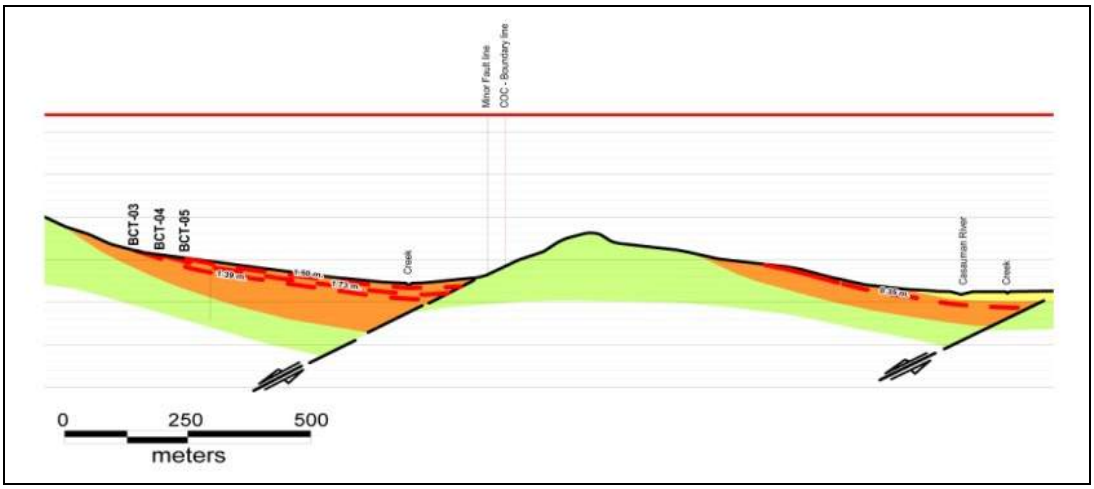
	Surface	Underground	Total
Proved	0.5 MMT	0.5 MMT	1.0 MMT
Probable	3.0 MMT	3.0 MMT	6.0 MMT
Total	**3.5 MMT**	**3.5 MMT**	**7.0 MMT**

These reserves are spread across a large land-base consisting of multiple deposits that mitigate resource risk. These reserves, which can be extracted through open-pit and underground mining, have been analyzed as market-ready – i.e. not requiring blending with high-quality imported coals, allowing quick mine-to-market ramp-up within the first 3-6-months of operation.

The figure below shows that coal seams in Davao Oriental are exposed on the surface and dip gently towards the center of the basin, which may be extracted by open cast and partly by underground mining.

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Figure 1: Coal Seams BCT 03, 04, 05 from Davao Oriental



The table below shows that the estimated M&I Resources for the Davao Oriental Project is 7.1 MMT and the Inferred Resource is 5.6 MMT based on drilling of mini-basins in Barangay Old Macopa and Bactinan in Davao Oriental.

Table 32: Coal Resources of Davao Oriental		
	Coal Volume	**Heating Values**
M&I Resources	7.1 MMT	8,582 BTU/lb
Inferred Resource	5.6 MMT	8,301 BTU/lb

The table below shows the estimated Potential Deposit for the Davao Oriental Project.

Table 33: Estimated Potential Deposit for COC #159		
Coal Basin	**Area (in hectares)**	**Coal volume (in MMT)**
KN-1	275.5	n.a.
BB-2	50.0	1.3
ABB-2A	4.4	n.a.
BT-3	60.0	4.0
BE-4	35.0	2.6
AN-5	29.2	n.a.
TY-6	250.0	7.1
TY-6A	14.5	n.a.
OM-7	650.0	46.6
OM-7A	560.0	1
LK-8	7.0	n.a.
LK-9	12.2	n.a.
LK-10	2.1	n.a.
Total	**1,960.1**	**72.0**

Differences in decimal numbers are due to rounding off.

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Zamboanga-Sibugay Project

The table below shows the estimated M&I Resources for the Zamboanga-Sibugay Project is 1.2 MMT and the Inferred Resource is 2.3 MMT.

Table 34: Coal Resources Zamboanga-Sibugay		
	Coal Volume	**Heating Values**
M&I Resources	1.2 MMT	11,603 BTU/lb
Inferred Resource	2.3 MMT	11,603 BTU/lb

The table below shows that the estimated Potential Deposit for COC #166 is 30.6 MMT.

Table 35: Potential Deposit for COC #166 Zamboanga-Sibugay		
COC #	**Area of Basin**	**Coal Volume**
166	547 hectares	30.6 MMT

Presence of High-Grade Quality Coal

The CPR-Davao Oriental Project shows the following values:

Table 36: Davao Oriental Project Coal Quality	
Strip Ratio	10:1
Stage	Pre-Feasibility
Heating Value	8,582 BTU/lb.
Ash Content	8.00%
Sulfur Content	0.80%
Moisture	7.00%

Two (2) coal seams were analyzed within the coal basin of COC #159. Seam A has a thickness of 1.28- to 4.57-meters as identified in five (5) cored holes and three (3) coal outcrops. Seam B varies from 0.9- to 7.11-meters and has been located in two (2) outcrops and five (5) cored holes. The dip angles of the coal seams vary from 20° to 30°. The average heating value of the sample taken from the coal outcrops is 8,582 BTU/lb., with an average total sulfur content of 0.80% and ash content of 8.00%.

The CPR-Zamboanga-Sibugay Project shows the following values:

Table 37: Zamboanga-Sibugay Project Coal Quality	
Stage	Resource Development and Project Scoping
Heating Value	11,603 BTU/lb.
Ash Content	15.00%
Sulfur Content	0.30 – 0.80%
Moisture	3.00%

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

Ideal Location for Mining

TMEC's exploration camps are accessible via the municipalities' major thoroughfares and smaller in-roads. For reference, the location area maps for both the Davao Oriental and Zamboanga-Sibugay Projects can be found on pages 70 and 75 of this Prospectus, respectively.

The exploration camp in Davao Oriental is located in Barangay Old Macopa. It may be reached by a four (4) -hour drive from the Davao International Airport to the City of Mati and 11-kilometer dirt and gravel road travel from the Provincial Coastal Highway at Barangay San Ignacio. Barangay Bactinan is approximately 20 kilometers from the proposed port in San Ignacio, while Barangay Old Macopa is closer at approximately 10-kilometers.

The exploration camp in Zamboanga-Sibugay is located in the town proper of Imelda, which may be reached by a 2-hour plane ride from Manila to Pagadian Airport and 60-kilometer road travel via Maria Clara Lobregat Highway. The COC is approximately 15-kilometers via concrete road to the Malangas Port, which is operated by the Philippine Ports Authority.

Mining is embraced by the LGUs in the Municipalities of Diplahan and Buug, which have mainly been reliant on rice and corn milling, food processing, and rattan and wood furniture making.

Small-scale mining operations are present and prevalent in other municipalities of Zamboanga-Sibugay, which allowed TMEC to secure the Governor-, Mayor-, and Barangay-level permits in addition to approval from the Department of Environment and Natural Resources-Mine and Geosciences Bureau for the Certificate of Non-Coverage and the NCIP for the Certificate of Non-Overlap. The same holds true for the Municipality of Manay, Davao Oriental, which signed the Memorandum of Agreement ("MOA") with the NCIP last July 19, 2012.

The peace and order situation in the area is conducive to business. There have been no recorded attacks on TMEC's mine sites in Davao Oriental and Zamboanga-Sibugay - the former of which is less than five (5) kilometers away from a military detail in the area.

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

Experienced Technical-level Management and Staff

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

In the future, as TMEC expands its exploration work and mining activities, it will add more senior geologists and mining engineers as the need arises.

Experienced Executive-Level Management

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

Business Plan

TMEC is currently in the exploration phase. The exploration phase, as defined in TMEC's COCs, is the stage in the COC during which the operator conducts examination, investigation, and/or exploration of lands supposed to contain coal by detailed surface geologic mapping, core drilling, trenching, test pitting, and other appropriate means for the purpose of probing the presence of coal deposits and extent thereof.

TMEC plans to enter the development and production phase by the second half of 2013. The development and production phase, as defined in TMEC's COCs, is the stage in the COC during which the operator conducts activities necessary to reach and extract the coal deposits, including but not limited to shaft sinking, tunneling, and open-pit mining, as well as the beneficiation and transportation of the coal up to the delivery point.

COAL intends to use its IPO proceeds to fully fund TMEC's planned exploration, development, and production in the Davao Oriental Project. On the other hand, COAL plans to use a portion of its IPO proceeds to partially fund its planned exploration in the Zamboanga-Sibugay Project.

The following shows TMEC's business plan from present to 2015:

Exploration Work

Initial surface geologic mapping in COC #159 in Manay, Davao Oriental delineated ten (10) coal-bearing paralic basins with a Potential Deposit of 72.0 MMT. Sub-surface exploration via diamond drilling of two (2) of the ten (10) identified targets in June 2012 delineated M&I Resources of 7.1 MMT, Inferred Resource of 5.6 MMT, and 7.0 MMT of Proved and Probable Reserves over a 214-hectare block using 28,000 MT coal yield per hectare as determined during the preparation of the Pre-Feasibility Study covering the drilled areas of the two (2) paralic basins.

The next phase of subsurface exploration will cover the extent of the two (2) paralic basins in Barangay Bactinan and Old Macopa, with 87-additional drill holes, which will further increase the estimated resources within the specific areas.

Surface exploration in COC #166 in Zamboanga-Sibugay identified one (1) paralic basin in the COC with a Potential Deposit of 30.6 MMT. Subsequent diamond drilling activities conducted at COC #166 blocked M&I Resources of 7.1 MMT and Inferred Resource of 2.3 MMT.

Diamond drillings in COC #159 and COC #166 are on-going as of this Prospectus.

TMEC plans to conduct a Feasibility Study towards the end COC #166's exploration periods to determine the economic viability of developing the Zamboanga-Sibugay Project.

Development Plan

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

- Build mine access infrastructure that would allow access to and from the coal reserve area, port facilities, and main thoroughfares for the transport of coal, equipment, materials, and personnel.

- Build port facilities in Barangay San Ignacio, Manay that would serve as the point of disembarkation (un-loading) of equipment, materials, and supplies; and embarkation (loading) of coal products for shipment to the respective customers, buyers, distributors, and resellers. The

Zamboanga-Sibugay operations will use the existing port facilities in the Municipality Malangas, which is operated by the Philippine Ports Authority (PPA).

- Build stockyard facilities, also in Barangay San Ignacio Manay, which would serve as temporary storage and transit for coal products prior to shipment to its respective destinations. The Zamboanga-Sibugay operations will use the existing stockyard facilities at the Malangas Port.

- Build POL stock farm for the temporary storage and transit of petroleum fuel, oil, lubricants, and other materials necessary for power requirements and equipment usage.

- Build explosive magazine for over-burden stripping that would require blasting operations prior to excavation, explosives, blasting agents, detonating cords, blasting caps, and other paraphernalia that would require safe and secure storage.

- Build campsite facilities that would serve as vertical structures to house supervisory, administrative, and support personnel. An adjacent horizontal structure may be built for coal-washing, warehousing, maintenance, and repair activities.

- Build supplemental infrastructure that may include power facilities, transmission and distribution lines, water sources, water reservoirs, and pumping stations.

- Build in-house laboratory and testing, coal preparation, and beneficiation and treatment plants and facilities. On-site facilities would help determine the potential of the coal deposits for coal liquefaction, coal briquetting, and coal bed methane and rolling-out clean coal technologies (i.e. circulating fluidized bed combustion).

- Acquire necessary equipment through outright purchase, rental, or lease based on utilization forecasts and schedules. Coal Operating Contract (COC) provides tax incentives that TMEC can avail of for all exploration-, development-, and production-related purchases. Capital expenditures can also be decreased by outsourcing hauling activities to third-party contractors.

- Roll-out Human Resource Development (HRD) program to fill-in key supervisory, technical, production, and contingent roles based on organizational structure vacancies and workload forecasts and schedules. Plan should also incorporate salaries, benefits, and welfare in accordance with Philippine labor laws.

- Submit, satisfy, and renew the National Commission on Indigenous Peoples (NCIP) Certificate and Indigenous Peoples (IP) Consensus approval, Environmental Compliance Certificates (ECC), and LGU approvals, through the completion of the Environmental Management Plan, Social Development Plan, and other pertinent plans and documents necessary for compliance.

- Design and implement Environmental Management Plan that would include the identification of potential negative environmental impacts and prevention, controls, and mitigation plans identifying need, costs, and scheduled associated with required appurtenances.

- Design and implement Social Development Plan based on discussions and agreements with respective LGUs and Indigenous Peoples (IP) communities.

- Design and implement Over-burden Stripping Program in cases wherein pre-operational over-burdening would be required so as to prepare the coal reserves for actual extraction.

- Design and implement Project Development and Management Plan through in-house or outsources facilities and personnel.

- Accelerate coal production and extraction of shallow coal seams in the Manay site to establish an immediate revenue stream for TMEC to support short- (1-year) to medium-term (2-3-years) operations. A key barangay that has been identified as key coal seam areas through detailed mapping activities is Barangay Old Macopa, Manay, Davao Oriental.

- Identify top 20 customers in electricity-generating, cement manufacturing, and industrial and commercial industry verticals with bulk requirements for high-grade coal.

  The table below shows the Philippines' annual demand for coal.

Table 38: Philippine Annual Demand for Coal		
	Total Annual Requirement	**% Requirement**
Power Sector/ Electricity Generating	9.0 MMT	75.00%
Cement Manufacturing	2.3 MMT	19.17%
Industrial/ Commercial	0.7 MMT	5.83%
Total	**12.0 MMT**	**100.00%**

  TMEC signed a 10-year coal supply contract with Hangzhou Fuyang Thermal Power Plant Co., Ltd. It is also an accredited coal supplier of Holcim - one of the world's leading suppliers of cement, as well as aggregates, concrete, and construction-related services.

Mining Plan

Pre-mining reconnaissance suggests that coal deposits from the Davao Oriental Project will be extracted mainly through open-pit mining eventually moving into underground mining, whereas the coal deposits from the Zamboanga-Sibugay Project will be extracted through underground mining right from the initial stages of extraction.

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

The initial surface extraction is essentially side cutting side-cutting of coal exposures along the outcrop trend, progressing into a V-shaped cut following the slope of the coal downwards until the limit designated overall stripping ratio is reached. The extraction of the overburden and coal could be single or multiple benching.

The intermediate shallow underground extraction is initiated from the base of the coal seam on the high wall after termination of surface extraction. It is essentially to augment surface production and at the same time initiate the preparation for development work necessary for deep extraction. Coal mining is done from a series of 6x8 feet tunnel driven cross-pitched to a 10.00% grade down to no more than 50 meters deep from the base of the highwall.

The final deep underground mining is accessed by a decline or series of ramps with switchbacks to gain depth down to within 200 meters. This is the main haulage way or gang way to bring the coal to the surface by underground trucks or tractor trailers. Extraction units are by levels at least 300 feet vertically apart. An upslope opening is driven perpendicular to the gang way for the construction of coal chute lined with galvanized sheets and manway access to the working areas. Stopes are developed on either side of the coal chutes for coal production.

Mine Layout

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

- The campsite is within 500-meters from the center of the total extraction area for easy access by either personnel or equipment. Beneficiation plant has not been considered at this stage.

- Power is internally sourced from a trailer mounted 100-kva generating unit and from portable 6.7-kw generator sets. Water for campsite use is sourced from deep well.

- The Main haulage route is re-conditioned barangay feeder access road.

Production and Operational Parameters

The following initial operating parameters are considered for the 214-hectare area covered by the Pre-Feasibility Study for the Davao Oriental Project.

Table 39: Production and Operational Parameters	
Total Coal Surface Reserves	3.0 MMT assumed at 90.00% recovery
Mine Life	5 years
Annual Production	600,000 MT (average)
Monthly Production	50,000 (average)

Key Affiliates in the Mining and Energy Industry

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

Pacifico Sul Mineraçao Corporation

Pacifico Sul Mineraçao Corporation is an affiliate of TMEC. It owns mining rights to 6-iron ore, nickel, and chromite areas in the provinces of Aurora, Nueva Ecija, Zambales, Zamboanga del Sur, and Zamboanga-Sibugay spanning a total of almost 32,000-hectares. Its mining rights are under Exploration Permit Nos.: 000117-IX (Zamboanga-Sibugay), 000124-IX (Zamboanga-Sibugay), AEP 111-36-08 (Zambales), AEP 111-60-08 (Aurora), EXPA 00130-IX (Zamboanga del Sur) and EXPA 00131-IX (Zamboanga del Sur) with the DENR's Mines and Geosciences Board (MGB). At present, this company is in the exploration stage of its mining areas.

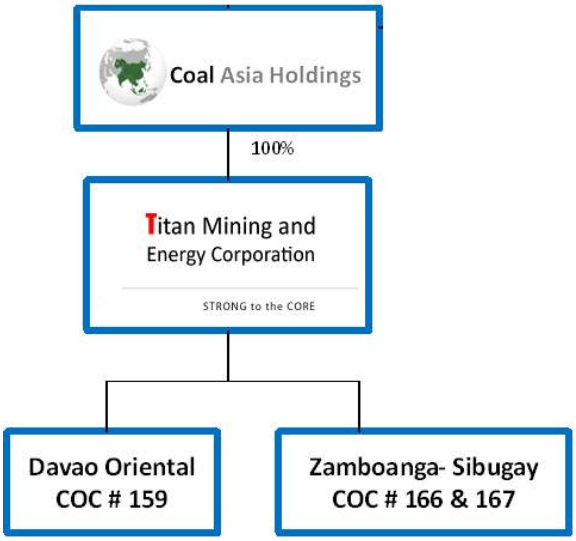
Colossal Petroleum Corporation

Colossal Petroleum Corporation is an affiliate of TMEC. It was established for potential investments in oil, gas, petroleum, acids and chemicals, other geothermal natural resources and mining projects. At present, this company holds Exploration Permit Nos. 000018-II (Nueva Vizcaya) and EXPA 0099 (Abra). This company plans to participate in the upcoming PECR of the DOE for possible investments in oil, gas, and petroleum. This company is currently not in commercial operations.

Corporate and Organizational Structure

The following is the corporate Structure of COAL.

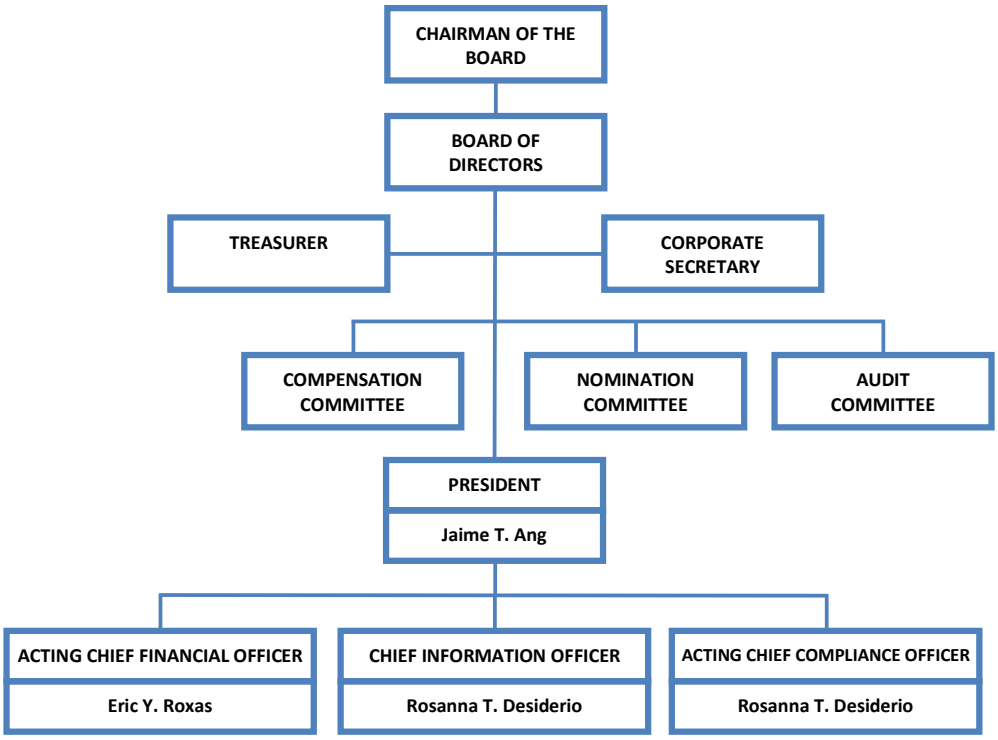
Figure 2: Corporate Structure of Coal Asia Holdings Incorporated



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The following shows the organization structure of COAL.

Figure 3: Organizational Chart of Coal Asia Holdings Incorporated



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TITAN MINING AND ENERGY CORPORATION

Background

Titan Mining and Energy Corporation was incorporated and registered with the SEC on November 11, 2008 as a coal mining and energy-related company to engage primarily to search for, prospect, locate and purchase, buy, lease or otherwise acquire own mining lands, grounds, lodes and or mining rights; to bore, drill, explore and mine any mineral or other products that may be found in or on such lands, grounds and lodes and to develop, convert, prepare for market and otherwise produce and deal in the same and in the products and by products thereof, in any kind and description and by whatsoever process the same can be or may hereafter be produced and to carry on the business of selling, exporting, trading and or disposing such products and by products; and to carry on the business relating to the operations of coal mines and any all kinds of sources of energy.

It was originally incorporated as TEDC and changed its name on December 23, 2009. TMEC is in the business in coal mining exploration and the extraction, processing, and trade of coal and other energy related products. TMEC spent its first few years of operations on the acquisition and exploration of its COCs. TMEC acquired COC #159 on September 16, 2009 and COC #166 on November 18, 2009 under the PECR of 2009.

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

TMEC commissioned an independent consulting mining engineer, Engr. Rafael R. Baladad, in June 2012 to conduct a Pre-Feasibility Study on the combined 214-hectare block from Bactinan and Old Macopa for its Davao Oriental Project. Based on this study, as a result of the exploration activities, the Davao Oriental Project has total reserves of 7.0 MMT

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

The Company is 100.00% owned by COAL, a holding company of which its common shares are subject to listing in the First Board of The Philippine Stock Exchange, Inc., as referred to in this Prospectus.

At present, the authorized capital stock of TMEC is ₱350,000,000 and is divided into 350,000,000 shares with a par value of ₱1.00 per share, of which ₱87,500,000 divided into .87,500,000 shares are issued and outstanding. The same number of shares were issued and oustanding prior to the share-per-share swap transaction between all the shareholders of TMEC and COAL on May 28, 2012.

History of Share Issuances

Below is the history of the Common Shares issuances and subscriptions from TMEC's date of incorporation.

TMEC was incorporated on November 11, 2008, with an authorized capital stock of Fifty Million Pesos (₱50,000,000) divided into Fifty Million (50,000,000) Common Shares with a par value of One Peso (₱1.00) per share.

The following are the incorporators of the Company.

Table 40: Incorporators of the Titan Mining and Energy Corp

Subscribers	Nationality	No. of Shares Subscribed	Amount Subscribed	Amount Paid-up
Dexter Y. Tiu	Filipino	2,500,000	₱2,500,000	₱2,500,000
Alexander Y. Tiu	Filipino	2,500,000	2,500,000	2,500,000
Gertim G. Chuahiong	Filipino	2,500,000	2,500,000	2,500,000
Jaime T. Ang	Filipino	2,500,000	2,500,000	2,500,000
Eric Y. Roxas	Filipino	2,500,000	2,500,000	2,500,000
Total		**12,500,000**	**₱12,500,000**	**₱12,500,000**

On December 23, 2009, TMEC increased its authorized capital stock from ₱50,000,000 divided into 50,000,000 shares with a par value of ₱1.00 each to ₱350,000,000 divided into 350,000,000 shares with a par value of ₱1.00 each. This was approved by the majority of TMEC's Board of Directors on October 5, 2009. This was also approved by the vote of the stockholders representing at least two-thirds ($^2/_3$) of the outstanding capital stock at a meeting held on October 2, 2009. Of the net increase in authorized capital stock, ₱75,000,000 divided into 75,000,000 shares at a par value of ₱1.00 per share was subscribed by TMEC's shareholders, of which ₱18,750,000 divided into 18,750,000 shares at a par value of ₱1.00 per share were paid-up in cash. This effectively increased TMEC's paid-up capital to ₱31,250,000.

A summary of the said issuance is as follows.

Table 41: Increase in Capital Stock in 2009

Subscribers	Nationality	No. of Shares Subscribed	Amount Subscribed	Amount Paid-up
Dexter Y. Tiu	Filipino	15,000,000	₱15,000,000	₱3,750,000
Alexander Y. Tiu	Filipino	15,000,000	15,000,000	3,750,000
Gertim G. Chuahiong	Filipino	15,000,000	15,000,000	3,750,000
Jaime T. Ang	Filipino	15,000,000	15,000,000	3,750,000
Eric Y. Roxas	Filipino	15,000,000	15,000,000	3,750,000
Total		**75,000,000**	**₱75,000,000**	**₱18,750,000**

On December 1, 2010, TMEC received partial payment of its outstanding subscription receivables amounting to ₱20,000,000 from its shareholders. In turn, TMEC issued ₱20,000,000 divided into 20,000,000 shares with a par value of ₱1.00 per share, effectively increasing its total paid-up capital to ₱51,250,000, as shown below:

Table 42: Additional Issuances on December 1, 2010

Subscribers	Nationality	Outstanding Subscription Receivables	Additional Paid-Up	Total Paid-Up Capital
Dexter Y. Tiu	Filipino	₱11,250,000	₱4,000,000	₱10,250,000
Alexander Y. Tiu	Filipino	11,250,000	4,000,000	10,250,000
Gertim G. Chuahiong	Filipino	11,250,000	4,000,000	10,250,000
Jaime T. Ang	Filipino	11,250,000	4,000,000	10,250,000
Eric Y. Roxas	Filipino	11,250,000	4,000,000	10,250,000
Total		**₱56,250,000**	**₱20,000,000**	**₱51,250,000**

On December 1, 2011, TMEC received the full-payment of its outstanding subscription receivables amounting to ₱36,250,000 from its shareholders. In turn, TMEC issued ₱36,250,000 divided into 36,250,000 shares with a par value of ₱1.00 per share, effectively increasing its total paid-up capital to ₱87,500,000, as shown below:

Table 43: Additional Issuances on December 1, 2011

Subscribers	Nationality	Outstanding Subscription Receivables	Additional Paid-Up	Total Paid-Up Capital
Dexter Y. Tiu	Filipino	₱7,250,000	₱7,250,000	₱17,500,000
Alexander Y. Tiu	Filipino	7,250,000	7,250,000	17,500,000
Gertim G. Chuahiong	Filipino	7,250,000	7,250,000	17,500,000
Jaime T. Ang	Filipino	7,250,000	7,250,000	17,500,000
Eric Y. Roxas	Filipino	7,250,000	7,250,000	17,500,000
Total		**36,250,000**	**36,250,000**	**₱87,500,000**

On May 28, 2012, the shareholders of TMEC entered into a Deed of Assignment with COAL, effectively transferring 100.00% ownership of TMEC to COAL. The assigned shares were used to subscribe and fully pay COAL shares, at a ratio of one (1) TMEC common share for every 36.57 COAL common shares. Please refer to the section "Valuation of Titan Mining and Energy Corporation" for more details on this matter, found on page 43 of this Prospectus.

Business Overview

TMEC was organized on November 11, 2008 to be engaged in coal mining and energy-related businesses. At present, TMEC's operations are in the exploration stage of its two (2) coal projects in Davao Oriental and Zamboanga-Sibugay, which are both covered by approved COCs from the DOE of the Republic of the Philippines. TMEC acquired COC #159 on September 16, 2009 and COC #166 on November 18, 2009.

COC #159 is situated in Barangays Old Macopa, Holy Cross, San Ignacio, Capasnan, Lambog and Rizal in the Municipality of Manay in the Province of Davao Oriental.

COC #166 are situated in the Municipalities of Diplahan and Buug, Province of Zamboanga-Sibugay, Mindanao Island, Philippines.

In April 2012, Mr. Enrique C. Payawal, TMEC's Vice President of Exploration, as a duly certified Competent Person in the field of Geology, Mineral Resource, and Exploration, conducted a field geological investigation to determine the resources in COC #159. The results of the investigation were collated and recounted through an Internal Geologic Report. The report provides that out of the 72.0 MMT Potential Deposit identified during the surface exploration (mapping), the results of the diamond drilling (subsurface exploration) provides TMEC to have estimated M&I Resources of 7.1 MMT and Inferred Resource of 5.6 MMT. The remaining Potential Deposit for the Davao Oriental Project is 59.3 MMT, which warrants further exploration activity.

The estimates of the resources are summarized below:

Table 44: Coal Resources of Davao Oriental and Zamboanga-Sibugay

	Davao Oriental	Zamboanga-Sibugay	Total
M&I Resources	7.1 MMT	1.2 MMT	8.3 MMT
Inferred Resource	5.6 MMT	2.3 MMT	7.9 MMT
Remaining Potential Deposit	59.3 MMT	47.6 MMT	106.9 MMT

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

The following discussion on the Davao Oriental and Zamboanga-Sibugay Projects are based on the CPRs, dated April 4, 2012 by Mr. Enrique C. Payawal and April 26, 2012 by Ms. Gizella Greta D. J. Gonzales, and the Pre-Feasibility Study, dated June 2012, by Engr. Rafael R. Baladad.

Davao Oriental Project

Situated in the southeastern corner of the island of Mindanao in the Philippines, 20 kilometers from the San Ignacio shoreline, the site of the future port to be built by TMEC. Exploration activities include detailed surface mapping, trenching, and core drilling.

TMEC is the current holder of mineral rights over the coal project area by virtue of COC #159, which was granted to TMEC by the DOE. The COC was later renewed by the DOE for another period of two (2) years (September 16, 2011 to September 15, 2013). The development and operating phase will commence upon DOE's validation of the resource estimate made by TMEC.

Table 45: Davao Oriental Project Summary

Location	Municipality of Manay, Davao Oriental
Primary Product	Thermal Coal
Proved Reserves	1.0 MMT
Probable Reserves	6.0 MMT
Total Reserves	**7.0 MMT**
M&I Resources	7.1 MMT
Inferred Resource	5.6 MMT
Remaining Potential Deposit	59.3 MMT
Potential Deposit	**72.0 MMT**
Strip Ratio	10:1
Stage	Pre-Feasibility
Heating Value	8,582 BTU/lb.
Ash Content	8.00%
Sulfur Content	0.80%
Moisture	7.00%

The project will be conducted in the municipality of Manay, Province of Davao Oriental encompassing seven (7) adjoining 1000-hectare Coal Blocks or a total area of 7,000-hectares,particularly known as CBS 43-L-136, 137, 176, 177, 178, 217, and 218. The details COC #159 are as follows:

Table 46: Summary of COC #159			
COC No.	**Coal Block No.**	**Area (has.)**	**Location**
COC #159	136, 137	2,000	Manay Davao Oriental
	176, 177, 178	3,000	Manay Davao Oriental
	217, 218	2,000	Manay and Taragona, Davao Oriental
TOTAL		**7,000**	

Location of Davao Oriental Project

Figure 4: Davao Oriental Project Location Area

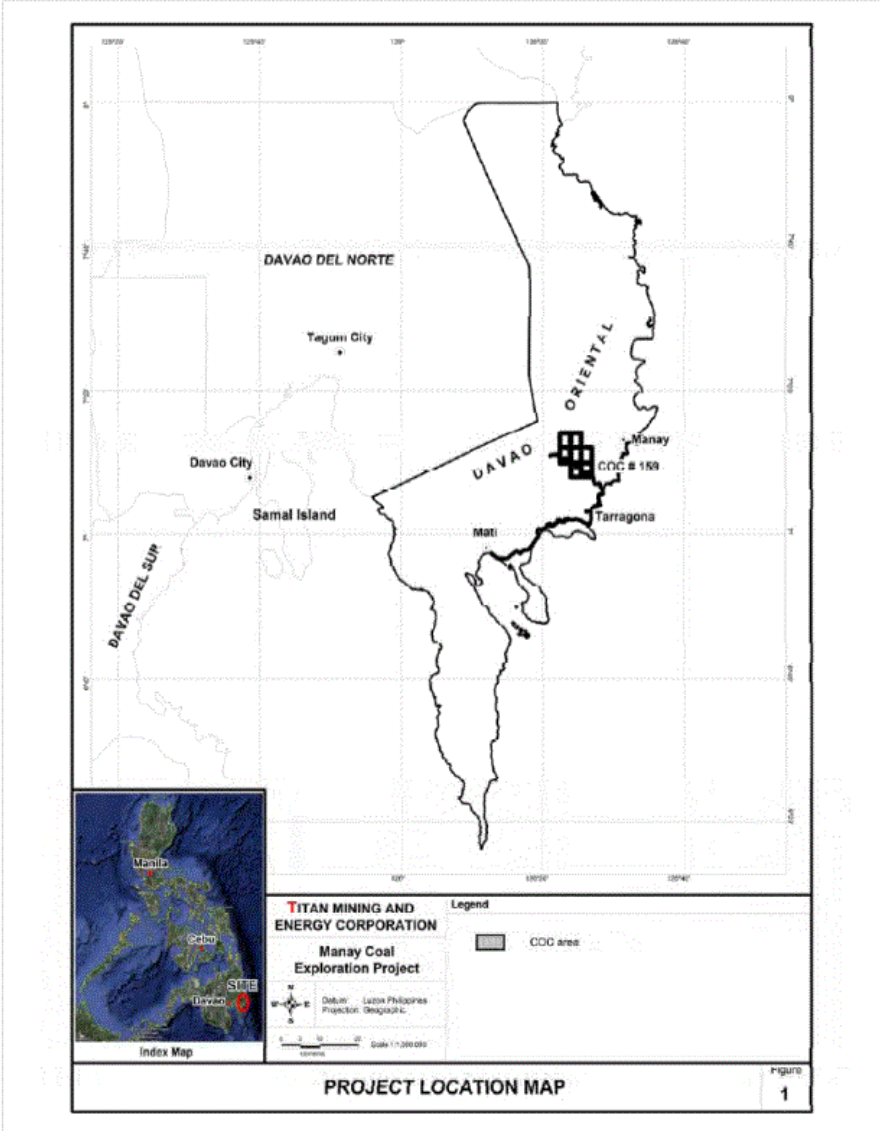
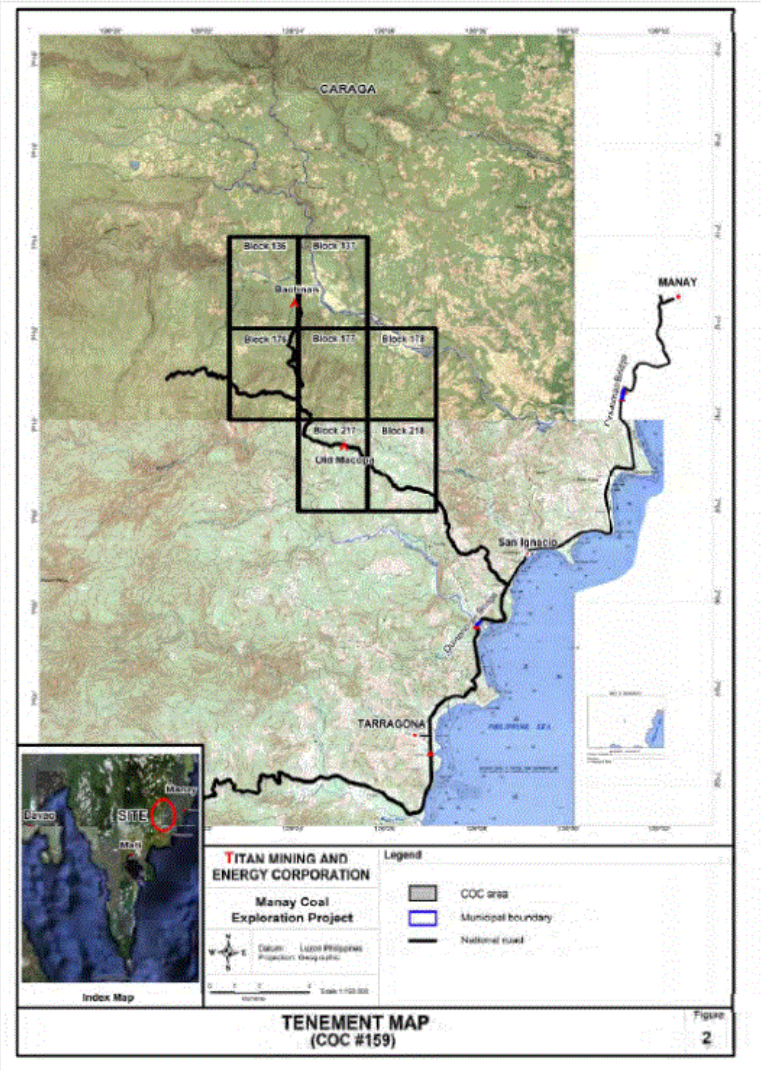


Figure 5: Davao Oriental Project Location Tenement Map



Geographic Features

COC #159 is located in Barangay Old Macopa, Holy Cross, Capasnan, and Lambog, in the Municipality of Manay and Barangay Dadong, in the Municipality of Taragona, all in the Province of Davao Oriental, situated in the southeastern corner of the island of Mindanao in the Philippines.

It is bounded by the following geographic coordinates:

Corner	Latitude	Longitude
1	7-14-00	126-22-30
2	7-14-00	126-25-30
3	7-12-00	126-25-30
4	7-12-00	126-27-00
5	7-08-00	126-27-00
6	7-08-00	126-24-00
7	7-10-00	126-24-00
8	7-10-00	126-22-30

Situated in the municipality of Manay, Province of Davao Oriental, and bounded on all sides by free areas.

Geology and Mineralization

The coal seams of the sedimentary basins in the Mindanao Pacific Cordillera occur within the Mangagoy Formation of Late Oligocene to Early Miocene age. They are considered to be part of a paralic belt of sediments that extends from the Mangagoy area along the length of eastern Mindanao.

The coal seams are bounded above and below by clastic sedimentary rock most commonly mudstones, sandstones and siltstones. Within the seams are inter-seam partings of predominantly mudstones.

Exploration Concept

Exploration was carried out by identifying on the ground geological paleo-environment of coal deposition through detailed geologic mapping.

Individual coal outcrops located on the ground were trenched to expose fully the seams such that these may be characterized and correlated.

Correlated coal outcrops were projected to identify coal seams that served as diamond drill hole targets at depth.

Conclusion

According to the geological report made by Enrique C. Payawal, geologist, on April 4, 2012, the following are the conclusions derived from the study on Davao's COC area.

- There are 13 individual mini coal depositional basins located in the COC area. 10 of these basins are carbonaceous mudstones with interbeds of coal seams. Within these 10 mini basins, 40 coal outcrops with thickness ranging from 0.18 meters to 4.57 meters were located.
- Correlating the coal outcrops resulted into the identification of at least two (2) to three (3) coal beds in the 10 individual mudstone mini basins.
- The Diamond Drilling Activities wherein 22 holes have been completed within Bactinan and Old Macopa, two (2) of the 10 mini basins, confirmed the continuity of the coal seams at depth.
- The estimated M&I Resources within the drilled mini basins at Bactinan and Old Macopa totals to 7.1 MMT and an Inferred Resource of 5.6 MMT. The entire COC area, however, has a remaining Potential Deposit of 59.3 MMT, which warrants further exploration activity.

Location and Accessibility

A major portion of the 7,000-hectare COC area falls within the Municipality of Manay, Davao Oriental, more specifically in Barangays Old Macopa, San Ignacio, Holy Cross, Lambog and Capasnan. A small fraction (703 has.) is within Barangay Dadong, in the Municipality of Tarragona.

The exploration base camp of TMEC is situated in Barangay Old Macopa.

Barangay Old Macopa is 11 kilometers via dirt and gravel road from the Provincial Coastal Highway at Barangay San Ignacio. Barangay San Ignacio of the Municipality of Manay is approximately 51 kilometers via the Provincial Highway from the Capital City of Mati.

The City of Mati is a four (4) -hour drive from the Davao International Airport.

Topography, Physiography, Drainage and Vegetation

The project area is characterized by rugged terrain and high relief, manifested by steep cliffs and slopes, sharp ridges, and deeply incised valleys. Elevation within the COC area ranges from 100 meters Above Sea Level ("ASL") to as high as 700 meters ASL. Southwest of the COC area lies Mount Mayo with summit elevation of 1,760 meters ASL. Mount Kampalili looms in the northwest and towers at 2,396 meters ASL.

The project area is drained by two (2) major rivers. The Casauman River on the north originates from Mount Kampalili and flows southeasterly towards the Philippine Sea. The Quinonoan River on the south originates from Mount Mayo and flows northeasterly then southeasterly until it also drains to the Philippine Sea.

Vegetation in the area is characterized by coconut and some fruit trees growing along valleys and gentle slopes. A few patches of land are planted to Mangiums and Falcatas. Hardwood trees and other plants typical of a tropical rain forest dominate areas of higher elevations and steep slopes

Climate

The province of Davao Oriental falls under Type II of Philippine Atmospheric Geophysical and Astronomical Services Administration's modified Coronas Climate Classification Scheme. Rainy season prevails the whole year-round with pronounced heavy rainfall during December.

The monthly mean temperature is 27.2°C and the average annual relative humidity is recorded at 80.00%. The average annual precipitation varies from 1000 millimeters at the south to 4000 millimeters in the northeastern section of the province.

Land use

Based on the 1997-2007 Comprehensive Municipal Development Plan of Manay, Davao Oriental, land use in the municipality is classified into: (a) timberland covering 66.03% of the total municipal land area; and (b) alienable and disposable, encompassing 33.97% of the total land area. The COC area falls within the second classification.

Population and Socio Economic Environment

Population of Manay was observed to be 35,428 in 1995. This was projected to have grown to 39,921 in 2007. In 1995, the urban population represents 63.25% of the total inhabitants.

55.44% is also considered economically productive. Majority of the labor force is engaged in agriculture, forestry, and fishing. About 16.00% is in manufacturing, charcoal making, and about 3.00% is in construction, transportation, and trading.

The population of Manay totaled 35,425 in 1995. Among the inhabitants of Manay, majority or about 83.00% speaks Davaweño, 9.00% Cebuano, 5.40% Mandaya, and the rest speak Tagalog, Hiligaynon, Ilocano, or Pampangeño.

Environmental Features

Pedology

Three (3) types of soil are recognized in the municipality. These are as follows:

- Camansa Sandy Clay Loam. This soil type is present in 10 of the 17 barangays and covers 36,952 hectares or 77.04% of the Municipality.
- Bolinao Clay Loam. This soil occupies 9,128 hectares or 19.03% of Manay.
- Matina Clay Loam. 1,884 hectares or 3.93% of the municipal land area is covered by this type of soil.

All clay types recognized in the area are most suitable for diversified crops as per Municipal Agriculture Office record.

Biological Environment

The floral assemblage in the area is composed mostly of coconut and some fruit trees. Small patches of Mangiums and Falcata trees cover some slopes dipping more than 20°. Hardwood trees are recognizable in areas of higher elevation.

Faunal assemblage in the area is limited to small wild life such as field rats, birds of prey, lizards, snakes, and insects. Domesticated animals such as chicken, dogs, and carabaos are usually present near small farms and households.

Water Environment

No test for water quality was conducted in the area. It was observed, however, that water from selected streams is used for drinking and cooking.

Surface run-off drains to the east by the Casauman River and its tributaries, emptying to the Philippine Sea in the Northern portion of the COC. The southern area is drained by the Quinonoan River that also flows eastward to the Philippine Sea.

Zamboanga-Sibugay Project

Situated in the southwestern corner of the island of Mindanao in the Philippines 20 kilometers from the nearest port (Malangas Port); exploration activities include reconnaissance to semi-detailed surface geologic mapping and trenching of coal seams.

The coal project area was initially covered by four (4) separate COCs, granted by the DOE to TMEC on September 16, 2009 (COC #158) and November 18, 2009 (COC #166, COC #167, and COC #168). The Company decided to drop COC #158 and COC #168 because the Company found no potential coal deposits in the area. COC #167 has not been renewed.

Table 47: Zamboanga-Sibugay Project Summary	
Location	Municipalities of Diplahan, Buug, and Siay, Province of Zamboanga-Sibugay
Primary Product	Thermal Coal
M&I Resources	1.2 MMT
Inferred Resource	2.3 MMT
Remaining Potential Deposit	47.6 MMT
Potential Deposit	**51.1 MMT**
Stage	Resource Development and Project Scoping
Heating Value	11,603 BTU/lb.
Ash Content	15.00%
Sulfur Content	0.30 – 0.80%
Moisture	3.00%

As of the date of this Prospectus, TMEC is the current holder of mineral rights over the coal project area by virtue of COC #166, which were granted to TMEC by the DOE on November 18, 2009.

The Zamboanga-Sibugay Project is covered by the following adjoining 1,000-hectare coal blocks, as follows:

Table 48: Summary of COC #166

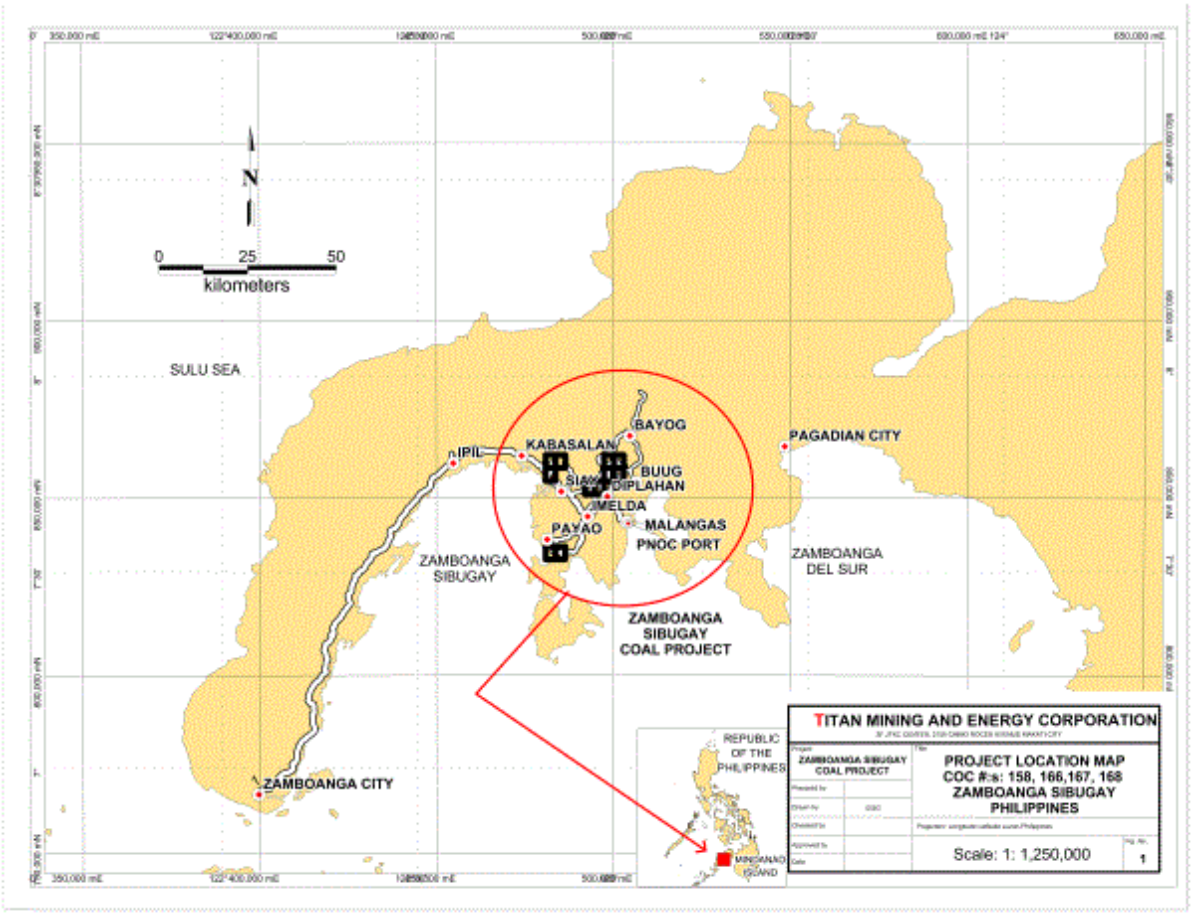
Coal Operating Contract No.	Coal Block No.	Area (has.)	Location
COC #166	CB-280	1,000	Diplahan-Buug
	CB-320	1,000	
	CB-241	1,000	
	CB-281	1,000	
	CB-359	1,000	
	Total	**5,000**	

The COC areas may be accessed via some 70-kilometers of the Maria Clara Lobregat Highway from Pagadian Airport. It is approximately 15 kilometers from the Malangas Pier, which is operated by the Philippines Ports Authority. All COCs are located in the province of Zamboanga-Sibugay, southwestern Mindanao, Philippines.

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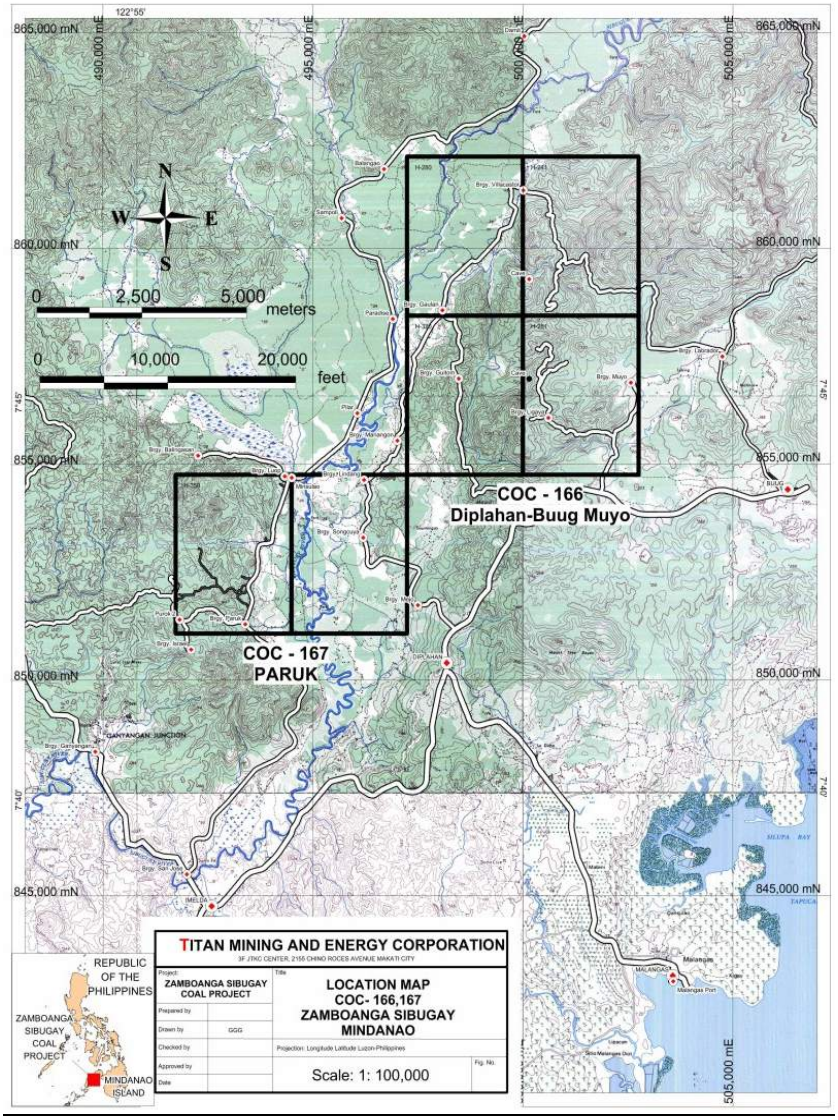
Location of Zamboanga-Sibugay Project

Figure 6: Zamboanga-Sibugay Project Location Area



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Figure 7: Zamboanga-Sibugay Project Location Tenement Map



Geographic Feature

COC #166

It is situated in the Municipalities of Diplahan and Buug, Province of Zamboanga-Sibugay, Mindanao Island, Philippines.

A parcel of coal-bearing land being described as follows:

Corner	Latitude	Longitude
1	7-48-00	122-58-30
2	7-48-00	123-01-30
3	7-44-00	123-01-30
4	7-44-00	122-58-30

Geology and Mineralization

The coal seams in the Zamboanga-Sibugay Coal Area are associated with the predominantly mudstone Lalat Member of the Lumbog Formation. The seams occur as interbeds, and thus strike and dip congruently with the mudstone beds.

The Lumbog Formation exposures consist of slightly to completely weathered interbedded dark gray mudstones, light gray fine to medium-grained lithic sandstones, pyroclastics and coal seams.

In some of the mudstone partings, angular coal fragments with very fine grains of pyrite are present along the edges.

Exploration Concept

Exploration was carried out by identifying on the ground geological paleo-environment of coal deposition through detailed geologic mapping.

Individual coal outcrops located on the ground were trenched to expose the seams fully such that these may be characterized and correlated.

Diamond core hole drilling was employed to probe the subsurface extension of previously identified coal beds.

Geologic data generated by both surface and subsurface exploration were collated and interpreted to arrive at a resource estimate.

Conclusion

- Coal occurrences are confirmed within the Lumbog Formation, characterized by predominantly mudstone beds. Coal seams and coal beds appear to be concordant with the regional strike (NE) of the mudstone beds.
- Two (2) individual coal depositional basins, one (1) for each COC are recognized within the Zamboanga-Sibugay Project. Within these basins, 11 coal outcrops with thickness ranging from 0.03 meter to 1.82 meters were located.
- Correlating the coal outcrops and the coal seams encountered in the DDHs resulted into the identification of at least two (2) coal seams (thickness ranging from 0.11 meter to 3.94 meters) in the paralic basin at COC #166.

The coal resource within the 200-has drilled area at COC #166 is estimated as follows:

Table 49: Potential Deposit for COC #166 Zamboanga-Sibugay

COC #	Area of Basin	Coal Volume
166	547 hectares	30.6 MMT

The estimated Potential Deposit of the property is derived by measuring the total surface area of the delineated coal bearing paralic basin then multiplied by the average coal thickness as measured from the outcrops then multiplied by the specific gravity of coal. Coal analysis from surface samples has an average of 11,516 BTU/lb.

Small-scale miners have produced 5,300 MT within COC #166 and COC #167 during the period of September 2010 to March 2011. There are other large mining entities in the region, which has been in operation, i.e. Malangas Coal Corporation and Brixton Energy and Mining Corporation.

Location and Accessibility

The province of Zamboanga-Sibugay is located in the Zamboanga Peninsula in Mindanao, Philippines. The provincial capital is Ipil and is landlocked by Zamboanga del Norte, Zamboanga del Sur and Zamboanga City on its north and east, west and southwest borders, while it faces Sibuguey Bay and Dumanquillas Bay on the south.

Zamboanga-Sibugay Province is subdivided into sixteen (16) municipalities:

- Alicia
- Naga
- Buug
- Olutanga
- Diplahan
- Payao
- Imelda
- Roseller T. Lim
- Ipil
- Siay
- Kabasalan
- Talusan
- Mabuhay
- Titay
- Malangas
- Tungawan

TMEC's COCs are all situated in the following municipalities, all in the province of Zamboanga-Sibugay, Mindanao, Philippines.

Topography, Physiography and Drainage

The Physiography of the prospect area consists mostly of hills and mountains. Verdant valleys, swampy marshes, plateaus are also present.

The topography surrounding the prospect area may be described as mostly hilly (upland) to mountainous. Elevations range from less than 100-meters (low-lying) to > 500-meters ASL (mountainous)

The prospect area is drained by four (4) rivers. The Sibuguey and Siay Rivers flow towards Sibuguey Bay. Pamoantogbo River and Batu creek drain toward Taba Bay. Kawayan River, flows to Tantanang Bay.

Vegetation

The main vegetative covers are secondary forest, shrubs, and grasses with scattered patches of corn, coconut, root crops and rubber.

Climate

The Zamboanga-Sibugay Project area falls under Type IV of the modified Coronas scale (Modified Coronas Climate Map, BSWM). Type IV is characterized by a more or less evenly distributed rainfall throughout the year. It is nearly similar to Type II since Type IV has no dry season. The average annual rainfall is from 1,750-2,450-millimeters, and typhoon frequency is once every 12 years. A temperature regime during growing periods is > 25°C. The average annual relative humidity is about 82.00% (Concepcion, 2004).

Land Use

Based on the National Development Authority's Zamboanga Peninsula Medium-Term Regional Development Plan 2011-2016[2], land use in the province of Zamboanga-Sibugay is classified into: (1) forestland covering 61.92% of the total provincial land area, and (2) alienable and disposable (i.e. land of Public Domain declared not needed for forest purposes), encompassing 38.08% of the total land area.

Population and Socio Economic

As of the 2007 census, Zamboanga-Sibugay has a population of 546,186. The population growth rate from 2000-2007 is 1.30.

The major languages spoken in the province are Subanen, Cebuano, Ilongo, and Zamboangueño/Chavacano. Tagalog, Ilocano, and other ethnic tongues are spoken as well, as well as English.

The leading industries are rice and corn milling, food processing, rattan and wood furniture production and coal mining. New industries include concrete products, garments, wax and candle factory, and other cottage industries.

Major crops produces include rice, corn, coconuts, rubber, fruits, vegetables, tobacco, coffee, cacao and root crops. Livestock and poultry production are predominantly small-scale backyard operation. Coal mining is also present in some areas of the province.

Environmental Features

Pedology

The Bureau of Solis recorded the presence of the following soil types in the COC areas, namely: San Manuel S.H. Loam, Bulaoan Clay Loam and Antipolo Clay Loam. The San Manuel S.H. Loam covers the Sibuguey Valley, while the Bulaon Clay Loam and Antipolo Clay Loam blanket the fingers of the valley and steep hills respectively.

The soil types are described as follows:

Bulaoan Clay Loam

a. Formation and Origin: Residual soil from igneous rocks
b. Profile
   i. Surface oil — Brown to dark grayish brown, loose, friable and fine granular sandy loam. Andesite and basalt boulders are present. Depth is 20 to 30 cm.
   ii. Sub-soil — Brown to reddish brown clay loam with plenty of grovels and iron secretions. In places, boulders are embodied in this horizon. Depth is 30 to 60 cm from the surface.
   iii. Sub-stratum — Brown to strong brown. There are massive and friable clay loams; boulders are also present in these layers.
c. Relief: flat upland to undulating and rolling lands
d. Drainage: External is excessive and internal is embodied

[2]www.neda.gov.ph/RDP/2011-2016/RegIX_RDP_2011-2016.pdf

e. Vegetation: Second growth forest, cogon and shrubs cultivated areas are planted to rice, corn and other farm crops.

San Manuel Silt Loam

a. Formation and Origin: Recent alluvial deposits
b. Profile
   i. Surface oil — Grayish brown to pale brown, loose and friable silt loam. Depth is 25 to 40 cm from the surface of the soil.
   ii. Sub-soil — Brownish gray light brown, friable and fine, granular silt loam.
   iii. Sub-stratum — Sandy loam to medium sandy loam.
c. Relief: nearly level and often subjected to flood.
d. Drainage: drainage condition is fair to good.
e. Vegetation: Cultivated to lowland rice, corn and root crops, vegetables and some fruit trees.
f. Capability Class: Class "A"

Antipolo Clay Loam

a. Formation and Origin: Residual soil formed basalt, igneous and other volcanic rocks.
b. Profile:
   i. Surface oil — Light reddish brown to almost red, friable and finely granulated clay. Spherical tuffaceous concretions are present. Depth is 20 to 30 cm from the surface of the soil.
   ii. Sub-soil — Reddish brown, granular and friable clay with fine spherical concretions, loose sub-soil is earthy tuffaceous materials with free concretions. Depth is 50 to 90 cm from the surface of the soil.
   iii. Sub-stratum — Reddish brown to light reddish, coarse granular clay with numerous iron concretions.
c. Relief: Rolling to mountainous, some portions are slightly rolling to almost flat.
d. Drainage: Surface drainage is good to excessive. Sub-soil drainage is poor.
e. Vegetation: Cogon, talahib, shrubs and secondary forest covers the hilly and mountainous areas. Rice, corn, fruit trees and papaya are grown or could be grown in the rolling areas.
f. Capability Class: Class "M"

Biological Environment

No baseline biological studies conducted as of yet.

Water Environment

No test for water quality was conducted in the area. It was observed, however that water from the tributaries are used only for agricultural purposes. Surface run-off drains to the south by way of the Sibugay and Siay rivers.

Exploration Activities

Davao Oriental Project

Surface Geologic Mapping

Phase I of exploration activities commenced on October 28, 2009 and ended on November 23, 2009. This phase of exploration was initiated after the acquisition of mineral rights to obtain initial data on the occurrence and characteristics of a coal depositional basin.

Reconnaissance geologic mapping and random sampling were conducted to cover majority of the 7,000-hectare COC area. 34 outcrops of coal beds with thicknesses ranging from 0.45 meters to 1.06 meters were located. All coal outcrops were identified to be occurring within the mudstone member of the Mangagoy Formation.

Phase II of the exploration work was implemented from May 4, 2010 to June 10, 2010 to confirm and delineate the occurrence and extent of the coal basin, locate additional coal outcrops and initially delineate the lateral and depth (strike and dip) extent of the coal beds and roughly estimate the quantity and grade of a potential coal deposit.

Geologic traverses were conducted among 35 kilometers of creeks, 30 kilometers of trails and 18 kilometers of old logging road using a Garmin Global Positioning System ("GPS") 60CSX (accuracy +/- 3 meters). Field data were encoded and overlaid using MapInfo. Four (4) coal outcrops were identified in addition to the original 34 outcrops located during Phase I. Thicknesses of the seams vary from 1.28 meters to 4.57 meters 24 trenches were excavated alongside major outcrops to fully expose the thickness of the coal seam.

Diamond Drilling

An initial 10-hole drilling campaign to probe the depth extension of the earlier located "mini basins" (two of the thirteen identified mini basins), was initiated in late November 2010.

The holes were positioned 100 meters and/or 200 meters from the surface trace of the coal outcrops following the dip direction of the coal seams.

Geo Rock Incorporated, the drilling contractor provided three (3) drill rigs namely long year 38, modified, vintage atlas Copco and Mindrill. The holes were drilled and cored with NQ bits/rods.

13 holes were drilled but four (4) of the holes were earlier abandoned due to technical problems. Of the nine (9) completed holes, eight (8) intercepted coal seams at depth as follows; five (5) holes at Bactinan area and three (3) holes at Old Macopa area. The drilling contract was terminated in July 2011 due to several operational delays and equipment inefficiency.

In August 2011, a new 10-hole drilling contract was awarded to Primo Asia Mining and Drilling Inc. to probe the depth extension of the coal seams at Bactinan and Old Macopa further. Primo Asia provided new drill rigs namely Atlas Copco CS1000 and Long year DB Diabort. Both machines drilled the holes with PQ and NQ bits and rods.

In March 2012, the second 10-hole drilling contract was ended with nine (9) holes being completed. Of the nine (9) drill holes, seven (7) holes intersected coal seams at depth. One (1) hole did not penetrate the required target and one (1) was abandoned due to technical problem.

The penetration of the drill holes range from a shallow depth of 68 meters to as deep as 230 meters.

In summary, five (5) drill holes intersected two (2) coal seams at Bactinan and 10 intercepted three (3) coal seams at Old Macopa. The description of the coal seams intersected by the drill holes is tabulated as follows:

Table 50: Drill Hole Intercepts and Coal Outcrops			
Hole ID	**Seam ID**	**SEAM Thickness (meters)**	**Coal Thickness (meters)**
BACTINAN			
BDH-02	A	4.01	2.70
BDH-04	A	4.00	0.70
BDH-05	A	3.29	2.13
BCT-2	A	1.40	1.50
BCT-4	A	1.28	1.20
BCT-3	A	1.70	1.60
Average Thickness SEAM A		**2.61**	**1.63**
BDH-02	B	4.12	0.81
BDH-03	B	3.77	1.00
BDH-04	B	0.90	0.20
BDH-05	B	7.11	0.43
BCT-1	B	3.00	3.00
BCT-5	B	1.50	1.40
Average Thickness SEAM B		**3.40**	**1.14**
TOTAL OF AVERAGE SEAM THICKNESS BACTINAN		**6.01**	**2.78**
OLD MACOPA AREA	B	4.12	0.81
MDH-12	A-North Limb	0.9	0.9
MDH-13	A-North Limb	2.7	1.25
MDH-14	A-North Limb	0.1	0.1
MDH-06	A-North Limb	2.3	0.8
MDH-07B	A-North Limb	0.22	0.22
OMO-01	A-North Limb	1	1
MDH-03	A-North Limb	0.13	0.13
Average Thickness SEAM A		**1.05**	**0.62**
MDH-12	B-North Limb	0.55	0.55
MDH-14	B-North Limb	3.4	3.4
MDH-06	B-North Limb	1.4	1.4
MDH-07B	B-North Limb	0.22	0.22
OMT-2	B-North Limb	0.78	0.6
OMT-3	B-North Limb	4.57	4.47
MDH-03	B-North Limb	2.03	1.01
OMT-4	B-North Limb	2.55	2.15
Average Thickness SEAM B		**1.93**	**1.7**
MDH-07B	C- North Limb	1.47	0.62
MDH-05	C- North Limb	0.2	0.2
MCO-09	C- North Limb	1.1	1.1
OMT-3A	C- North Limb	0.63	0.63
MDH-01	C- North Limb	0.15	0.15
Average Thickness SEAM C		**0.71**	**0.54**
TOTAL OF AVERAGE SEAM THICKNESS-OLD MACOPA		**3.69**	**2.89**

Figure 8: Drill Hole Locations and Outcrop Map of Bactinan Area

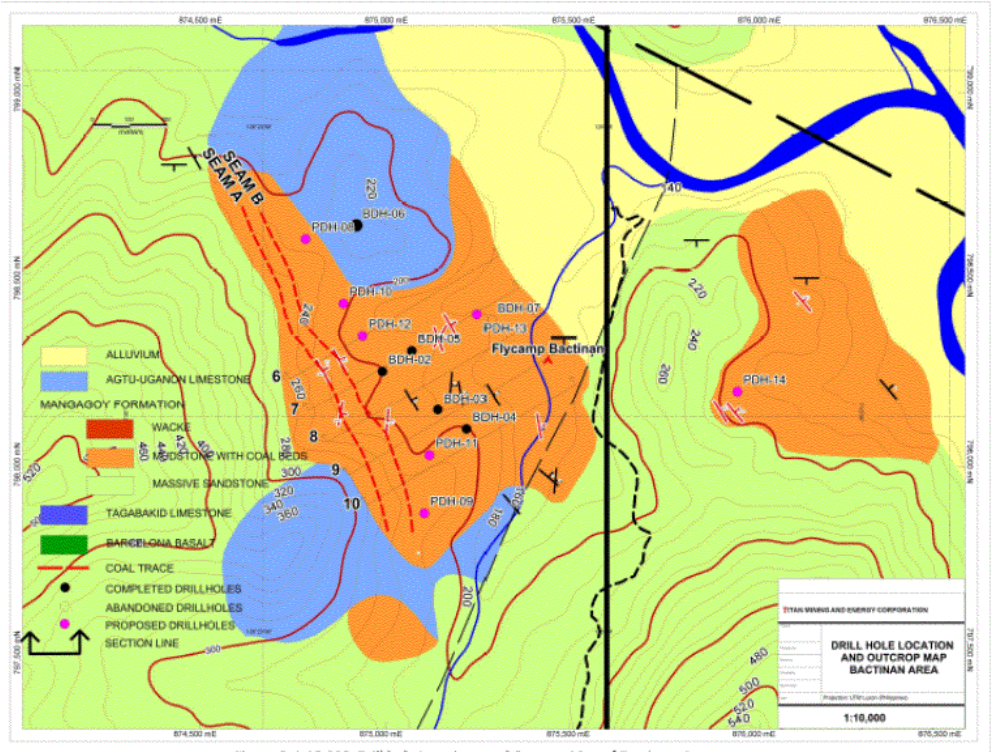
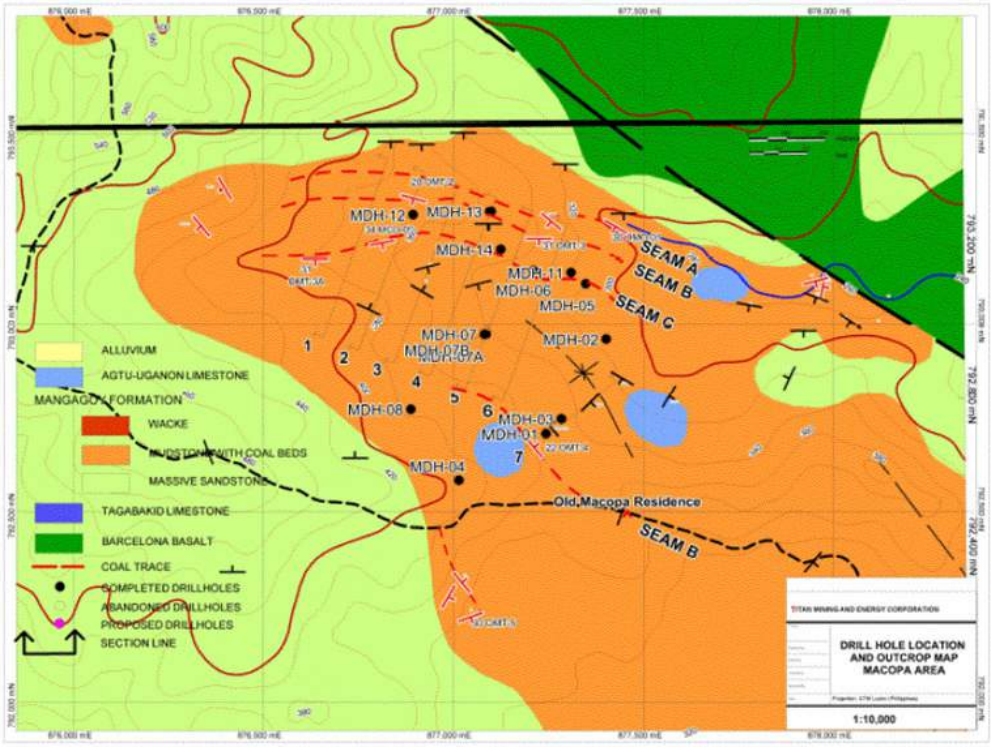


Figure 9: Drill Hole Locations and Outcrop Map of Old Macopa Area



Zamboanga –Sibugay Project

Surface Geologic Mapping

Initial exploration commenced in December 2009 to identify/delineate/validate possible target areas for test-drilling and subsequent coal blocking of resources. Field activities were limited to geological mapping/sampling of coal measures with focus on coal seams. Abandoned underground workings of small-scale illegal miners were also checked whenever possible.

Reconnaissance geologic mapping and random sampling were conducted to cover majority of the 11,000-ha project area of the initial four (4) COCs. 17 outcrops of coal beds with thicknesses ranging from 0.03- to 1.82-meters were located. All coal outcrops were identified tube occurring within the Lalat member of the Lumbog Formation.

Initial exploration activities were concluded August 2010. Re-evaluation of the initial exploration results commenced on October 2010. Geologic traverses were conducted along creeks, trails, barangay roads and old logging roads using a Garmin GPS 60CSX (accuracy +/- 3 meters). Field data were encoded and overlaid using MapInfo.

11 trenches and seven (7) test pits were excavated alongside major outcrops to fully exposé the thickness of the coal seam. 19 adits of small-scale illegal miners were also checked.

Re-evaluation activities were concluded on January 2011.

A summary of exploration activities are shown in the table below:

COC-166
Barangay and Logging Road Traverse
Stream Traverse
Prospecting for coal exposures
Three (3) coal outcrops mapped
Total area covered 4,000 hectares
Two (2) exploratory adits and one (1) trench were located
Prepared geologic Map (1:10,000)
Six (6) cored holed drilled intercepted two (2) coal seams

Field surface mapping resulted to the delineation of coal seams in carbonaceous mudstones basins. At COC #166, the basin measures 547 hectares.

Reevaluation of the initial exploration results commenced in October 2010. Geologic traverses were conducted along creeks, trails, Barangay, roads and old logging roads using GOWIN GPS60 CSX (accuracy H.3m). Field data were encoded and overlaid using Map info.

11 trenches and seven (7) test pits were excavated alongside major outcrops to expose the thickness of the coal seam fully. 19 pits of small-scale miners were also checked.

Sub Surface Exploration

In October 2011, an initial 10-hole drilling program was implemented in COC #166 using an AtlasCopco CS-1000 drill rig with HQ drill rods and bits. Depths of drill holes range from 96.2 meters to 245.5 meters.

Five (5) holes were drilled in the area (COC #166). Four (4) holes intercepted two (2) coal seams. The thickness of Seam A varies from 0.07 meter to 1.18 meters while Seam B ranges from 1.18 meters to 3.94 meters.

Table 51: Summary of Drilling program of COC #166		
Hole ID	**Seam ID**	**Seam Thickness**
166-01	B	2.73
	A	0.19
166-02	B	3.94
166-03	A	1.18
166-05	B	3.55
	A	0.07

Business Development Costs

TMEC spent the following expenses in the development of the Davao Oriental and Zamboanga-Sibugay Projects for the past three (3) years and for the first half of 2012:

Table 52: Business Development Costs from 2009 to June 30, 2012				
	Full-year Ended			Six-Month Ended
	2009	2010	2011	June 2012
Business Development	₱7,932,737	₱26,148,037	₱37,614,274	₱24,258,744
Sales	₱4,800,000	₱1,759,475	₱21,837,655	₱13,408,888
Percentage to Sales	165.27%	1,486.13%	172.25%	180.92%

As TMEC is yet to enter the development/production phase, all exploration costs are capitalized, as can be seen in its financial statements under the account "Exploration and Evaluation Assets". As of June 30, 2012, this account is composed of the following capitalized expenses:

Table 53: Breakdown of Capitalized Business Development Costs as of June 30, 2012		
Capitalized Expenses	**Amount**	**Percentage to Total**
Drilling	32,741,551	34.12%
Salaries & Wages	22,203,578	23.14%
Surveying	9,854,572	10.27%
Depreciation	4,920,454	5.13%
Documentation	4,801,326	5.00%
Others	21,432,313	22.34%
Total	**95,953,793**	**100.00%**

Differences in decimal numbers are due to rounding off.

Products

TMEC is engaged in coal mining exploration and the extraction, processing, and trade of coal and other energy related products. TMEC is currently exploring the different areas totaling 13,000-hectares covered by the three (3) COCs that were awarded by the DOE.

The following figure shows the locations of TMEC's mining properties in the Philippines.

Figure 10: Operations and Mining Rights



The Pre-Feasibility Study conducted on the Davao Oriental Project has shown that there is at least 7.0 MMT of Proved and Probable Reserves in the said area. With the found reserves, TMEC will be able to supply both the local and foreign export markets after completion of the infrastructure requirements.

In the past three (3) years, TMEC's generated 100.00% of its sales from the sale of steam-grade coal purchased from the small-scale mining conducted in its COC areas in the Zamboanga-Sibugay Project. It was only in 2010 that the Company had sales coming from incidental production, accounting to less than 5.00% of total sales generated in that year.

All of TMEC's sales were made to local canneries and food manufacturing companies. TMEC is not dependent on any customer for the sale of its coal. No customer accounted for 20.00% of total sales for the full years 2009 and 2011, and for the six-month period ending June 2012. In 2010, with the small volume of coal sold, TMEC only had two (2) customers during that year, namely Polysaccharides Corporation and Columbus Seafood Corporation, which accounted for 63.35% and 36.65% of total sales during that year, respectively.

TMEC has no export sales.

The following shows the breakdown of TMEC's sales for the past three (3) years and for the first half of 2012:

Table 54: TMEC Sales from 2009 to June 30, 2012				
	Full-year Ended			Six-Month Ended
	2009	2010	2011	June 2012
Sales Volume	1,000 MT	525 MT	4,695 MT	2,748 MT
Sales Amount	₱4,800,000	₱1,759,475	₱21,837,655	₱13,408,888

TMEC plans to supply steam-grade coal for coal-fed power plants, cement plants, canneries, and manufacturing plants that have converted their diesel-powered plants into coal-powered plants to mitigate costs.

TMEC has a MOA with Huangzhou Fuyang Gaoquiao Thermal Power Plant Co., Ltd. Under this contract, TMEC has agreed to deliver 50,000 MT of coal every month, or 600,000 MT per year, to Hangzhou Fuyang Gaoqiao Thermal Power Plant Co., Ltd. based in Zhejiang, China. The delivery is scheduled to commence in January 2013 and shall be effective for a period of 10 years. Pricing for the coal shall be based on the USD Global Coal NEWC Index less 5.00% per MT. The contract was executed on January 28, 2010.

Competition

The Company directly competes with other coal mining companies in the Philippines. A list of these other coal-mining companies is presented in the following tables on existing COC holders.

The following shows the list of COC-Exploration holders as of June 2012.

Table 55: Coal Holders of COC-Exploration as of June 2012[3]		
COC#	Company	Location of Mine
140, 141	PNOC-Exploration Corp	Tago, Surigao del Sur; Naguilian, Isabela
146	Aragorn Coal Resources, Inc.	Benito Soliven & Naguilian, Isabela
151	Guidance Management Corp.	Calatrava, Negros Occidental
154	DMC-Construction Equipment Resources, Inc.	South Cotobato and Sultan
159, 166, 167	Titan Mining and Energy Corporation	Manay, Davao Oriental; Diplahan-Buug, Zamboanga-Sibugay
162	ASK Mining & Exploration Corp.	Cagwall-Marihatag, Surigao del Sur
165	3Kings Sunrise Mining Corp.	Carmen, Cebu
169, 174, 175	Blackgem Resources & Energy Inc.	Taragona, Davao Oriental; Bataan Island, Rapu-Rapu, Albay ; Cateel and Baganga, Davao Oriental;
170	Dell Equipment & Construction Corp.	Saranggani & South Cotobato
171	Cedaphil Mining Corp.	Toledo, Cebu
172	Core 8 Mining Corp.	Toledo, Cebu
173	BBB Mining and Energy Corp.	Asturias, Balamban and Danao City, Cebu
176	Goodyield Resources Development, Inc.	Lingig, Surigao del Sur
177	Gdeal Mineral Resources Co., Inc.	Godod, Zamboanga del Norte
178	Kwangming Mineral Co. Inc.	Naga & Kabasalan, Zamboanga - Sibugay
179, 180	SKI Energy Resources, Inc.	Pinamungahan and Naga, Cebu
181	Timberwolves Resources Inc.	Guigaquit, Surigao del Norte

[3] Department of Energy

The following shows the list of COC-Development/Production holders as of June 2012.

Table 56: Coal Holders of COC - Development & Production [4]		
COC#	**Company**	**Location of Mine**
5	Semirara Mining Corporation	Semirara Island, Caluya, Antique
9, 89	Adlaon Energy Development Corporation	Dalaguete, Cebu; Compostela, Cebu
13, 128	Ibalong Resources & Development Corporation	Dalaguete, Cebu
41, 122	PNOC-Exploration Corporation	Malangas, Zamboanga-Sibugay; Cauayan, Isabela
68, 77, 78	Filipinas (Prefab) Systems, Inc.	Bulalacao, Mindoro Oriental; Imelda and Payao, Zamboanga-Sibugay; Payao, Zamboanga-Sibugay
83	Benguet Corporation	Surigao del Sur
93	A Blackstone Energy Corp.	Imelda, Zamboanga-Sibugay
104, 137	Batan Coal Resources Corp.	Liguan and Dapdap, Batan Island; Batan Island, Rapu-Rapu, Albay
123	D.M. Wenceslao and Associates	Gattaran and Iguig, Cagayan Province
125	Lima Coal Development Corporation	Calangan and San Ramon Batan Island, Rapu-Rapu, Albay
126	Daguma Agro Minerals Inc.	Ned, Lake Sebu, South Cotobato and Sultan Kudarat
127	Bislig Venture Construction and Development Corp.	Bislig, Surigao del Sur
129	SAMAJU Corporation	San Ramon, Batan Island, Rapu-Rapu, Albay
130	Brixton Energy & Mining Corp.	Diplahan and Buug, Zamboanga-Sibugay
131	Forum Cebu Coal Corp.	Dalaguete, Naga, Cebu
132, 136	First Asian Resource Mining Corp.	Balamban, Cebu
134	Sultan Energy Phil Corp.	Ned, Lake Sebu, South Cotobato and Sultan Kudarat
135	SKI Construction Group Inc.	Danao, Cebu
138	Bonanza Energy Resources Inc.	Sitio Tafal, Bandala, Block 3, South Cotobato & Sitio Sto, Nino, Bagumbayan Sultan Kudarat
142	Visayas Multi-Minerals Mining and Trading Corporation	Toledo, Cebu
144	Calatrava Coal Multipurpose Cooperative	Calatrava, Negros Occidental
145	Great Wall Mining and Power Corporation	San Miguel, Tandag, Surigao del Sur and Tandag, Surigao del Sur
148	Abacus Coal Exploration and Development Corp.	Tandag, Surigao del Sur
149	IL Rey's Coal Mining Exploration Corp.	Cebu City

At present, there are 40 companies that were granted COCs for Exploration and Development/ Production by the DOE.

The largest coal mining company in the Philippines, based on production output, is Semirara Mining Corporation (SCC) that accounted for more than 95.00% of total production in the Philippines of 7.3 MMT in 2011. Currently, SCC has an existing coal supply contract with Semirara Calaca Power Corporation. The potential requirement of the Calaca plant is approximately 1.5 to 2.0 MMT. In March 2003, the National Power Corporation tested SCC coal for its Masinloc plant, while deliveries were made to Sual and Pagbilao Power Plants in 2004 and 2005. These plants have potential demand of 600,000 to 800,000 MT of Semirara coal per annum.

Aside from SCC, most other coal mining companies are in various stages of the Exploration Phase or the Development-Production Phase. These companies produce small volume of coal either as incidental production derived from exploratory adits or as output of small-scale permittees operating under the supervision of the holder of the COC whose tenements encompass the area of small-scale permittees.

[4] Department of Energy

Most of the output of coal mining companies is used as fuel to feed boilers used by industries in power generation, cement, and food. It is often critical that the coal mined or produced is of lower ash content to ensure efficient heat generation. It is critical that coal producers, whatever BTU coal they produce, should install a coal washing plant.

As a strategy, some coal mining companies have also entered the power generation business to find ready markets for their coal output.

Most coal mining companies will also look for end-markets near their mine sites to reduce logistics cost for the transport and delivery of the product.

The table below presents the total assets, revenues and net earnings of the aforementioned COC holders based on financial statements made available from the SEC.

Table 57: Financial Highlights of COC Holders -Exploration and Development & Production Stage[5]

Amounts in ₱0.00

COC #s	Company	Total Assets	Sales	Net Income/Loss
5	Semirara Mining Corporation	35,628,219,146	25,813,584,789	6,031,136,575
123	D.M. Wenceslao and Associates	14,949,273,656	1,131,701,543	149,225,683
170	Dell Equipment & Construction Corp.	143,685,534	102,284,554	4,071,079
127	Bislig Venture Construction and Development Corp.	20,843,875	70,546,260	713,931
176	Goodyield Resources Development, Inc.	56,582,461	67,777,301	115,830
9, 89	Adlaon Energy Development Corporation	44,876,377	48,893,949	1,729,018
13, 128	Ibalong Resources & Development Corporation	80,906,550	34,703,350	(29,218,110)
179, 180, 135	SKI Energy Resources, Inc.	1,785,894,185	20,940,617	4,499,116
93	A Blackstone Energy Corp.	124,728,569	2,925,511	1,066,956
126	Daguma Agro Minerals Inc.	59,220,527	-	438,868
68, 77, 78	Filipinas (Prefab) Systems, Inc.	383,745,779	-	318,284
138	Bonanza Energy Resources Inc.	6,405,704	-	143,693
173	BBB Mining and Energy Corp.	2,936,517	-	-
171	Cedaphil Mining Corp.	12,256,631	-	(22,797)
148	Abacus Coal Exploration and Development Corp.	301229343	-	(70,913)
134	Sultan Energy Phil Corp.	125,539,826	-	(219,418)
172	Core 8 Mining Corp.	14,243,124	-	(667,996)
146	Aragorn Coal Resources, Inc.	6,896,249	-	(6,882,240)
169, 174, 175	Blackgem Resources & Energy Inc.	18,633,836	-	(15,112,088)

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

Suppliers

TMEC is not expected to be dependent upon any supplier for exploration and drilling work, engineering and construction, energy, mine equipment or other items.

TMEC is currently in the exploration stage in both Davao Oriental and Zamboanga-Sibugay and has opted to outsource the diamond drilling work to Primo Asia Mining and Drilling Inc. The drilling contract with Primo Asia is currently on going.

[5] Source: Department of Energy

Once TMEC has completed the exploration stage and has established the economic viability of its coal assets, it will proceed immediately to the mine development and production phase.

The development phase is essentially the overall preparation of the coal areas for commercial extraction and operation whether for surface or underground extraction. Development plans generated includes the identification of all activities required for the preparation and entry to the coal reserves, extraction, transport, handling and shipment of coal products, and supplemental/auxiliary requirements, their estimated expenditures and time frame schedules. The main activities include the construction of mine access infrastructures, port facilities, stockyard, POL stock farm, campsite structures and facilities, procurement of equipment and manpower, permitting and compliance, environmental management and compliance.

All phases of development construction work require engineering technical expertise in various engineering disciplines for the construction, planning & scheduling of activities, equipment and methodology. The Company will likely conduct a bidding process for the contract to undertake the design, planning and construction of the main structures. As of the date of this Prospectus, TMEC has already completed a Pre-Feasibility Study prepared by a licensed Mining Engineer for Davao Oriental, which details the requirements and specifications for the construction works to develop the said area for production. This will serve as the template for the Feasibility Study for the same area as well as Zamboanga-Sibugay.

For the mining equipment required for production, the Company would have the option to directly procure from original equipment suppliers or acquire reconditioned equipment from reputable equipment rebuilders or procurement of new or unused equipment surplus from planned production from suppliers, or rent/lease-to-own from reputable equipment depots.

Once the Company goes into full commercial operations, there will be on-going requirements for water resources, power supply and manpower. Water could be sourced from the tributaries of the main rivers near the mine sites or artesian/shallow wells. Power is supplied by the local electric cooperatives in the area such as the Davao Oriental Electric Cooperative in Davao Oriental. The host community can adequately supply unskilled labor requirement of the sites, however for skilled labor the Company would have to source form neighboring cities.

Activities Conducted in the COCs

COC #159 Davao Oriental

After the acquisition of COC #159 and the completion of the research conducted on all available geologic data and information from all possible sources on the coal bearing potential areas of Manay, Davao Oriental, TMEC embarked on a surface investigation exploration effort on the area from October 28, 2009 to November 23, 2009. Further surface investigation was conducted from May 4, 2010 to June 10, 2010. 38 coal outcrops/exposures were located, identified, characterized, randomly sampled and analyzed for its coal quality. A total of 35 kilometers of creek lines, 30 kilometers of trails and 18 kilometers of old logging roads were covered by terrain geologic traverses using a GPS to locate and identify rock units and coal exposures. 24 trenches were dug alongside major coal exposures. Thickness of exposed coal seams measured ranged from 0.45 meter to 4.50 meters with roof and floor of mudstone rock units. Coal occurrences were found to be directly associated and related to the occurrence and extent of the mudstone member of the Mangagoy Rock Formation. 13 mudstone mini-basins or "islands" were identified based on general surface contacts of the rock units in the area. An initial resource Potential Deposit was estimated on June 2010 on the 13 mudstone "islands", giving a range of about 53.0 MMT of coal. A second surface investigation conducted by Mr. Arturo A. Ona, an independent consulting geologist,

under NI-43101 from Nevada, USA on June 2011 on the mudstone "islands" gave a figure of about 68.0 MMT of coal.

An initial 10 probes/exploratory DDH programmed for Bactinan and Old Macopa areas with mudstone units (two (2) out of thirteen mudstone potential coal bearing areas) were initiated in late November 2010. Vertical cored holes were drilled at about 100 meters from the surface trace of coal exposures in the direction of the coal seam inclination. GeoRock Inc. was contracted to undertake the drilling program with three drill rigs using HQ coring drill bits. Nine (9) drill holes were completed with eight (8) holes intercepting coal seam at depth—five (5) holes in Bactinan and three (3) holes in Old Macopa areas. The drilling contract with GeoRock Inc. was subsequently terminated in July 2011.

On August 2011, Primo Asia Mining and Drilling Inc., a contractor with two (2) drill rigs was contracted to undertake the second set of 10 exploratory holes programmed to determine the extent and depth of coal seams in Bactinan and Old Macopa. Nine (9) holes were drilled with seven (7) holes intercepting coal seams at depth. The drilling contract with Primo Asia Mining and Drilling Inc. is currently ongoing as of this Prospectus.

Two (2) coal seams (seams A and B) were identified and correlated in Bactinan, while three (3) coal seams (seams A, B and C) were identified and correlated in Old Macopa resource estimate was conducted on April 2012 based on coal outcrops and drill hole coal intercepts.

Table 58: Estimate of Coal Resources at Bactinan and Old Macopa

	Bactinan	Old Macopa	Total
Measured	1.6 MMT	1.3 MMT	2.9 MMT
Indicated	2.7 MMT	1.5 MMT	4.2 MMT
M&I	**4.3 MMT**	**2.8 MMT**	**7.1 MMT**
Inferred	1.6 MMT	4.0 MMT	5.6 MMT

TMEC commissioned an independent consulting mining engineer, Engr. Rafael R. Baladad to conduct a Pre-Feasibility Study on the combined 214-hectare block from Bactinan and Old Macopa reserve was estimated on a 500 x 350 meter block equivalent 17.5 hectares based on six (6) sections generated in Bactinan. Surface extraction reserves was estimated at 323,720 MT at a strip ratio of 9:1 (waste to coal) while underground reserves was estimated at 373,990 MT. Surface reserves are 46.00% while underground reserves are 54.00% of the total of 697,710 MT reserve. A reserve base was also estimated on seven (7) sections generated in Old Macopa. Reserves estimated are based on an eight (8) hectare block with a dimension of 400 x 200 meter area on the north limb of the syncline (U-shaped configuration) and one and half (1.5) hectare block with 150 x 100 meter dimension in the south limb of the syncline. Estimated combined surface reserves of north and south limbs in Old Macopa is 186,230 MT at a strip ratio of 8:1 and 120,080 MT underground based on three (3) coal seams. Surface reserves are 60.00% while underground reserves are 40.00% of the total reserve of 306,310 MT. The combined Bactinan and Old Macopa estimated reserve is at 1,004,020 MT.

Limitations on extractions were based on stringent engineering parameters. Values were extrapolated from point data source on at least no greater than a 100-meter limit. Strip ratios dictate surface reserves. Underground reserves dimension in the south limb of the 0.7 meters. For greater than three (3) meters, a 2.7-meter opening height cap is considered for cavity stability and roof support characteristics. The rest of the remaining portions on the 214-hectare block would require additional data for limit characterization.

The average reserve yield per hectare was estimated roughly at 28,000 MT of coal, having an average thickness of two (2) meters. Based on the average yield, it requires only 107 hectares to have a reserve base of 3.0 MMT surface and underground combined; or more or less only 214 hectares for 3.0 MMT surface reserves and at about 3.0 MMT underground reserves. Based on coal occurrences observed, the average yield per hectare could be replicated several times over with sufficient exploration efforts. Combined reserves are shown below:

Table 59: Calculated Reserves in a 214-Ha. Area Based on an Observed Yield Factor of 28,000 MT Per Hectare

	Surface	Underground	Total
Proved	0.5 MMT	0.5 MMT	1.0 MMT
Probable	3.0 MMT	3.0 MMT	6.0 MMT
Total	**3.5 MMT**	**3.5 MMT**	**7.0 MMT**

This Pre-Feasibility Study was undertaken on a base case 3.0 MMT surface reserve, as well as its associated underground component to get a better perspective on the economic prospect of the project. The surface extraction with an acquired full equipment complement on a 90.00% mining recovery shows that it could extinguish the required capital surface expenditures on development with profit within a five (5) year operating period. This leaves the underground component to answer only the underground development requirements. Underground operation would be in two (2) stages: (a) a shallow "punch hole" mining extraction for shallow reserves reckoned from the limits of surface extraction down to another 50 meter depth; and (b) a deep underground mining operation of a variant of medium "pitch breast and pillar" approach for reserves reckoned from the limits of the shallow operation to a depth of about 200 to 250 meters. Deep underground operation would have a decline or series of ramps with switchbacks for trackless mining to bring the coal to the surface. Although underground mining methods were applied in general, lack of detailed coal characteristics precludes estimating costs of unit operations and ancillary operations. Shallow underground operations would be contemporaneous to surface extraction to augment production but would lag behind surface extraction for use of the working platform at the foot of the high wall. 30.00% to 40.00% of shallow reserves are expected to augment surface extraction without answering cost of surface development.

The Pre-Feasibility Study concluded that the average yield of 28,000 MT coal per hectare could easily be replicated within the Bactinan and Old Macopa areas with more than sufficient resources in different categories. Further exploration efforts could easily establish required reserves for viability without even considering the remaining ten coal bearing potential areas in the project.

COC #166 Zamboanga-Sibugay

Initial exploration work on COC #166 commenced in December 2009 to identify/delineate/validate possible target areas for test drilling and subsequent coal blocking of resources. Field activities were limited to geological mapping/sampling of coal measures with focus on coal seams. Abandoned underground workings of small-scale miners were also checked whenever possible. Reconnaissance geologic mapping and random sampling were conducted to cover majority of the 11,000-ha project area of the initial four (4) COCs. 17 outcrops of coal beds with thicknesses ranging from 0.03 meter to 1.82 meter were located. All coal outcrops were identified to be occurring within the Lalat member of the Lumbog Formation. Initial exploration activities were concluded August 2010.

Re-evaluation of the initial exploration results commenced on October 2010. Geologic traverses were conducted along creeks, trails, barangay roads and old logging roads using a Garmin GPS 60CSX (accuracy +/- 3 meters). Field data were encoded and overlaid using MapInfo. 11 trenches and seven (7) test pits were excavated alongside major outcrops to expose the thickness of the

coal seam fully. 19 adits of small-scale illegal miners were also checked. Re-evaluation activities were concluded on January 2011. An initial resource potential was estimated in a report prepared by the Company's senior geologist dated March 22, 2011.

In October 2011, an initial 10-hole drilling program was implemented in COC #166 using an Atlas Copco CS-1000 drill rig with HQ drill rods and bits. Depths of drill holes range from 96.20 meters to 245.50 meters. Five (5) drill holes were completed with a total drilled meter age of 953.2 meters.

An updated resource potential based on PMRC was estimated in a report prepared by the same senior geologist dated April 26, 2012. The resources are classified below:

Table 60: Estimate of Coal Resources in Zamboanga-Sibugay	
Measured	0.3 MMT
Indicated	0.9 MMT
M&I Resources	**1.2 MMT**
Inferred Resource	2.3 MMT

The coal potential or prospectively of COC #166 as based on the areal extent of the coal bearing carbonaceous mudstone is presented below:

Table 61: Coal Potential or Prospectivity of COC #166 and COC #167		
COC	**Area of Basin (has)**	**Coal Volume**
#166	547	30.6 MMT

Transactions with and/or Dependence on Related Parties

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

TMEC has transactions with related parties, Pacifico Sul Mineraçao Corporation and Colossal Petroleum Corporation, pertaining to working capital purposes. These advances are unsecured, non-interest-bearing, and generally settled in cash and payable on demand. As of June 30, 2012, advances from Pacifico Sul Mineraçao Corporation amounted to ₱1,101,215 and advances from Colossal Petroleum Corporation amounted to ₱661,982.

TMEC also received advances from Stronghold Steel Corporation("SSC") amounting to ₱54,355,735 as of June 30, 2012 to fund equipment acquisition and to finance exploration activities for the Davao Oriental and Zamboanga-Sibugay Projects.

TMEC also leases office space from, JTKC Equities, Inc., with rental expenses amounting to ₱2,926,688 in 2010, ₱3,610,032 in 2011, and ₱1,805,016 in the first six months of 2012. The lease agreement shall be effective until March 2013. Dexter Y. Tiu, a director of both TMEC and COAL and a major stockholder of COAL, and Alexander Y. Tiu, a major stockholder of COAL, are also stockholders of JTKC Equities, Inc.

The aforementioned companies and TMEC are related parties under common ownership with certain stockholders of COAL

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

Need for Government Approvals on Products and Services

TMEC secured the following permits and licenses from the Philippine Government:

Table 62: Summary of Coal Operating Contracts of TMEC

License / Permit / Certificate	Date Issued	Valid Until
Coal Operating Contract #159	September 16, 2009	September 15, 2013 (2 Years Extension)
Coal Operating Contract #166	November 18, 2009	November 17, 2013 (2 years Extension)
Certificate of Non-Coverage from the EMB – COC #159 No. CNC-R11-1002-0055	February 15, 2010	n.a.
Certificate of Non-Coverage from the EMB – COC #166 No. CNC-R09-1001-0010	January 22, 2010	n.a.
Certificate of Non-Overlap from the NCIP – COC #166	May 18, 2012	n.a.
MOA with NCIP	July 19, 2012	July 18, 2012 (2 Years Extension)

Effect of Existing or Probable Governmental Regulations on the Business

There are no extraordinary government approvals needed for TMEC's present business activities. TMEC also does not foresee any effect of existing or probable government regulations on its business. It is important to note that the recently issued Executive Order No. 79 series of 2012 on the mining sector does not cover coal mining. Coal Mining is covered under Presidential Decree No. 972, or the Coal Development Act, while E.O. 79 pertains to mining activities under Republic Act No. 7492, or the Philippine Mining Act of 1995.

Environmental Laws

TMEC's COCs not only grants it rights over certain coal-mining assets but also prescribes guidelines for coal-mining operations among which include rules with respect to environmental protection, safe mining operations, and social and economic development of the surrounding areas. These guidelines include safety rules for underground and surface mine operations covering requirements for exit, escape ways, submission of mine maps, ventilation, allowable limits of toxic and explosive gases, control of coal dust, ground support, rescue organization for emergency situations, fire protection, handling of explosives, health and sanitation facilities and other miscellaneous safety rules, air, water, hazardous materials and waste management, and the rehabilitation of mine sites. In addition, TMEC is required to conduct an environmental impact study prior to start of development and production pursuant to securing an ECC from the DENR. There is also the possibility that existing laws and regulations may be amended or new laws may be enacted in the future.

TMEC has been issued Certificates of Non-Coverage by the Environmental Management Bureau for its COCs #159 and #166.

Indegenous People's Rights

TMEC's COCs requires that a "Pre-condition Certificate", which is also known as a "Certificate of Non-Overlap", from the NCIP be secured within one (1) year from the award of the COC. The evident purpose of this requirement in the COC is to further the policy of the Government in promoting all the rights of Indigenous Cultural Communities or Indigenous Peoples (ICCs/IPs) through, among others, the following: (a) protecting the rights of the ICCs/IPs to their ancestral domains to ensure their economic, social and cultural well-being; (b) recognizing, respecting and protecting the rights of ICCs/IPs to preserve and develop their cultures, traditions and institutions; (c) taking measures, with the participation of the ICCs/IPs concerned to protect their rights and guarantee respect for their cultural integrity and to ensure that members of the ICCs/IPs benefit on an equal footing from the rights and opportunities which national laws and regulations grant to other members of the population; and (d) recognizing its obligation to respond to the strong expression of the ICCs/IPs for cultural integrity by assuring maximum participation in the direction of education, health, as well as other services of ICCs/IPs, in order to render such services more responsive to the needs of and desires of communities.

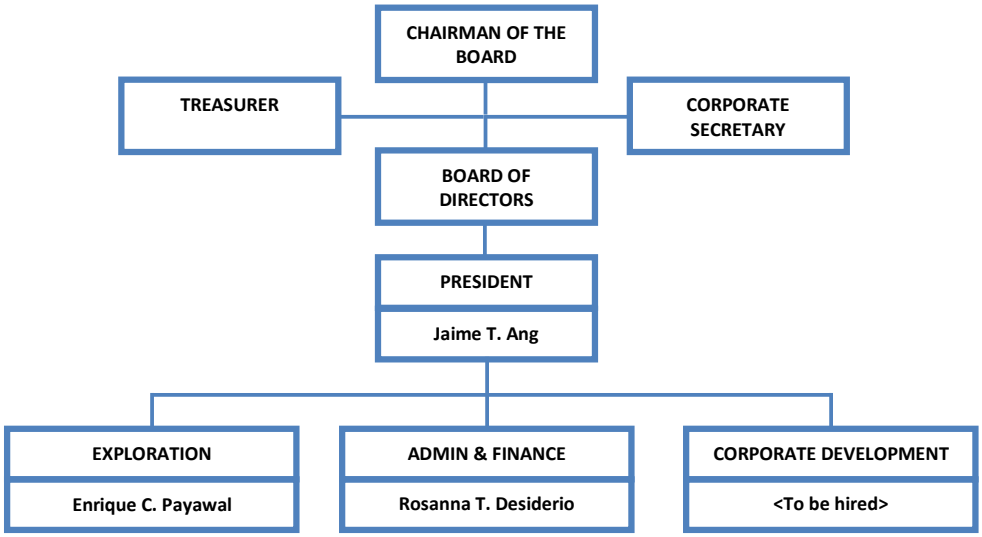
A Certificate of Non-Overlap was issued for both COC #166 dated May 18, 2010 and issued by the NCIP Regional Office IX, in Pagadian City, Philippines. It specifically states that the two areas (4,000 and 2,000 hectares, respectively), "more or less does not affect or overlap with any Ancestral Domain."

COC #159, however, does not have a Certificate of Non-Overlap. Republic Act 8371 states that if certain areas are ancestral domains, a formal written agreement wherein ICCs/IPs allow the development and utilization of natural resources required. In this regard, on July 19 2012, a MOA was entered into by TMEC and the Indigenous Peoples of Barangays Rizal, Lambog, Capasnan, San Ignacio, Old Macopa, Holy Cross and Taocanga, which are recognized ICCs belonging to the Mandaya Tribe. This MOA specifically states that the ICCs concerned "freely and voluntarily" gave their consent for the coal exploration project, which will be conducted in "Rizal, Lambog, Capasnan, San Ignacio, Old Macopa, Holy Cross and Taocanga, Municipality of Manay, Province of Davao Oriental xxx."

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Corporate Structure

Figure 11: Organizational Chart of Titan Mining and Energy Corp.



Employees

The following shows the manpower complement of TMEC according to business function:

Table 63: Titan Mining and Energy Corporation Manpower Complement			
Category	**Regular**	**Probationary**	**Total**
Exploration			
Officers	1	0	**1**
Rank and File	22	32	**54**
Admin & Finance			
Officers	1	0	**1**
Rank and File	2	0	**2**
Corporate Development			
Officers	1	0	**1**
Rank and File	1	0	**1**
Total			
Officers	**3**	**0**	**3**
Rank and File	**25**	**32**	**57**
Total	**28**	**32**	**60**

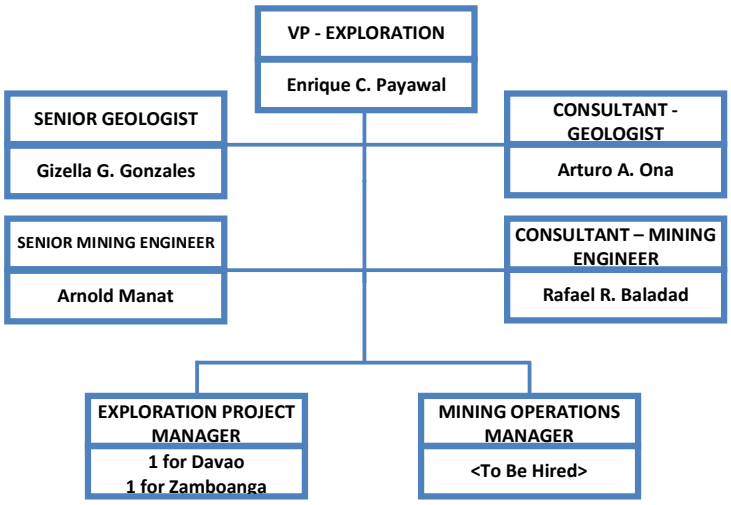
Exploration Department

The Exploration Department is responsible for the COC's exploration work such as detailed geological mapping, diamond drilling and topographic surveying in the area.

The following shows the organizational structure of this department:

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Figure 12: Exploration Department Organizational Chart

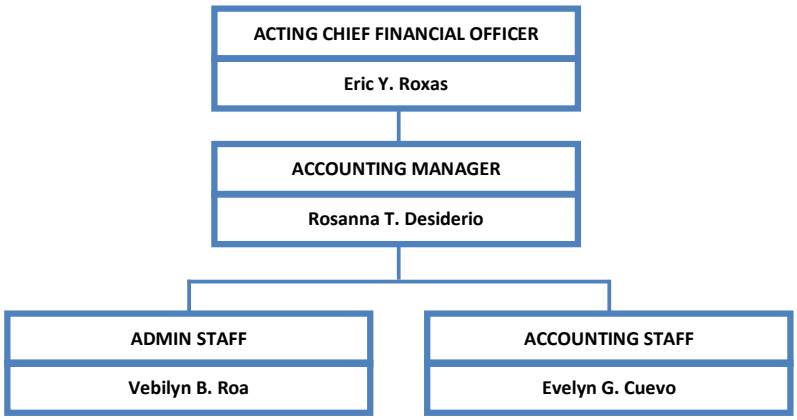


Administration& Finance Department

The Administration &Finance Department is responsible for supervising the daily financing activities such as requests for funding of the exploration department, preparation of financial reports for management and DOE in monthly and quarterly basis, preparation of reportorial requirements to BIR, DOE, SSS, PH and HDMF, documentation and admin work.

The following shows the organizational structure of this department:

Figure 13: Admin & Finance Department Organizational Chart

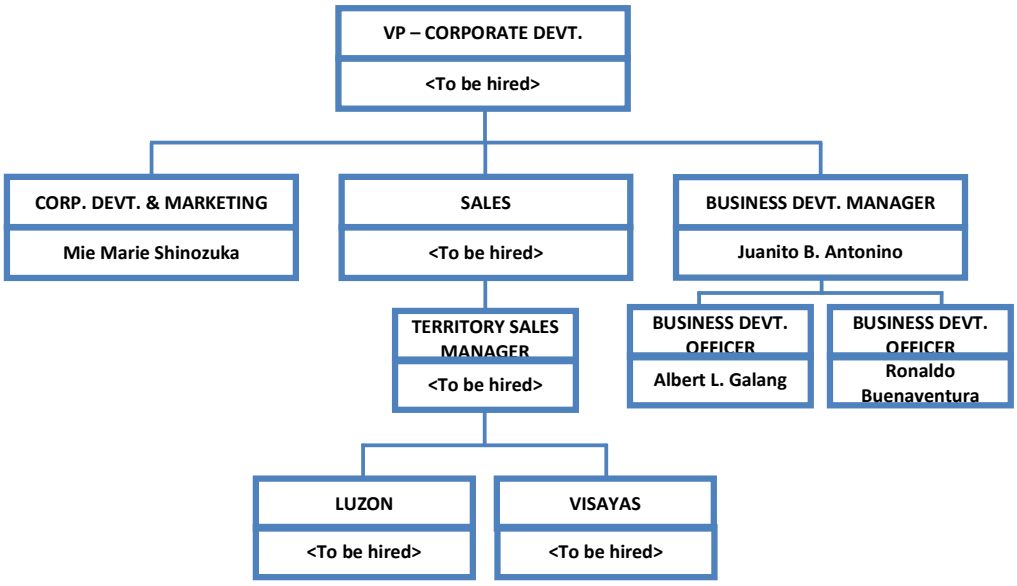


Corporate Development Department

The Corporate Development Department is responsible for the sales and marketing of the products that TMEC will be producing when it starts to enter into commercial phase. The department is responsible for representing TMEC to LGUs and NCIP, securing proper documents needed for exploration and mining, doing presentations to Sangguniang Bayan and acting as community relation officers.

The following shows the organizational structure of this department:

Figure 14: Corporate Development Department Organizational Chart



TMEC's employees are not unionized. They are also not a party to any collective bargaining agreements.

There has been no incidence of employee strikes in the past three (3) years. There are no incidences of strikes at present, nor are there any threatened incidences of strikes.

The Company foresees that it will engage an additional six (6) employees in the next 12 months from the date of this Prospectus. This is broken down as follows:

- Exploration Department – 1 Senior Mining Engineer, 1 Senior Geologist, and 1 Junior Geologist
- Admin & Finance Department – 1 Chief Financial Officer and 1 Admin Staff
- Corporate Development – 1 Vice President for Corporate Development

Key Officers

Table 64: Key Officers of Titan Mining and Energy Corp

Name	Age	Nationality	Present Position	Period of Service in the Company
Jaime T. Ang	56	Filipino	President	Nov. 2008-present
Dexter Y. Tiu	40	Filipino	Treasurer	Nov. 2008-present
Eric Y. Roxas	49	Filipino	Corporate Secretary	Nov. 2008-present
Enrique C. Payawal	69	Filipino	VP –Exploration and Chief Operating Officer	Sept. 2010-present
Gizella Greta D.J. Gonzales	37	Filipino	Senior Geologist	Sept. 2010-present
Arnold Manat	54	Filipino	Senior Mining Engineer	Oct. 2010-present
Rosanna T. Desiderio	47	Filipino	Accounting Manager	Jan. 2009-present

Jaime T. Ang, 56, Filipino, President

Jaime T. Ang is with TMEC from November 2008 to present. Concurrently, he is the President of COAL, TMEC's parent company. He is also a director and the President of both Seahouse Fishery and Aquatic Resources, Inc. and Jackpot Leisure Development Corp. He is a Certified Public Accountant since 1978. He holds a Masters in Business Administration degree from the Ateneo de Manila University and holds a Bachelor of Science degree in Accountancy from the Philippine School of Business and Administration.

Dexter Y. Tiu, 40, Filipino, Treasurer

Dexter Y. Tiu is with TMEC from November 2008 to present. Concurrently, he is the President of Stronghold Steel Corporation. He also is a director of both JTKC Equities, Inc. and Star Equities, Inc. He is also the Treasurer and a director of TKC Steel Corp. and the Vice Chairman of Zhangzhun Stronghold Steelworks Corp. He holds a Bachelor of Science degree in Mechanical Engineering from the De La Salle University.

Eric Y. Roxas, 49, Filipino, Corporate Secretary

Eric Y. Roxas is with TMEC from November 2008 to present. Concurrently, he is the President of Husky Trading Corp., Supra Finishing Corp., Phil. Welding Technology Skills & Services Center, Inc., and Husky Calibration Specialists, Inc. He is also the Treasurer of Eagle Equities, Inc. He holds a Bachelor of Science degree in Industrial Engineering from the De La Salle University.

Enrique C. Payawal, 69, Filipino, Vice President-Exploration and Chief Operating Officer

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

Gizella Greta D.J. Gonzales, 37, Filipino, Senior Geologist

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

Arnold S. Manat, 54, Filipino, Mining Engineer

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

Rosanna T. Desiderio, 47, Filipino, Accounting Manager

Rosanna T. Desiderio has been with TMEC since January 2009. She is concurrently the Chief Compliance Officer of COAL, TMEC's parent company. She is a Certified Public Accountant since 1985. She holds a Bachelor of Science degree in Accountancy from the Polytechnic University of the Philippines.

Consultants

Arturo A. Ona, Independent Consulting Geologist, US

Arturo Ona has more than 45 years' experience as consultant and project manager in precious and base metals exploration, mine geology, and mine development projects worldwide. He is a licensed geologist in both the Philippines and the state of Arizona. He is also a member of the Geological Society of Nevada. He is a Qualified Person (QP) as defined by the National Instrument 43-101.

Rafael R. Baladad, Consulting Mining Engineer

Rafael Baladad holds degrees in mining engineering and geology. He has over 25 years of work experience in the mineral and petroleum industry.

Description of Properties

The mine sites under COC #159 are located in the Municipality of Manay, Davao Oriental, while mine sites under COCs #166 are located in the Municipalities of Diplahan and Buug, Province of Zamboanga-Sibugay. The infrastructure and road network, office administration buildings, and power plants are some of the improvements made by TMEC on the mine sites. Properties of TMEC in the mine sites are primarily composed of the following: Drilling Equipment, Survey Equipment, Testing Equipment, Transportation Equipment, and Office Furniture and Equipment, the total carrying value of which amounts to ₱46,425,162.

TMEC also leases office space from, JTKC Equities, Inc., with rental expenses amounting to ₱2,926,688 in 2010, ₱3,610,032 in 2011, and ₱1,805,016. The lease agreement shall be effective until March 2013. Coal Asia and TMEC directors and stockholders, Dexter Y. Tiu and Alexander Y. Tiu, are also stockholders of JTKC Equities, Inc.

All properties are free of any liens and encumbrances.

Legal Proceedings

TMEC is not a party to any pending legal proceeding. There are no pending legal proceedings with respect to any of its properties. It is likewise not involved in any claims or lawsuits involving damages, which may materially affect it or its subsidiaries.

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Summary of Financial Information

The following tables present the summary financial information for TMEC and should be read in conjunction with TMEC's Audited Financial Statements and Independent Auditors' Report, including the notes thereto.

The information below is not necessarily indicative of the results of TMEC's future operations or financial condition.

The following shows TMEC's Comparable Statement of Comprehensive Income for years ended December 31, 2009, 2010, and 2011, and for the six-month period ended June 30, 2011 and 2012.

Table 65: TMEC's Comparable Statement of Comprehensive Income

Amounts are in ₱0.00	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2011	June 30, 2011	June 30, 2012
Sales	4,800,000	1,759,475	21,837,655	2,623,400	13,408,888
Cost of Sales	2,634,370	1,145,625	12,986,847	1,461,969	6,733,874
Gross Profit	2,165,630	613,850	8,850,808	1,161,431	6,675,014
Operating Income	(5,563,633)	(4,680,634)	2,691,930	(1,950,762)	2,915,406
Income (loss) before income tax	(5,415,565)	(4,676,686)	2,694,649	(1,949,158)	2,916,517
Net Income (loss)	(5,415,565)	(4,676,686)	5,018,874	1,190,202	2,041,895

The following shows TMEC's Comparable Statement of Financial Position for years ended December 31, 2010 and 2011, and for the six-month period ended June 30, 2012.

Table 66: TMEC's Comparable Statement of Financial Position

Amounts are in ₱0.00	Dec. 31, 2010	Dec. 31, 2011	June 30, 2012
Assets			
Cash	1,682,164	1,353,149	1,349,952
Trade and other receivables	964,863	613,996	263,787
Coal Inventory	1,601,639	1,207,801	533,313
Advances to affiliates	861,240	1,733,383	1,865,767
Prepayments and other current assets	1,439,565	102,596	576,041
Total Current Assets	**6,549,471**	**5,010,925**	**4,588,860**
Exploration and evaluation assets	34,080,775	71,695,049	95,953,793
Property, Plant and Equipment -net	5,227,063	46,425,162	43,664,638
Deferred tax asset	-	2,324,225	1,583,103
Total Non-Current Assets	**39,307,838**	**120,444,436**	**141,201,534**
TOTAL ASSETS	**45,857,309**	**125,455,361**	**145,790,394**
Liabilities and Equity			
Trade and other payables	2,873,641	6,741,052	6,332,072
Advances from an affiliates	1,950,000	36,001,867	54,355,735
Income tax payable	-	-	133,500
Total Current Liabilities	**4,823,641**	**42,742,919**	**60,821,307**
Retirement benefit liability	74,000	483,900	698,650
Total Noncurrent liabilities	**74,000**	**483,900**	**698,650**
Capital Stock	51,250,000	87,500,000	87,500,000
Deficit	(10,290,332)	(5,271,458)	(3,229,563)
Stockholder's equity	**40,959,668**	**82,228,542**	**84,270,437**
Total liabilities and equity	**45,857,309**	**125,455,361**	**145,790,394**

Differences in decimal numbers are due to rounding off.

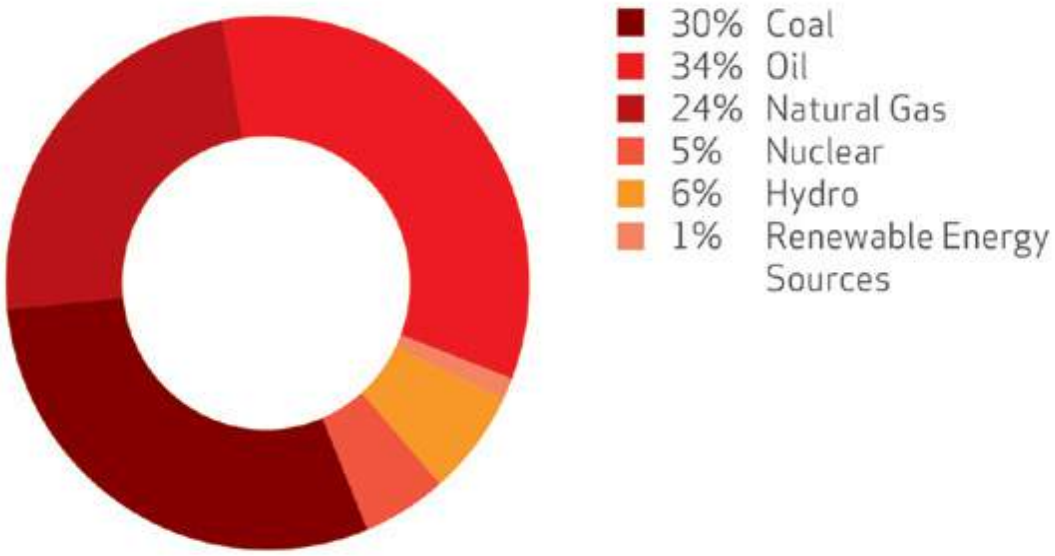
INDUSTRY OVERVIEW

The information presented in this section has been derived from various government and private publications or obtained from communications from various government agencies unless otherwise indicated and has not been prepared or independently verified by the Company or the Issue Manager and Underwriter or any of their respective affiliates or advisors. The information contained herein may not be consistent with other information compiled within or outside the Philippines.

Global Energy on Coal[6]

Coal is arguably the most important fuel in the global energy mix and certainly the second largest fuel in terms of energy consumption. It accounts for almost a third of the world's primary energy consumption. Power generation is the key driver of growing coal demand, followed by industry and transformation processes such as blast furnaces and coke ovens.

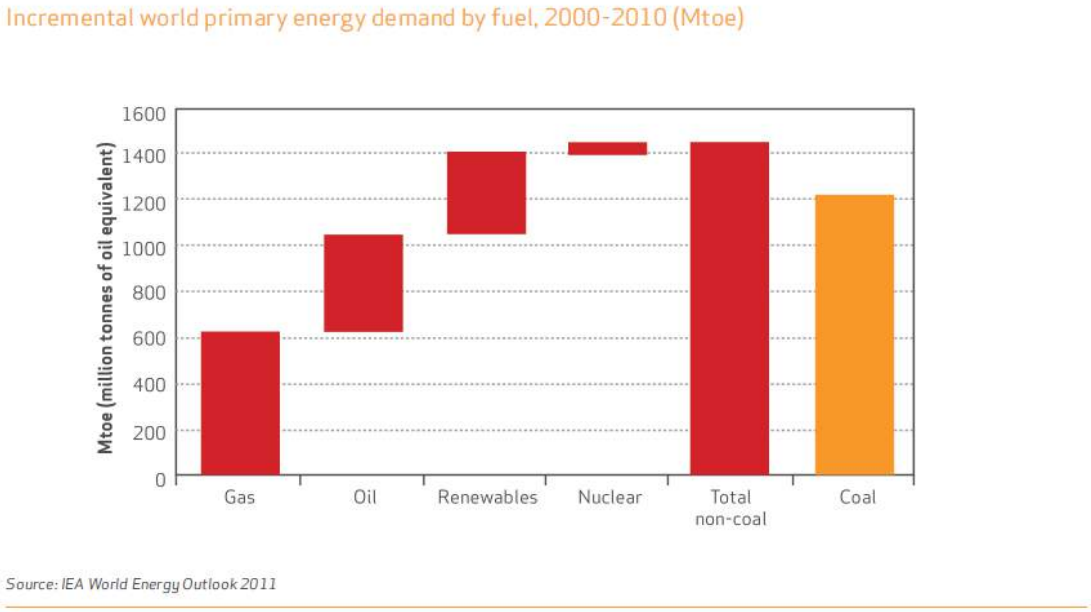
Figure 15: Global Primary Energy Consumption in 2010[7]



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[6] www.worldcoal.org
[7] www.worldcoal.org

Figure 16: Incremental world demand by fuel 2000-2010[8]



Coal reserves only include what is considered economically recoverable at any given time, taking into account available mining technology and costs. Coal resources, on the other hand, include all potential coal deposits. Coal resources are around 17 times larger than coal reserves and account for over two thirds of all non-renewable energy sources, including conventional and non-conventional hydrocarbons, such as oil and gas. Coal is simply the world's most abundant energy fuel.

The International Energy Agency estimates that global electricity demand could double between 2009 and 2035 as more people get basic access to electricity around the world and household energy consumption grows in the developing world. During the same period, global steel demand is likely to go up by around 60.00%, because of rapid urbanization in Asia and the increase in steel consumption by the construction sector.

All scenarios show that with growing energy demand around the world, coal continues to play an important role in the global energy mix through to 2035. Although the exact share of coal in the energy supply could vary according to the policy frameworks in place, coal demand will increase substantially over the coming decades even if all the commitments contained in the Copenhagen Accord are fully delivered.

Coal reserves are available in almost every country worldwide, with recoverable reserves in almost 80 countries. Although the biggest reserves are in the USA, Russia, China and India, coal is actively mined in more than 70 countries. By contrast, Russia, Iran and Qatar control 53.20% of the world's gas reserves and over 50.00% of the world's oil reserves are located in the Middle East.

Most coal is consumed domestically and only 15.00% is traded internationally. In a number of countries coal is also the only domestically available energy fuel and its use is motivated by both economic and energy security considerations. This is the case in countries and regions such as Europe, China and India, where coal reserves are much higher than oil or gas reserves. Most of the world's coal exports originate from countries that are considered politically stable – a characteristic which reduces the risks of supply interruptions.

[8] www.worldcoal.org

Figure 17: Top Coal Exporters 2010[9]

Top Coal Exporters (Million tonnes), 2010 estimates

	Total	Steam	Coking
Australia	298	143	155
Indonesia	162	160	2
Russia	109	95	14
USA	74	23	51
South Africa	70	68	2
Colombia	68	67	1
Canada	31	4	27

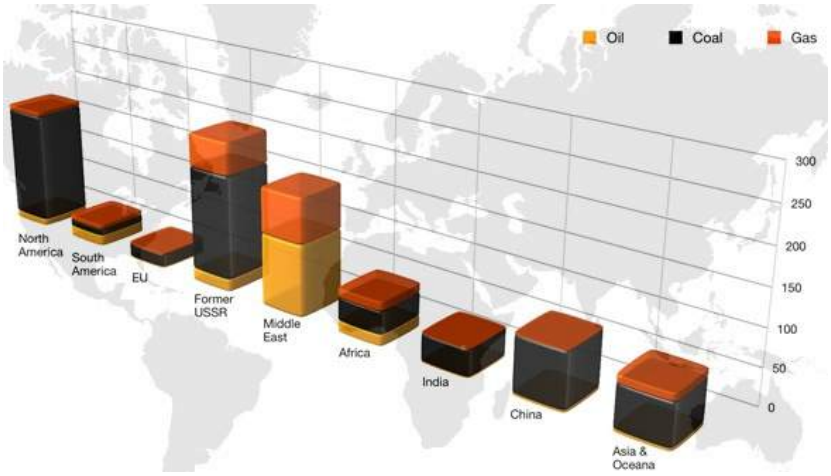
Source: IEA Coal Information 2011

Competition/Demand of Coal Ore in the World Market[10]

It has been estimated that there are over 847 billion MT of proven coal reserves worldwide. This means that there is enough coal to last us around 118 years at current rates of production. In contrast, proven oil and gas reserves are equivalent to around 46 and 59 years at current production levels.

Coal reserves are available in almost every country worldwide, with recoverable reserves in around 70 countries. The biggest reserves are in the USA, Russia, China and India. After centuries of mineral exploration, the location, size and characteristics of most countries' coal resources are quite well known. What tends to vary much more than the assessed level of the resource –i.e. the potentially accessible coal in the ground - is the level classified as proved recoverable reserves. Proved recoverable reserves are the tonnage of coal that has been proved by drilling etc. and are economically and technically extractable.

Figure 18: Worldwide Oil, Coal, and Gas Reserves[11]



[9]www.worldcoal.org
[10]www.worldcoal.org
[11] Retrieved from www.worldcoal.org

Coal is a global industry, with coal mined commercially in over 50 countries and used in over 70. Coal is readily available from a wide variety of sources in a well-supplied worldwide market. Coal can be transported to demand centers quickly, safely and easily by ship and rail. A large number of suppliers are active in the international coal market, ensuring a competitive and efficient market.

Over recent years, there has been a fall in the reserves to production (RP) ratio, which has prompted questions over whether we have reached 'peak coal'. Peak coal is the point in time at which the maximum global coal production rate is reached after which the rate of production will enter irreversible decline. However, recent falls in the RP ratio can be attributed to the lack of incentives to prove up reserves, rather than a lack of coal resources. Exploration activity is typically carried out by mining companies with short planning horizons rather than state-funded geological surveys. There is no economic need for companies to prove long-term reserves.

All fossil fuels will eventually run out and it is essential that we use them as efficiently as possible. Coal reserves could be extended further through a number of developments including:

- the discovery of new reserves through ongoing and improved exploration activities;
- Advances in mining techniques, which will allow previously inaccessible reserves to be reached.

Additionally, significant improvements continue to be made in how efficiently coal is used so that more energy can be generated from each MT of coal produced.
Coal is traded all over the world, with coal shipped huge distances by sea to reach markets.

Over the last 20 years:

- Seaborne trade in steam coal has increased on average by about 7.00% each year
- Seaborne coking coal trade has increased by about 1.60% a year.

Overall, international trade in coal reached 1,083 MMT in 2010; while this is a significant amount of coal, it still only accounts for about 16.00% of total coal consumed. Most coal is used in the country in which it is produced.

Transportation costs account for a large share of the total delivered price of coal, therefore international trade in steam coal is effectively divided into two regional markets

- The Atlantic market, made up of importing countries in Western Europe, notably the UK, Germany and Spain.
- The Pacific market, which consists of developing and OECD Asian importers, notably Japan, Korea and Chinese Taipei. The Pacific market currently accounts for about 57.00% of world seaborne steam coal trade.

Australia is the world's largest coal exporter. It exported over 298 MMT of hard coal in 2010, out of its total production of 353 MMT. International coking coal trade is limited. Australia is also the largest supplier of coking coal, accounting for 57.00% of world exports. The USA and Canada are significant exporters and Indonesia is emerging as an important supplier.

The Philippine Coal Market[12]

Overview

Coal is defined as a sedimentary rock composed predominantly of solid organic materials with a greater or lesser proportion of mineral matter. It is derived from the accumulation of plant remains in sedimentary basins, and is altered to solid rock by heat and pressure applied during the basin's development. Its quality varies according to the content of ash, impurities, and volatile matter that decreases as coal rank gets higher. It has a natural dark brown to black, graphite like appearance and is primarily used as a fuel. Types of coal according to increasing rank (in terms of hardness, purity and heating value) are peat, lignite, sub bituminous, bituminous and anthracite. It is a black or brownish black, solid combustible rock containing less than 40.00% non-combustible inorganic components formed by the accumulation, decomposition and compaction of plant materials under long-acting geological processes.

Coal is used mainly in the generation of electricity and manufacture of cement. Currently, coal-fired thermal power plants remain as the number one producer of electricity and account for 3,967 MW or 25.00% of the country's total installed powered generating capacity.

Coal is mined by either open pit or underground mining methods depending on the geology of the deposit. Coal deposits that are flat lying where the coal is thick and overburden is relatively thin is usually mined by open pit mining method while deep-seated and steeply dipping coal is mined by underground mining methods.

Coal deposits are scattered over the Philippines but the largest deposit is located in Semirara Island, Antique, operated by the country's largest coal producer, SCC. It contributes about 92.00% of the local coal production. Coalmines are also located in Cebu, Zamboanga-Sibugay, Albay, Surigao, and Negros Provinces.

There are Philippine coals that are of such quality that they can be used without the need for any coal preparation or blending with imported coals. Among these are the coal deposits being mined in Malangas by the Philippine National Oil Company (PNOC) with its Taiwanese partner, in Southern Cebu by Ibalong Resources and Development Corporation, and in Batan Island by Rock Energy International Corporation. The coal deposits in Catanduanes Island and the coal areas in Gen. Nakar, Quezon are also of good quality.

With the onset of the rising cost of fossil fuel in the world market and its eminent threat to the worldwide energy supply and security, the Philippine invigorates its program of continuous energy exploration and promotion of development, production and utilization of the country's indigenous energy resources that includes coal. Deriving motivation from this renewed interest in coal mining, the Geothermal and Coal Resources Development Division (GCRDD) continues its resource assessment particularly in un-explored and un-developed coal prospect areas. Coal resources assessment is conducted through reconnaissance to semi-detailed surveys. This is done on a regular basis.

The effort has resulted to the granting of several COCs and Small-Scale Coal Mining Permits (SSCMP) for coal areas in the provinces of Cebu, Sultan Kudarat, South Cotabato, Isabela, Quezon, Masbate, Samar, Surigao Del Sur, Albay, Zamboanga Sibuguey, Zamboanga Del Norte, Saranggani, and Catanduanes among others.

[12]www.doe.gov.ph/ER/Coal.htm

The milestones in the coal industry sector are the launching and conduct of the following projects:

Philippine Energy Contracting Round 2005

The DOE launched the contracting round for energy resources, the PECR 2005, which offers petroleum, geothermal and coal areas, in cooperation with the USAID's Energy and Clean Air Project under its "Investment Promotion for Sustainable Development of Indigenous Energy Resources" program. For the coal sector, prospective coal areas in the provinces of Quezon, Negros Occidental, Negros Oriental, Zamboanga Del Norte, Surigao Del Norte and Surigao Del Sur were offered as prospective areas for investment. There were five (5) companies who participated in the coal-contracting round: Lucanin Resources and Eastsun Mining and Power Corporation for the coal area in Polillio, Quezon; Miocene Mining and Energy Corporation for Gigaquit, Surigao Del Norte; and Guidance Management Corporation for coal areas in the provinces of Negros Occidental and Negros Oriental. None of the companies qualified based on the criteria set for the contracting round.

Coal Bed Methane Project

A joint collaboration between the United States Geological Survey and DOE was launched to determine the methane gas content and adsorptive capacity of Philippine coals. The recent study from the USGS entitled “Assessment of Philippine Coal Bed Methane” submitted to DOE in 2005 identified several coals, from lignite to semi-anthracite, in the country that possess large gas storage capacity compared with coals in known coalfields in the US. With the gas holding capacity of coals in the Philippines coalfields known, a detailed study was proposed to determine the amount of Coalbed Methane resource and prove recoverable reserve potential. Coalbed methane is an emerging natural gas resource that has evolved worldwide as an alternative clean-burning fossil fuel.

Research on coal market development with the view of providing sustainable market for local coal is likewise being undertaken. This activity aims to stabilize the domestic coal mining industry to enable the local coal production to compete with imported coal from Indonesia, Australia and other coal exporting countries.

For private companies, the key investment opportunities in the coal sector are:(a) the setting-up of coal preparation plants to upgrade the quality of Philippine coals and make them acceptable to current users; (b) the expansion of production volumes of higher-rank Philippine coals which can be used without upgrading and/or blending with high-quality imported coal; (c) the introduction of clean coal technologies (i.e., circulating fluidized bed combustion) to ensure utilization of Philippine coals with minimal adverse effects on the environment; and (d) the putting-up of mine-mouth power plants designed to utilize the abundant low-rank coals that have no alternative markets.

Investments for the exploration and development of indigenous coal covering the period 2005 – 2014 are estimated at ₱162.3 billion. Of the said amount, ₱45.6 billion will be used to develop potential areas in Luzon, ₱77.4 billion for Visayas and ₱39.3 billion for Mindanao.

The combustion of coal and other fossil fuels emits oxides of sulfur and nitrogen as well as carbon dioxide to the atmosphere but these are minimized or eliminated using clean coal technologies such as fluidized bed combustion, flue gas de-sulfurization and electrostatic precipitation.

In order to address environmental concerns, the DOE shall encourage operation of coal power plants that utilize clean coal technologies. There will be efforts to educate the public on the real impact of and the available mitigating measures for coal operations.

The coal industry has never been so robust than these past three years. From a historical yearly average of 1.5 MMT, local coal production doubled to 3.0 MMT in those three years. Increased production is expected in the near future as new contracts get to full-blown production, and exploration contracts convert to production agreements. Renewed interests in coal mining improved as coal contractors as well as small-scale permittees increase. Consumption likewise, increase steadily as new coal-fired power plants are installed and industries switch to coal because of the highly volatile price of oil.

The Philippines has a vast potential for coal resources just awaiting full exploration and development to contribute to the attainment of the country's energy self- sufficiency program. As of September 30, 2005, our in-situ coal reserves amount to 458 MMT or 18.00% of the country's total coal resource potential of 2.53 billion MT.

The following shows the list of COC-Exploration holders as of June 2012.

Table 67: Coal Holders of COC – Exploration as June 2012 [13]

COC #s	Company	Location of Mine
140	PNOC-Exploration Corp	Tago, Surigao del Sur
141	PNOC-Exploration Corp	Naguilian, Isabela
146	Aragorn Coal Resources, Inc.	Benito Soliven & Naguilian, Isabela
151	Guidance Management Corp.	Calatrava, Negros Occidental
154	DMC-Construction Equipment Resources, Inc.	South Cotobato and Sultan
159	Titan Exploration & Development Corp.	Manay, Davao Oriental
162	ASK Mining & Exploration Corp.	Cagwall-Marihatag, Surigao del Sur
165	3Kings Sunrise Mining Corp.	Carmen, Cebu
166	Titan Exploration & Development Corp.	Diplahan-Buug, Zamboanga-Sibugay
169	Blackgem Resources & Energy Inc.	Taragona Davao Oriental
170	Dell Equipment & Construction Corp.	Saranggani & South Cotobato
171	Cedaphil Mining Corp.	Toldeo, Cebu
172	Core 8 Mining Corp.	Toldeo, Cebu
173	BBB Mining and Energy Corp.	Asturias, Balamban and Danao City, Cebu
174	Blackgem Resources & Energy Inc.	Bataan Island, Rapu-Rapu, Albay
175	Blackgem Resources & Energy Inc.	Cateel and Baganga, Davao Oriental
176	Goodyield Resources Development, Inc.	Lingig, Surigao del Sur
177	Gdeal Mineral Resources Co., Inc.	Godod, Zamboanga del Norte
178	Kwangming Mineral Co. Inc.	Naga & Kabasalan, Zamboanga - Sibugay
179	SKI Energy Resources, Inc.	Carmen, Asturias and Catmon, Cebu
180	SKI Energy Resources, Inc.	Pinamungahan and Naga, Cebu
181	Timberwolves Resources Inc.	Guigaquit, Surigao del Norte

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[13] Source: Department of Energy

The following shows the list of COC-Development/Production holders as of June 2012

Table 68: Coal Holders of COC - Development & Production [14]		
COC #s	**Company**	**Location of Mine**
5	Semirara Mining Corporation	Semirara Island, Caluya, Antique
9	Adlaon Energy Development Corporation	Dalaguete, Cebu
13	Ibalong Resources & Development Corporation	Dalaguete, Cebu
41	PNOC-Exploration Corporation	Malangas, Zamboanga-Sibugay
68	Filipinas (Prefab) Systems, Inc.	Bulalacao, Mindoro Oriental
77	Filipinas (Prefab) Systems, Inc.	Imelda and Payao, Zamboanga-Sibugay
78	Filipinas (Prefab) Systems, Inc.	Payao, Zamboanga-Sibugay
83	Benguet Corporation	Surigao del Sur
89	Adlaon Energy Development Corporation	Compostela, Cebu
93	A Blackstone Energy Corp.	Imelda, Zamboanga-Sibugay
104	Batan Coal Resources Corp.	Liguan and Dapdap, Batan Island
123	D.M. Wenceslao and Associates	Gattaran and Iguig, Cagayan Province
122	PNOC-Exploration Corporation	Cauayan, Isabela
125	Lima Coal Development Corporation	Calangan and San Ramon Batan Island, Rapu-Rapu, Albay
126	Daguma Agro Minerals Inc.	Ned, Lake Sebu, South Cotobato and Sultan Kudarat
127	Bislig Venture Construction and Development Corp.	Bislig, Surigao del Sur
128	Ibalong Resources & Development Corporation	Bilibao, Batan Island, Rapu-Rapu Albay
129	SAMAJU Corporation	San Ramon, Batan Island, Rapu-Rapu, Albay
130	Brixton Energy & Mining Corp.	Diplahan and Buug, Zamboanga-Sibugay
131	Forum Cebu Coal Corp.	Dalaguete, Naga, Cebu
132	First Asian Resource Mining Corp.	Balamban, Cebu
134	Sultan Energy Phil Corp.	Ned, Lake Sebu, South Cotobato and Sultan Kudarat
135	SKI Construction Group Inc.	Danao, Cebu
136	First Asian Resource Mining Corp.	Alpacao, Naga Cebu
137	Batan Coal Resources Corp.	Batan Island, Rapu-Rapu, Albay
138	Bonanza Energy Resources Inc.	Sitio Tafal, Bandala, Block 3, South Cotobato & Sitio Sto, Nino, Bagumbayan Sultan Kudarat
142	Visayas Multi-Minerals Mining and Trading Corporation	Toledo, Cebu
144	Calatrava Coal Multipurpose Cooperative	Calatrava, Negros Occidental
145	Great Wall Mining and Power Corporation	San Miguel, Tandag, Surigao del Sur and Tandag, Surigao del Sur
148	Abacus Coal Exploration and Development Corp.	Tandag, Surigao del Sur
149	IL Rey's Coal Mining Exploration Corp.	Cebu City

Semirara Mining Corporation

Semirara Mining Corporation remains the largest coal producer in the Philippines. Based on the 2010 production data from DOE, SCC's production output accounted for 95.70% of total production in the Philippines of 7.3 MMT while the nominal balance is shared by small-scale mines in Cebu, Batan Island, Albay and other areas. Nonetheless, domestic coal demand is still anchored heavily on imported coal.

In 2011, SCC contributed 7.12 MMT to the country's coal production. The competitiveness of domestic coal producers is threatened by the more superior quality of imported coal as well as the government's policy on liberalization. This is compensated, however, by the DOE's policy to promote indigenous energy resources and lower freight costs of local coal vis-à-vis imports.

[14] Source: Department of Energy

SCC has a COC with DOE in 1977 (amended 1981) for the exploration, development, mining and utilization of coal over Semirara Island, Antique pursuant to PD 972. On May 13, 2008, the DOE approved the term extension of the Company's COC from July 13, 2012 to July 14, 2027.

Semirara Island has an estimated coal reserve of 150 MMT representing 50.00% of the country's known coal reserve. On November 12, 2009, the DOE and SCC executed the Second Amendment to COC #5. The second amendment amended the coordinates of the contract area to include a land area of 3,000 and 4,200 hectares, more or less situated in Caluya Island and Sibay Island, Antique.

Currently, SCC has an existing coal supply contract with Semirara Calaca Power Corporation. Potential requirement of the Calaca plants is approximately 1.5 to 2.0 MMT. In March 2003, National Power Corporation had tested SCC coal for its Masinloc plant while deliveries were made to Sual and Pagbilao Power Plants in 2004 and 2005. These plants have potential market of 600,000 to 800,000 MT of coal per annum for Semirara coal.

Philippines Coal Production and Consumption[15]

The Philippine coal consumption is at a compounded annual growth rate ("CAGR") of 24.14% for the years 2007 to 2010 while coal production is at a CAGR of 24.14% for the same year. In 2010, coal consumption was recorded at 16.5 MMT whereas coal production was recorded at 6.5 MMT.

The following table shows the Philippine annual coal consumption and production for the years 2007 to 2010:

Table 69: Philippine Coal Consumption and Production

	2007	2008	2009	2010	CAGR
Coal Consumption	10.4 MMT	11.9 MMT	10.2 MMT	16.5 MMT	16.51%
Coal Production	3.4 MMT	3.6 MMT	4.7 MMT	6.5 MMT	24.14%

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[15] www.indexmundi.com

Figure 19: Philippine Coal Consumption Annual Growth Rate[16]

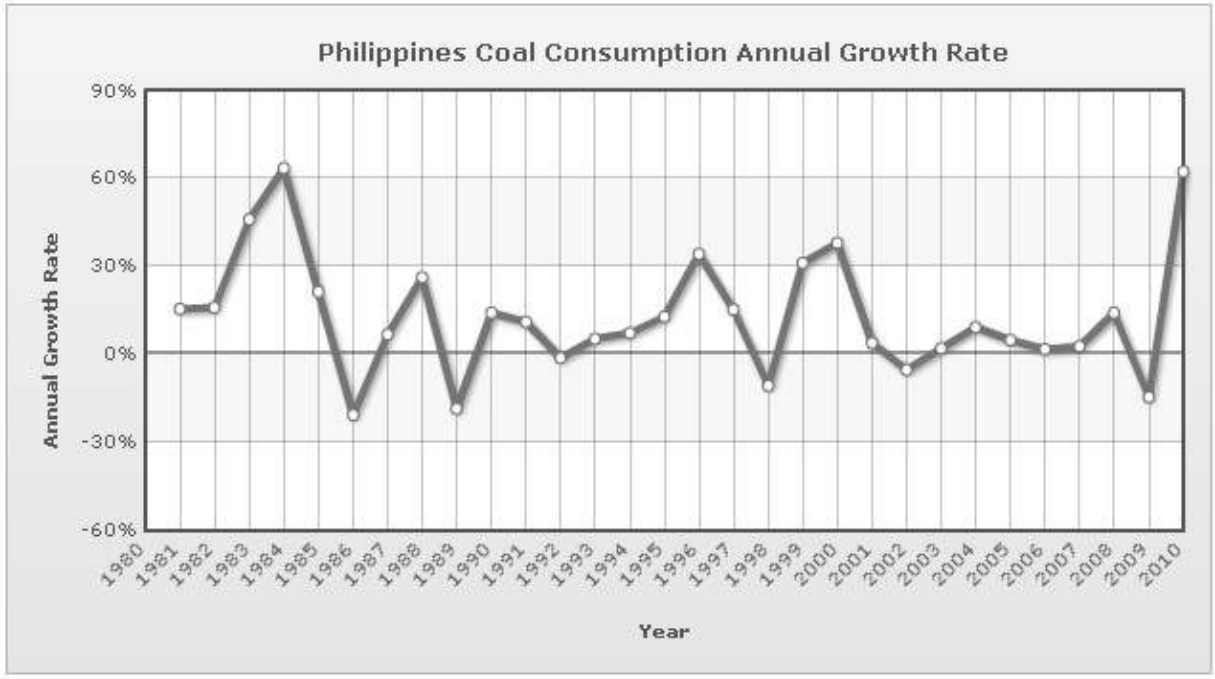
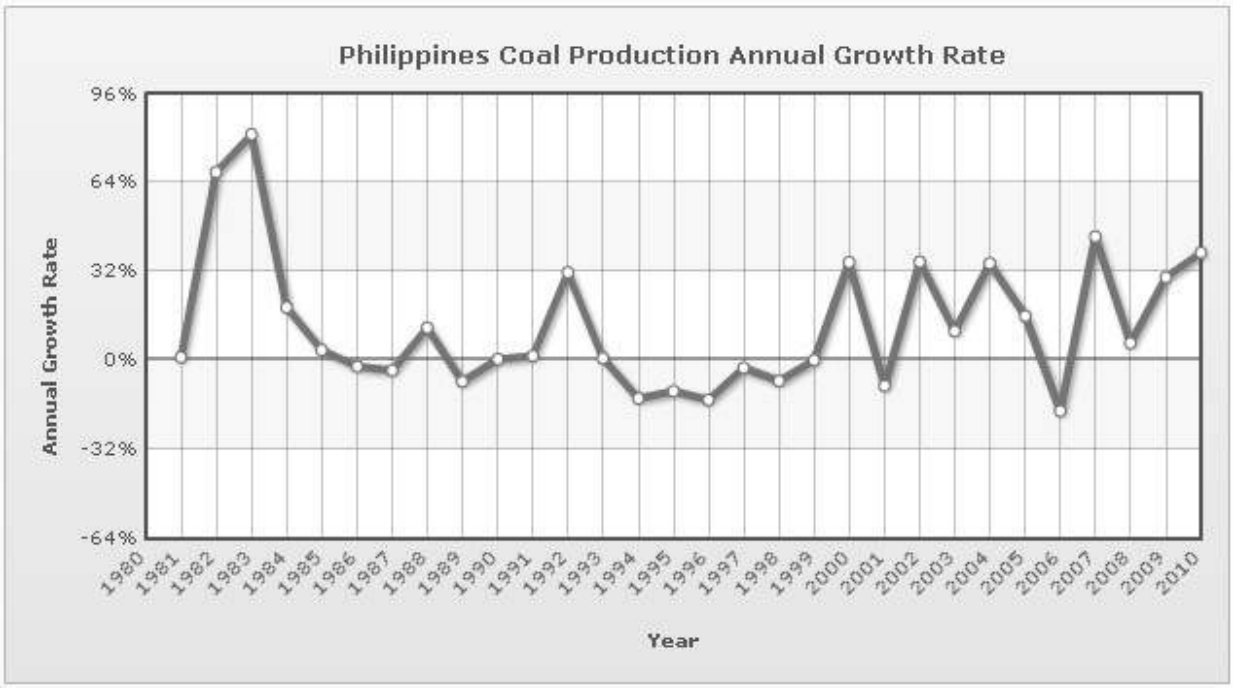
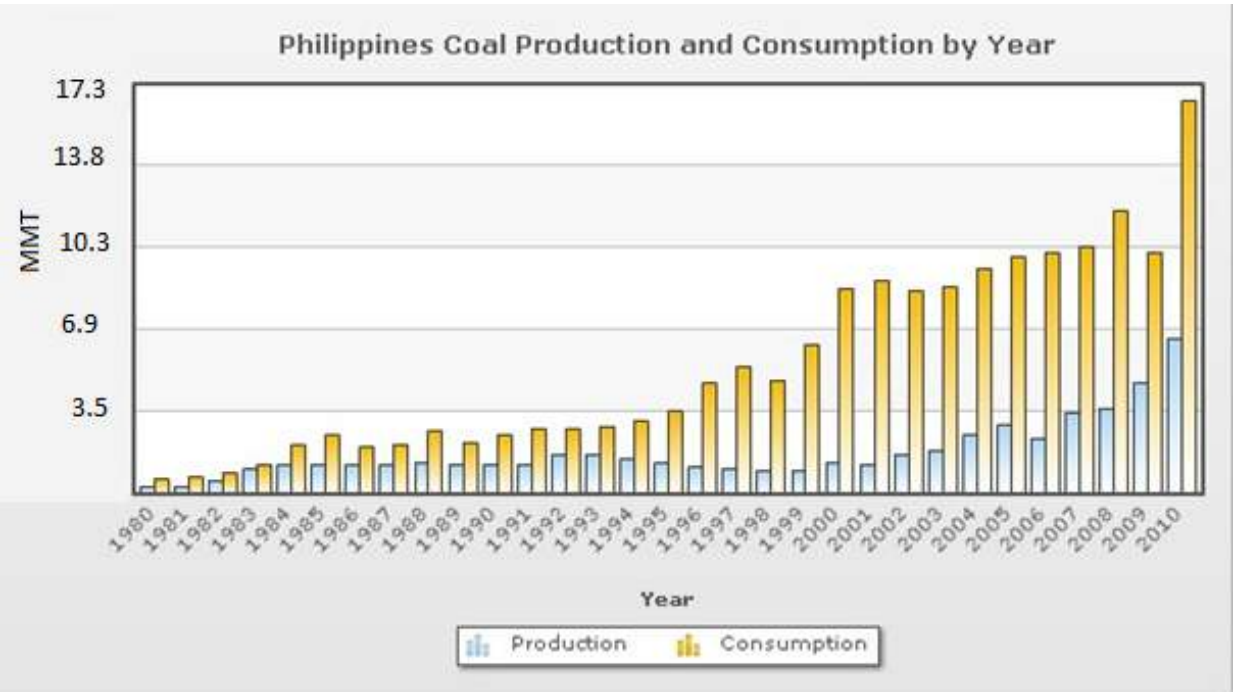


Figure 20: Philippine Coal Production Annual Growth Rate[17]



[16]www.indexmundi.com/energy.aspx?country=ph&product=coal&graph=production
[17]www.indexmundi.com/energy.aspx?country=ph&product=coal&graph=production

Figure 21: Philippine Coal Production and Consumptions by Year[18]



Philippines Coal Imports and Exports[19]

The Philippine coal imports are at a CAGR of 12.95% for the years 2007 to 2010. On the other hand, coal exports are at a CAGR of 17.28% for the same years. In 2010, coal imports were recorded at 11.2 MMT whereas 1.3 MMT were recorded for the coal exports.

The following table shows the Philippine annual coal imports and exports for the years 2007 to 2010:

Table 70: Philippine Coal Imports and Exports

	2007	2008	2009	2010	CAGR
Coal Imports	7.8 MMT	9.2 MMT	7.4 MMT	11.2 MMT	12.95%
Coal Exports	0.8 MMT	0.9 MMT	2.0 MMT	1.3 MMT	17.28%

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[18]www.indexmundi.com/energy.aspx?country=ph&product=coal&graph=production+consumption
[19] www.indexmundi.com

Figure 22: Philippine Coal Imports Annual Growth Rate[20]

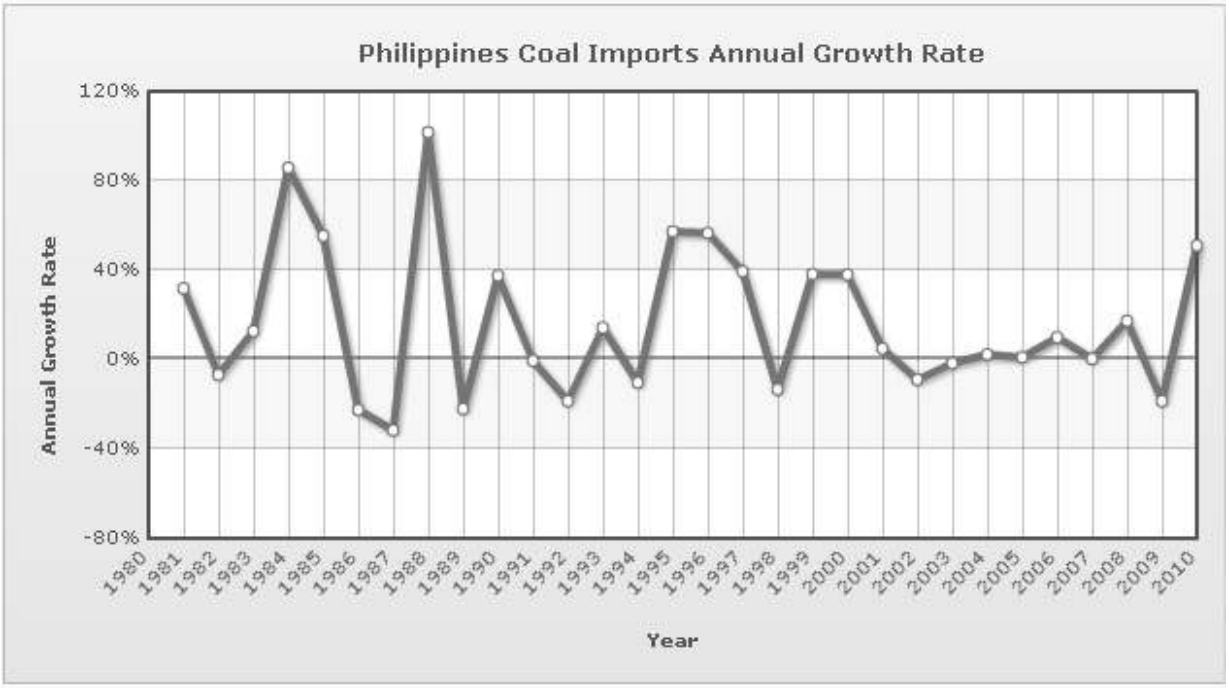
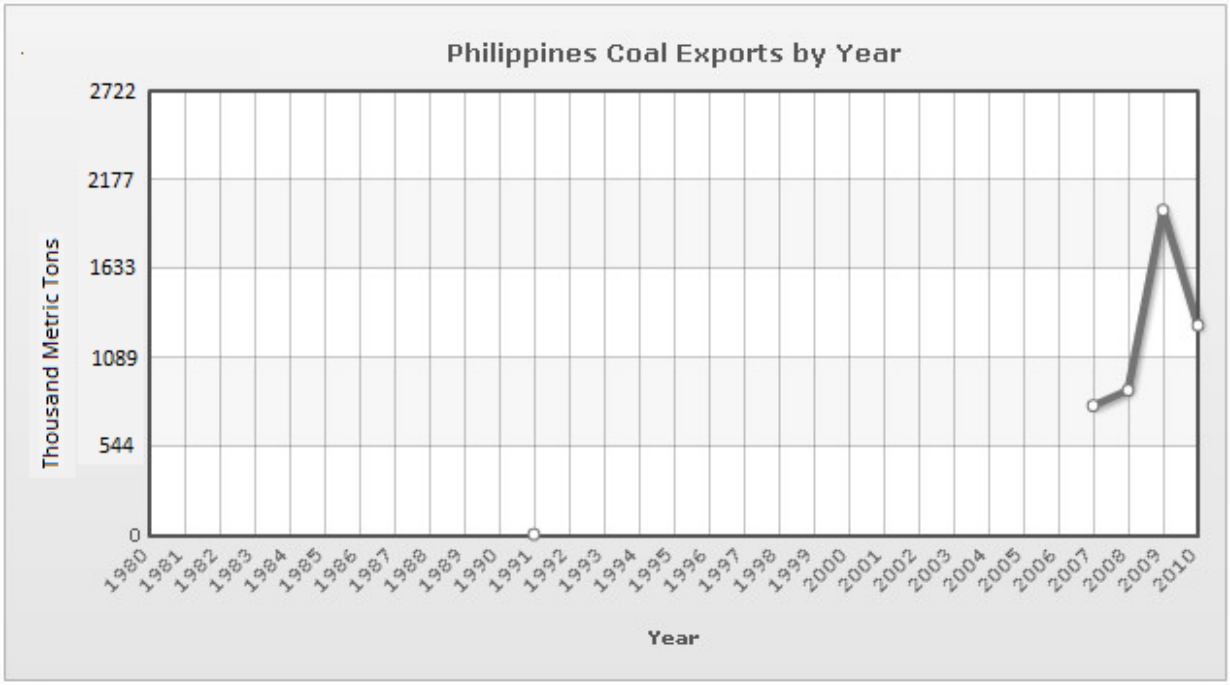


Figure 23: Philippine Coal Exports Annual Growth Rate[21]



[20]www.indexmundi.com/energy.aspx?country=ph&product=coal&graph=imports
[21]www.indexmundi.com/energy.aspx?country=ph&product=coal&graph=exports

The Philippine Coal Contract System[22]

Coal operations in the Philippines are governed by Presidential Decree 972, or the Coal Development Act of the Philippines, as amended by PD 1174, providing for the active and systematic exploration, exploitation, development, disposition and utilization of Philippine coal resources. These decrees introduced. The Philippine Coal Service Contract System and established the appropriate guidelines for coal operations. Under these guidelines, the Philippines retain ownership of the government through the coal contract system, is assigned the right to explore, develop, exploit and market the coal.

There are three (3) types of coal contracts:

COC for Exploration

(Pursuant to PD 972 dated July 27, 1976 as amended by PD 1174 dated July 27, 1977)

A COC provides for exploration of the contract area for two (2) years extendible for another two (2) years provided that the contract has not been in default of its exploration work commitments or the company commits a work obligation that is acceptable to the DOE. The operator should perform all coal operations and provide all the necessary services, technology and financing based on the approved work program. If coal of commercial quantity is found during Exploration Phase, the operator must then delineate the deposit, which will constitute a development and production area and seek conversion to development and production phase of the contract.

Financial Criteria:
- Minimum requirement
  - Underground areas - ₱1.0 million per block per annum
  - Open-pittable areas - ₱200,000 per block per annum

Technical Criteria:
- Minimum number of blocks – 3
- Employment of a full-time licensed geologist and/or mining engineer
- Minimum work commitments in drill-hole equivalent
  - Underground area - 9,000 ft. per block per annum
  - Open-pittable areas - 3,000 ft. per block per annum

Contract Duration/Extension:
- Two (2) years, extendible to another two(2) years if the contractor:
  - Has not been in default in its exploration work and other obligations
  - Has submitted an acceptable work program for the extension

COC for Development/ Production

(Pursuant to PD 972 dated July 27, 1976 as amended by PD 1174 dated July 27, 1977)

At the development and production stage, the following criteria must be complied with:

[22]www.doe.gov.ph/ER/cocex.htm

Financial Criteria:
- Minimum requirement
  - Working capital: at least 150.00% of the first year financial commitment of the work program

Technical Criteria:
- Submission of a feasibility study for the proposed coal operations
- Five (5) year work program acceptable to DOE
- Employ competent technical personnel (licensed mining engineer and safety engineer) to carry out the work program

Contract Duration/Extension:
- 10 to 20 years, renewable for a series of three (3) years but not exceeding 12 years
  - Operator must perform all coal operations in accordance with good mining practices
  - Operator must provide all necessary services, technology, and financing based on the approved work program

Others Requirements:
- Boundary survey should be conducted within one (1) year of contract approval
- Acquisition of the ECC for the first year of the contract period

Privileges:
- Exemption from payment of all taxes except income tax. This covers exemption from payment of tariff and duties and compensating tax on importation of machinery, equipment, spare parts and materials for coal operations.
- Accelerated depreciation of fixed assets
- Availment of the services of alien technical and specialized personnel recovery of operating expenses from the proceeds of coal production

Small-Scale Coal Mining Permit (SSCMP)[23]

(Pursuant to PD 972 dated July 27, 1976 as amended by PD 1174 dated July 27, 1977)

The program is provided for by Circular No. 87-03-001, which enumerates the guidelines for small-scale mining of marginal coal deposits that, is otherwise inapplicable for COCs. To qualify for a SSCMP, one must be a Filipino citizen, legal age and resident of the area where the coal deposit is located.

Financial Criteria:
- Minimum requirement
  - Working capital: ₱10,000 in cash or in kind

Others:
- SSCMPs cover a maximum area of five (5) hectares which geological reserves of 50,000 MT

Under the existing guidelines, SSCMPs should sell its coal production to a supervising coal operator which should be a valid holder of an existing COC should its operations be within a COC area or near a COC area. If the COC contractor allows operation within his area but refuses to supervise the SSCM operation for any reason, or there is no COC in the vicinity that can supervise the SSCM operation, then the DOE can oversee the independent SSCM operation.

Obligation of the Permittee:
- To remit 3.00% of the gross sale to the government

[23]www.doe.gov.ph/ER/sscmp.htm

***The Philippine Energy Contracting Round*[24]**

The PECR, which promoted seven (7) coal areas for investment, concluded by the end of 2005 receiving five (5) applications for four (4) coal areas: (a) Polillo, Quezon; (b) Gigaquit, Surigao Del Norte; (c) Candoni/Bayawan; and (d) Negros Oriental; and Calatrava, Negros Occidental. The applicants, however, did not qualify per the results of the evaluations.

Other Programs on Coal

The DOE through the Alternative Energy Program has entered into cooperation efforts with research entities to determine the potential of our coal deposits for coal liquefaction, coal briquetting, and coal bed methane.

It is but very timely to invest in coal facilities as the price of oil continues to raise, coal being still the cheapest option with abundant supply worldwide. For private companies, the key investment opportunities in the coal sector are:(a) the setting-up of coal preparation plants to upgrade the quality of Philippine coals and make them acceptable to current coal users; (b) the expansion of production volumes of higher-rank Philippine coals which can be used without upgrading and/or blending with high-quality imported coal; (c) the introduction of clean coal technologies (i.e., circulating fluidized bed combustion) to ensure utilization of Philippine coals with minimal adverse effects on the environment; and (d) the putting-up of mine-mouth power plants designed to utilize the abundant low-rank coals that have no alternative markets.

Setting-Up of Coal Preparations

On the island of Cebu where the majority of small-scale coalmines are located, two (2) feasibility studies (one funded by the U.S. Trade Development Program and the other by the Canadian International Development Agency) have established that it would be technically and economically viable to put up a central coal preparation plant. Said plant will guarantee a market for all of Cebu's coal users that will ultimately consume over 500,000 MT per year.

Expansion and Development of Higher Rank Coals

There are Philippine coals that are of such quality that they can be used by current users without the need for any coal preparation or blending with imported coals. Among these are the coal deposits being mined in Malangas by the PNOC with its Taiwanese partner, in Southern Cebu by Ibalong Resources and Development Corporation, and in Batan Island by Rock Energy International Corporation. The coal deposits in Catanduanes Island have been contracted out to Monte Oro Resources and Energy, Inc. for coal exploration while the coal areas in Gen. Nakar, Quezon are not contracted out at present. Adjacent to Malangas mine are two (2) other Coalfields of good quality, namely: Integrated Little Baguio and Lalat. Integrated Little Baguio is covered by PNOC's coal operating contract. On the other hand, the Lalat area will be developed through a joint venture between PNOC and Filsystems, Inc.

Introduction of Clean Coal Technologies

In the downstream coal sector, particularly the utilization of coal for power generation and cement manufacturing companies, which can introduce clean coal technologies in existing and future power/cement plants to minimize adverse effects of coal on the environment and still be competitive, are definitely welcome.

[24]www.doe.gov.ph/ER/cocdp.htm

Setting-Up Mine-Mouth Power Plants

Finally, companies wanting to get involved in the Philippine coal sector in a major way are invited to consider putting up coal-fired mine-mouth power plants in the country's major undeveloped coal areas through joint ventures with existing holders of coal operating contracts.

As in the case of natural gas and geothermal, private companies are allowed to put up their own plants at the mine site to assure a market for the coal by selling electricity to the grid. The same transmission lines to be built by the government to bring geothermal power from the Visayas to Luzon and Mindanao islands will be used to transmit power from mine-mouth power plants. Specific programs, forecast and coal project schedules are found in the Philippine Energy Plan.

Incentives

The current COC system gives the following incentives to contractors:

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

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MARKET INFORMATION

The Shareholders of the Company

Table 71: Pre and Post IPO Ownership Structure					
		Shares Owned Prior to the Offer		Shares Owned After the Offer	
Shareholder	Nationality	Number of Shares	Percent of Class	Number of Shares	Percent of Class
Dexter Y. Tiu	Filipino	640,000,000	20.00%	640,000,000	16.00%
Jaime T. Ang	Filipino	640,000,000	20.00%	640,000,000	16.00%
Alexander Y. Tiu	Filipino	640,000,000	20.00%	640,000,000	16.00%
Gertim G. Chuahiong	Filipino	640,000,000	20.00%	640,000,000	16.00%
Eric Y. Roxas	Filipino	640,000,000	20.00%	640,000,000	16.00%
Harald R. Tomintz	Austrian	1	-nil-	1	-nil-
A. Bayani K. Tan	Filipino	1	-nil-	1	-nil-
Juan Kevin G. Belmonte	Filipino	1	-nil-	1	-nil-
Aristides S. Armas	Filipino	1	-nil-	1	-nil-
Public		-	0.00%	800,000,000	20.00%
Total		**3,200,000,004**	**100.00%**	**4,000,000,004**	**100.00%**

Dividends

The Company is authorized to distribute dividends out of its surplus profit, in cash, properties of the Company, shares of stock, and/or securities of other companies belonging to the Company. Dividends paid in the form of cash or properties are subject to approval of the Company's Board of Directors. Dividends paid in the form of additional shares are subject to the approval of the Company's Board of Directors and stockholders tat own at least two-thirds ($^2/_3$) of the outstanding capital stock of the Company. Holders of outstanding Common Shares as of a dividend record date will be entitled to full dividends declared without regard to any subsequent transfer of such Shares.

The Company has not adopted a specific dividend policy specifying a minimum dividend rate based on its net earnings for any given year. The Company intends to adopt such dividend policy after completion of the Offer.

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

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INVESTOR RELATIONS PROGRAM

This program was introduced purposely to address and attend to investors' inquiries about the Company and its plans for its stockholders.

Rosanna T. Desiderio was appointed head of the program and the Company's CIO who is in-charge of submitting periodic reports and statements required to be filed on a regular basis with the SEC and the PSE as well as current reports on material events that have occurred and are required to be disclosed to the SEC and/or the PSE within a given period from the time of their occurrence. The reports required to be filed with the SEC include, among others, the following:

- Annual Report (SEC Form 17-A) – within 105 days after the end of the fiscal year;
- Quarterly Report (SEC Form 17-Q) - within 45 days after the end of the first three (3) fiscal quarters of each fiscal year;
- Proxy Statement or Information Statement (SEC Form 20-IS) – at least 15 business days prior to the scheduled date of the annual stockholders' meeting; and
- Current Reports (SEC Form 17-C) – within five (5) days after the occurrence of the event required to be reported.

As a general rule, listed companies are required to furnish the PSE copies of all reports submitted to the SEC. The periodic reports required to be filed with the PSE, which are referred to as Structured Continuing Disclosures, include, among others, the following:

- Annual Report (SEC Form 17-A) – within 105 days after the end of the fiscal year;
- Quarterly Report (SEC Form 17-Q) - within 45 days after the end of the first three (3) fiscal quarters of each fiscal year;
- Report on the Top 100 Stockholders – within 15 days after the end of each quarter; and
- Board Lot Report – within five (5) trading days after the end of each month.

Listed companies are required to update the investing public with any material fact that occurs which would reasonably be expected to affect investors' decision in relation to trading of its securities. Such reports, which are referred to as Unstructured Continuing Disclosures, are required to be disclosed to the PSE within 10 minutes from receipt of the information or occurrence of the event.

The Company can be reached for inquiries through its CIO, Ms. Rosanna T. Desiderio, or through its Investor Relations Officer Ms. Mie Marie Shinozuka, at telephone number (+632) 818-6772, telefax number (+632) 810-3536, and through email addresses rosanna.desiderio@titanmining.com and Mie.shinozuka@titanmining.com.

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MANAGEMENT

Board and Directors

Table 72: Board of Directors				
Name	**Age**	**Nationality**	**Present Position**	**Period of Service in the Company**
Harald R. Tomintz	59	Austrian	Chairman of the Board	Director since July 10, 2012
Dexter Y. Tiu	40	Filipino	Director	Director since date of incorporation
Jaime T. Ang	56	Filipino	Director	Director since date of incorporation
Eric Y. Roxas	49	Filipino	Director	Director since date of incorporation
A. Bayani K. Tan	56	Filipino	Director	Director since July 10, 2012
Juan Kevin G. Belmonte	50	Filipino	Independent Director	Director since July 10, 2012
Aristides S. Armas	68	Filipino	Independent Director	Director since July 10, 2012

Harald R. Tomintz, 59, Austrian, Chairman of the Board

Harald R. Tomintz is also the President of Rekom Manila Corporation and the Board Supervisor of Zhangzhun Stronghold Steelworks Corp. His past positions include being a President of VATECH Phils., Inc. (2002-2004), member of the Executive Committee and Director of Semirara Coal Corporation (1992-1997), and Director of Ferrochrome Philippines (1992-1995). He holds a degree in Mechanical Engineering from SZA Vienna.

Jaime T. Ang, 56, Filipino, Director and President

Jaime T. Ang is an incorporator of the Company. Concurrently, he is the President of TMEC, the Company's wholly owned subsidiary. He is also a director and the President of both Seahouse Fishery and Aquatic Resources, Inc. and Jackpot Leisure Development Corp. He is a Certified Public Accountant since 19768. He holds a Masters in Business Administration degree from the Ateneo de Manila University and holds a Bachelor of Science degree in Accountancy from the Philippine School of Business and Administration.

Dexter Y. Tiu, 40, Filipino, Director and Treasurer

Dexter Y. Tiu is an incorporator of the Company. Concurrently, he is the President of Stronghold Steel Corporation. He also is a director of both JTKC Equities, Inc. and Star Equities, Inc. He is also the Treasurer and a director of TKC Steel Corp. and the Vice Chairman of Zhangzhun Stronghold Steelworks Corp. He holds a Bachelor of Science degree in Mechanical Engineering from the De La Salle University.

Eric Y. Roxas, 49, Director, Filipino, Corporate Secretary

Eric Y. Roxas is an incorporator of the Company. Concurrently, he is the President of Husky Trading Corp., Supra Finishing Corp., Phil. Welding Technology Skills & Services Center, Inc., and Husky Calibration Specialists, Inc. He is also the Treasurer of Eagle Equities, Inc. He holds a Bachelor of Science degree in Industrial Engineering from the De La Salle University.

A. Bayani K. Tan, 56, Filipino, Director

Atty. Bayani K. Tan is currently a Director and Corporate Secretary of First Abacus Financial Holdings Corp. (1994 – present); Sinophil Corporation (1993 – present); TKC Steel Corporation (2007 – present); Tagaytay Highlands International Golf Club, Inc. (1993 – present); Sterling Bank of Asia, Inc. (2007 – present); Destiny Financial Plans, Inc. (2003 – present as Director and 2009 – present as Corporate Secretary); FHE Properties, Inc., (1995 – present); Club Asia, Inc., (1999 – present); HSAI-Raintree, Inc. (1999 – present); and Job1 Global, Inc. (2006 – present as Director and 2009 - present as Corporate Secretary). He is also a Director of Highlands Gourmet Specialist Corporation (2006 – present); Destiny LendFund, Inc. (2005 – present); and Citycane Corporation (1993 – present). He is the Corporate Secretary of Belle Corporation (1994 – present); Pacific Online System Corporation (2007 – present); Vantage Equities, Inc. (1993 – present); Yehey! Corporation (1994 – present); Philequity Peso Bond Fund, Inc. (2000 – present); Philequity Dollar Income Fund, Inc. (1999 – present); Philequity PSE Index Fund, Inc. (1999 – present); Tagaytay Midlands Golf Club, Inc. (1997 – present); The Country Club at Tagaytay Highlands, Inc. (1995 – present); The Spa and Lodge at Tagaytay Highlands, Inc. (1999 – present); Monte Oro Resources and Energy, Inc. (2005 – present); E-Business Services, Inc. (2001 – present); Hella-Phil., Inc. (1992 – present); JTKC Equities, Inc. (1998 – present); Goodyear Steel Pipe Corporation (1999 – present); Star Equities, Inc. (2006 – present); Tera Investments, Inc. (2001 – present); Winstone Industrial Corporation (1998 – present); Winsteel Manufacturing Corporation (1998 – present); JTKC Realty Corporation (1998 – present); Southern Visayas Property Holdings, Inc. (2003 – present); Pan Asean-Multi Resources Corporation (1998 – present); Union Pacific Ace Industries, Inc. (1998 - present); The Discovery Leisure Company, Inc. (2001 – present); Oakridge Properties, Inc. (1998 – present); Discovery Country Suites, Inc. (2004 – present); JTKC Land, Inc. (2003 – present); Donau Deli, Inc. (2001 – present); Donau Gourmet, Inc. (2007 – present); Touch Solutions, Inc. (2007 – present); Treasure Steelworks Corporation (2010 – present) and Karen Marie L. Ty Foundation, Inc. (1995 – present). He is a Trustee and the Corporate Secretary of Wellington Dee Ty Foundation, Inc. (2004 – present) and Movers for Renewed Hope (2009 – present). He is also a Trustee (2004 – present) and currently is the Executive Vice President of UP Law '80 Foundation, Inc.

Atty. Tan is also the Managing Partner of the law firm of Tan Venturanza Valdez. He also concurrently holds the following positions: Managing Director, Shamrock Development Corporation (1998 – present); Managing Trustee, SC Tan Foundation, Inc. (1986 – present); Chairman and President, Yehey! Money, Inc. (2001 – present); Legal Counsel, Xavier School, Inc. (2005 – present); Director and Corporate Secretary of St. Scholastica's Hospital-Catarman, Inc. (2010 – present)

In the last five years, he has held the following positions: Director, Monte Oro Resources and Energy, Inc. (2005 – 2008); Director, Philequity Peso Bond Fund, Inc. (2000 – 2007); Director, Philequity Dollar Income Fund, Inc. (1999 – 2007); Director, Philequity PSE Index Fund, Inc. (1999 – 2007); Director, APC Group, Inc. (1996 – 2006); Director, Metro Manila Turf Club, Inc. (1995 – 2006); Corporate Secretary, International Exchange Bank (1995 – 2006).

Atty. Tan holds a Master of Laws degree from New York University, USA (class of 1988). He obtained his Bachelor of Laws degree from the University of the Philippines in 1980 where he was a member of the Order of the Purple Feather (the UP College of Law Honor Society) having ranked ninth in his class. Atty. Tan was admitted to the Philippine Bar in 1981 after placing sixth in the examinations. He also has a Bachelor of Arts Degree (Majored in Political Science) from San Beda College (class of 1976) from where he graduated class valedictorian and was awarded the medal for academic excellence.

Juan Kevin G. Belmonte, 50, Filipino, Independent Director

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

Aristides S. Armas, 68, Filipino, Independent Director

Aristides S. Armas is the President of UCPB Leasing and Finance Corporation from November 2003 to present. He has 40 years of experience in banking and finance. He previously held executive positions in BA Finance Corporation and UCPB Savings Bank. He earned his Bachelor of Arts degree and Bachelor of Science degree in Commerce from the De La Salle University.

Principal Officers

Table 73: Principal Officers of Coal Asia Holdings Incorporated

Name	Age	Nationality	Present Position	Period of Service in the Company
Jaime T. Ang	56	Filipino	President	Jun. 11, 2012-present
Dexter Y. Tiu	40	Filipino	Treasurer	Jun. 11, 2012-present
Eric Y. Roxas	49	Filipino	Corporate Secretary	Jun. 11, 2012-present
Rosanna T. Desiderio	47	Filipino	Chief Information Officer and Acting Chief Compliance Officer	Jun. 11, 2012-present

Roxanna T. Desiderio, 47, Filipino, Chief Information Officer and Acting Chief Compliance Officer

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

Significant Employees

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

Family Relations

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

Involvement in Legal Proceedings

As a result of the delay in the delivery of the facilities of the Universal Leisure Club, Inc. (ULC), some of its members have initiated legal actions against ULC, the Universal Rightfield Property Holdings, Inc. (URPHI) and the Universal Leisure Corp. (ULCorp), as well as their respective incumbent and former officers and directors, including their former Corporate Secretary, Atty. A. Bayani K. Tan. The cases filed include a criminal case for Estafa (docketed as I.S. No. 08-K-19713) filed before the City Prosecutor of Manila. A Counter-Affidavit has already been filed before the City Prosecutor seeking to dismiss the Complaint for lack of cause of action. Neither COAL nor the other directors and major shareholders of COAL are parties to the same legal suit aside from Atty. Tan.

Except as otherwise discussed above and to the best of the Company's knowledge, there has been no occurrence during the past five (5) years up to the date of this Prospectus of any of the following events that are material to an evaluation of the ability or integrity of any director, any nominee for election as director, executive officer, underwriter, or controlling person of the Company:

- any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer, either at the time of the bankruptcy or within two (2) years prior to that time;
- any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
- being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

Executive Compensation

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

The following summarizes the executive compensation received by the President and the top four (4) most highly compensated officers of the Company for 2010, 2011, 2012 (estimate), and 2013 (estimate). The aggregate compensation received by all the officers and directors are projected to be the same as the top five (5) highly compensated officers.

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Table 74: Executive Compensation					
Name	**Position**		**Salary**	**Bonus**	**Other Annual Compensation**
Jaime T. Ang	President				
Enrique C. Payawal	Vice President –Exploration and Mining				
Gizella Greta D.J. Gonzales	Senior Geologist			₱0.00	₱0.00
Arnold S. Manat	Mining Engineer				
Rosanna T. Desiderio	Accounting Manager				
President and the four (4) mostly highly compensated officers named above		2010	₱1,369,902	₱0.00	₱0.00
		2011	₱4,689,708		
		2012 (est.)	₱5,158,678		
		2013 (est.)	₱6,190,414		
Aggregate compensation paid to all officers and directors as a group unnamed		2010	₱1,369,902	₱0.00	₱0.00
		2011	₱4,689,708		
		2012 (est.)	₱5,158,678		
		2013 (est.)	₱6,499,934		

At present, the members of the Board of Directors of the Company do not receive any compensation from the Company

Compensation of Directors

Under the By-laws, by resolution of the Board, each director shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than 10.00% of the net income before income tax of the corporation during the preceding year. Such compensation shall be determined and appropriated among the directors in such manner, as the Board may deem proper, subject to the approval of stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders.

Standard Arrangements and Other Arrangements

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

Employment Contracts, Termination of Employment, Change in Control of Arrangements

There are no special employment contracts between the Company and its executive officers. Furthermore, there are no special retirement plans for executives.

There is also no arrangement for compensation to be received from the Company.

Warrants and Options Outstanding

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

SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS

Security Ownership of Certain Record and Beneficial Owners

As of the date of the Prospectus, the following are the owners of record, directly or indirectly, of more than 5.00% of the Company's outstanding capital stock, the number of shares and percentage of shareholding of each of them:

Table 75: Security Ownership of 5.00% or More

Type of Class	Name, Citizenship, Address of owner and relationship with issuer	Name of beneficial owner and Relationship with Record Owner	Amount of Ownership	Percent of Class
Common	**Dexter Y. Tiu** Filipino 3/F JTKC Center, 2155 Don Chino Roces Ave. Makati City	Same as record owner	₱640,000,000	20.00%
Common	**Jaime T. Ang** Filipino 214 E. Rodriguez St. Addition Hills, San Juan City	Same as record owner	₱640,000,000	20.00%
Common	**Eric Y. Roxas** Filipino 26 Castrillo St., Corinthian Gardens Quezon City	Same as record owner	₱640,000,000	20.00%
Common	**Alexander Y. Tiu** Filipino 128 Quirino Highway Baesa, Quezon City	Same as record owner	₱640,000,000	20.00%
Common	**Gertim Chuahiong** Filipino 3/F JTKC Center, 2155 Don Chino Roces Ave., Makati City	Same as record owner	₱640,000,000	20.00%

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Security Ownership of Directors and Management

The following are the number of shares owned of record by the directors and executive officers of the Company and the percentage of shareholdings of each of them as of the date of this Prospectus

Table 76: Direct Ownership by Board of Directors and Management

Title of Class	Name of Beneficial Owner	Position	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Harald R. Tomintz	Director	1 (Direct)	Austrian	-nil-
Common	Dexter Y. Tiu	Treasurer	640,000,000 (Direct)	Filipino	20.00%
Common	Jaime T. Ang	Director and President	640,000,000 (Direct)	Filipino	20.00%
Common	Eric Y. Roxas	Director and Secretary	640,000,000 (Direct)	Filipino	20.00%
Common	A. Bayani K. Tan	Director	1 (Direct)	Filipino	-nil-
Common	Juan Kevin G. Belmonte	Independent Director	1 (Direct)	Filipino	-nil-
Common	Aristides S. Armas	Independent Director	1 (Direct)	Filipino	-nil-
TOTAL					**60.00%**

As of the date of this Prospectus, the aggregate direct ownership of all directors and officers of the Company as a group is 60.00% of the total issued and outstanding shares of the Company.

Selling Security Holders

None of the Offer Shares are to be offered for the account of security holders.

Voting Trust

The Company knows of no person holding more than 5.00% of shares under a voting trust of similar agreement

Changes in Control

There are no existing provisions in the amended Articles of Incorporation and amended By-Laws of the Company, which may cause delay, deferment, or in any manner prevent a change in control of the Company.

Transactions with and/or Dependence on Related Parties

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

- TMEC has transactions with related parties, Pacifico Sul Mineraçao Corporation and Colossal Petroleum Corporation, pertaining to working capital purposes. These advances are unsecured, non-interest-bearing, and generally settled in cash and payable on demand. As of June 30, 2012, advances from Pacifico Sul Mineraçao Corporation amounted to ₱1,101,215 and advances from Colossal Petroleum Corporation amounted to ₱661,982.

- TMEC also received advances from Stronghold Steel Corporation, a related party by virtue of common ownership with the stockholders of COAL in the amount of ₱54,355,735 as of June 30, 2012 to finance exploration and development of the Davao Oriental and Zamboanga-Sibugay Projects, for working capital purposes, and to fund acquisition of equipment.

- TMEC also leases office space from, JTKC Equities, Inc., with rental expenses amounting to ₱2,926,688 in 2010, ₱3,610,032 in 2011, and ₱1,805,016 for the first six months of 2012. The lease agreement shall be effective until March 2013. Dexter Y. Tiu, a director of both TMEC and COAL and a major stockholder of COAL, and Alexander Y. Tiu, a major stockholder of COAL, are also stockholders of JTKC Equities, Inc.

- COAL obtained advances from its Stockholders amounting to ₱10,100,510 as of June 30, 2012 in connection with the filing fees and related expenses for incorporation. These advances are unsecured, non-interest bearing, and generally settled in cash and payable on demand.

The aforementioned can be seen in the Company's and TMEC's financial statements under the notes "Related Party Transactions", to wit:

- Note 17 of COAL's Consolidated Financial Statements as of and 20-day period ended June 30, 2012; and
- Note 18 of TMEC's Financial Statements as of June 30, 2012 and December 31, 2011 and for the six months ended June 30, 2012 and 2011.

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MANAGEMENT'S DISCUSSION ON TMEC'S FINANCIALS

Summary of Financial Information

The following tables present the summary financial information for TMEC and should be read in conjunction with TMEC's Audited Financial Statements and Independent Auditors' Report, including the notes thereto.

The information below is not necessarily indicative of the results of TMEC's future operations or financial condition.

The following shows TMEC's Comparable Statement of Comprehensive Income for years ended December 31, 2009, 2010, and 2011, and for the six-month period ended June 30, 2011, and 2012.

Table 77: TMEC's Comparable Statement of Comprehensive Income

Amounts are in ₱0.00	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2011	June 30, 2011	June 30, 2012
Sales	4,800,000	1,759,475	21,837,655	2,623,400	13,408,888
Cost of Sales	2,634,370	1,145,625	12,986,847	1,461,969	6,733,874
Gross Profit	2,165,630	613,850	8,850,808	1,161,431	6,675,014
Operating Income	(5,563,633)	(4,680,634)	2,691,930	(1,950,762)	2,915,406
Income (loss) before income tax	(5,415,565)	(4,676,686)	2,694,649	(1,949,158)	2,916,517
Net Income (loss)	(5,415,565)	(4,676,686)	5,018,874	1,190,202	2,041,895

The following shows TMEC's Comparable Statement of Financial Position for years ended December 31, 2010 and 2011, and for the six-month period ended June 30, 2012.

Table 78: TMEC's Comparable Statement of Financial Position

Amounts are in ₱0.00	Dec. 31, 2010	Dec. 31, 2011	June 30, 2012
Assets			
Cash	1,682,164	1,353,149	1,349,952
Trade and other receivables	964,863	613,996	263,787
Coal Inventory	1,601,639	1,207,801	533,313
Advances to affiliates	861,240	1,733,383	1,865,767
Prepayments and other current assets	1,439,565	102,596	576,041
Total Current Assets	**6,549,471**	**5,010,925**	**4,588,860**
Exploration and evaluation assets	34,080,775	71,695,049	95,953,793
Property, Plant and Equipment -net	5,227,063	46,425,162	43,664,638
Deferred tax asset	-	2,324,225	1,583,103
Total Non-Current Assets	**39,307,838**	**120,444,436**	**141,201,534**
TOTAL ASSETS	**45,857,309**	**125,455,361**	**145,790,394**
Liabilities and Equity			
Trade and other payables	2,873,641	6,741,052	6,332,072
Advances from an affiliates	1,950,000	36,001,867	54,355,735
Income tax payable	-	-	133,500
Total Current Liabilities	**4,823,641**	**42,742,919**	**60,821,307**
Retirement benefit liability	74,000	483,900	698,650
Total Noncurrent liabilities	**74,000**	**483,900**	**698,650**
Capital Stock	51,250,000	87,500,000	87,500,000
Deficit	(10,290,332)	(5,271,458)	(3,229,563)
Stockholder's equity	**40,959,668**	**82,228,542**	**84,270,437**
Total liabilities and equity	**45,857,309**	**125,455,361**	**145,790,394**

Six months' ended June 30, 2012 vs. Six-months' ended June 30, 2011

Material Changes to the Statements of Comprehensive Income for the period ended June 30, 2012 compared to the Statement of Comprehensive Income for the period ended June 30, 2011 (increase/ decrease of 5.00% or more)

Sales

Sales increased by 411.13% from ₱2.6 million to ₱13.4 million. This is due to the increase of selling price and volume of sales.

Cost of Sales

Cost of Sales increased to ₱6.7 million in June 2012 from ₱1.5 million in June 2011. The 360.60% increase was due to an increase in volume of sales.

Gross Profit and Gross Profit Margin

As a result of the increase in Sales by 411.13% and the increase in Cost of Sales of only 360.60%, TMEC's gross profit increased by 474.72%.

The gross profit margin for the six-month ended June 30, 2012 was at 49.78% versus the June 30, 2011 six-month period ended 44.27%.

General and Administrative Expenses

General and Administrative expenses increased by 20.80% from ₱3.1 million to ₱3.8 million in June 2012. The increase was primarily due to the increase in Transportation& Communications expense of 84.62% from ₱27,778 to ₱575,641.

Operating Income and Operating Profit Margin

As a result of the 474.72% increase in gross profit and only 20.80% increase in General and Administrative Expenses, Operating Income amounted to ₱2.9 million in 2012 versus an Operating Loss of almost ₱2.0 million in June 2011, or an equivalent of a 249.45% increase.

The operating income margin for the six-month ended June 30, 2012 was at 21.74% versus the June 30, 2011 six-month period ended -74.36%.

Interest Income

Interest income decreased by 30.74% from ₱1,604 to ₱1,111. This is due to the decrease in bank balance.

Income Tax Expense

TMEC booked an income tax expense for the six-month period ended June 30, 2012 of ₱874,622 versus the income tax benefit booked for the same period in 2011 amounting to ₱3.1 million. This computes to a change of 127.86%, which is due to the recognition of deferred tax asset in 2011.

Net Income and Net Income Margin

As a result of the 249.45% increase in Operating Income and the reversal of income tax benefit to expense, TMEC's Net Income increased by 71.56% for the six-month period ended June 30, 2012 amounting to ₱2.0 million from ₱1.2 million in June 2011.

The net income margin for the six-month ended June 30, 2012 was at 15.23% versus the June 30, 2011 six-month period ended 45.37%. The drop in margin was due to the higher Sales base in June 2012 and increased expenses

Material Changes to the Statements of Financial Position as of June 30, 2012 compared to the Statements of Financial Position as of December 31, 2011 (increase/ decrease of 5.00% or more)

Trade and Other Receivables

Trade and Other Receivables decreased by 57.04% from ₱613,996 as of December 31, 2011 to ₱263,787 as of June 30, 2012. This is due to collection of receivables.

Coal Inventory

Coal Inventory decreased to ₱533,313 as of June 30, 2012 from ₱1.2 million as of December 31, 2011. The 55.84% decrease is due to inventories that were sold.

Prepayments and Other Current Assets

Prepayments and Other Current Assets increased by 461.47% as of end June 2012 from ₱102,596 as of end December 2011 to ₱576,041 in 2011 was due to expenses in securing performance bond for the COCs, renewal of car insurance, and increase in prepaid rent.

Exploration and Evaluation Assets

Exploration and Evaluation Assets increased to ₱96.0 million from ₱71.7 million, equivalent to a 33.84% increase.

This accounted for 65.82% of Total Assets as of June 30, 2012 versus 57.15% as of December 31, 2011. The increase was due to the additional costs capitalized in the exploration and evaluation of the mining properties in Davao Oriental and Zamboanga-Sibugay, which were primarily composed of expenses relating to drilling, salaries and wages, and depreciation expense.

Property, Plant and Equipment

Property, Plant and Equipment decreased to ₱43.7 million in the first half of 2012 from ₱46.4 million in December 2011, equivalent to a decrease of 5.95%.

This accounted for 29.95% of Total Assets as of June 30, 2012 versus 37.01% as of December 31, 2011. The decrease was due to the depreciation for six (6) months.

Deferred Tax Assets

Deferred tax assets decreased by 31.89% from ₱2.3 million as of end December 2011 to ₱1.6 million as of end June 2012, which represents the net decrease in DTA -NOLCO that was used by TMEC that posted a net income, DTA-MCIT, and DTA-retirement benefit cost.

Trade and Other Payables

Trade and Other Payables decreased by 6.07% from ₱6.7 million as of end December 2011 to ₱6.3 million as of end June 2012, which represents the net decrease in payables to drilling contractor and full payment of office vehicle.

This accounted for 10.29% of Total Liabilities as of June 30, 2012 versus 15.59% as of December 31, 2011. The decrease in the contribution was due to the overall increase in Total Liabilities as of June 30, 2012 of 42.32%.

Advances from an Affiliate

Advances from an Affiliate increased by 50.98% from ₱36.0 million as of December 2011 to ₱54.4 million as of June 2012. This represents advances from Stronghold Steel Corporation, a related party by virtue of common ownership with the stockholders of COAL. The nature of the advances was to finance the exploration work on the Davao Oriental and Zamboanga-Sibugay Projects and for working capital of TMEC.

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

This accounted for 88.35% of Total Liabilities as of June 30, 2012 versus 83.29% as of December 31, 2011.

Income Tax Payable

Income Tax Payable amounted to ₱133,500, a 100.00% increase due to income resulted from operations.

Retirement Benefit Liability

Retirement Benefit Liability increased to ₱698,650 from ₱483,900 as of end December 2011. The 44.38% increase as of June 30,2011 was due to due to the increase in the years of service and compensation of employees.

Deficit

Deficit amounted to ₱3.2 million as of end June 2012, a 38.73% decrease from December 31, 2011 amount of ₱5.3 million because TMEC posted Net Income in the six-month period ended June 30, 2012.

Twelve months' ended December 31, 2011 vs. Twelve months' ended December 31, 2010

Material Changes to the Statements of Comprehensive Income for the period ended December 31, 2011 compared to the Statement of Comprehensive Income for the period ended December 31, 2010 (increase/ decrease of 5.00% or more)

Sales

For the year ended December 31, 2011, TMEC generated total sales amounting to ₱21.8 million, which is a 1,141.15% increase from 2010 revenues of ₱1.8 million. The higher revenues were due to the increase in the volume of small-scale mining sales as well as the increase in the selling price of coal from ₱3,200/MT in 2010 to ₱4,800/MT in 2011.

Cost of Sales

Total Cost of Sales increased from ₱1.1 million to ₱13.0 million, a year-on-year increase of 1,033.60% as a result of the increase in sales volume. Cost of Sales primarily pertains to hauling costs.

Gross Profit and Gross Profit Margin

As a result of the increase in Sales, TMEC posted gross profit of ₱8.9 million, a 1,341.85% increase from ₱613,850 in 2010.

The gross profit margin for the year ended December 31, 2011 was at 40.53% versus the December 31, 2010 year ended 34.89%.

General and Administrative Expenses

General and Administrative expenses in 2011 increased by 16.33% from ₱5.3 million the year prior to ₱6.2 million. This was primarily due to a 23.25% increase in rent expense from ₱2.9 million to ₱3.6 million, but also due to the increases in Transportation & Communication expense (11.07%), Depreciation (10.49%), Janitorial Services (9.59%), Office Supplies (8.62%), and Personnel Costs (5.61%).

Operating Income and Operating Income Margin

As a result of the 1,341.85% increase in Gross Profit and 16.33% increase in General and Administrative expenses, Operating Income increased by 157.51% from an Operating Loss of ₱4.7 million in 2010 to ₱2.7 million in 2011.

The operating income margin for the year ended December 31, 2011 was at 12.33% versus the December 31, 2010 year ended -266.02%.

Interest Income

Interest income decreased by 31.13% from ₱3,948 to ₱2,719. This is due to the decrease in bank balance.

Income Tax Benefit

TMEC booked an income tax benefit in 2011 amounting to ₱2.3 million versus none in 2010, which computes to an increase of 100.00% due to the recognition of deferred tax asset.

Net Income and Net Income Margin

As a result of the 157.51% increase in Operating Income and the booking of Interest Income and Income Tax Benefit, TMEC posted a Net Income of ₱5.0 million from a Net Loss of ₱4.7 million in 2010. This is computes to an increase of 207.32%.

The net income margin for the year ended December 31, 2011 was at 22.98% versus the December 31, 2010 year ended -265.80%.

Material Changes to the Statements of Financial Position as of December 31, 2011 compared to the Restated Statements of Financial Position as of December 31, 2010 (increase/ decrease of 5.00% or more)

Cash

Cash decreased by 19.56% from ₱1.7 million to ₱1.4 million this is due to the purchase of drilling equipment used for the exploration work in both the Davao Oriental and Zamboanga-Sibugay sites.

Trade and Other Receivables

Trade and Other Receivables decreased to ₱613,996 in 2011 from ₱964,863 in 2010. This is due to more efficient collection of receivables.

Coal Inventory

Coal Inventory decreased to ₱1.2 million from ₱1.6 million in 2010. The 24.59% decrease is due to the higher sales of coal during the year.

Advances to Affiliates

Advances to Affiliates increased by 101.27% in 2011 from ₱861,240 to ₱1.7 million. This is due to PSMC expenses were advanced by TMEC.

Prepayments and Other Current Assets

Prepayments and Other Current Assets decreased by 92.87% in 2011 from ₱1.4 million in 2010 to ₱102,596 in 2011. This is because no performance bond was required in 2011; hence TMEC did not have to pay for the premium.

Exploration and Evaluation Assets

Exploration and Evaluation Assets increased to ₱71.7 million from ₱34.1 million, a 110.37% increase. This was due primarily to the capitalization of expenses relating to drilling, salaries and wages, and boundary and topographic survey for Davao Oriental and Zamboanga-Sibugay Projects.

This accounted for 57.15% of Total Assets as of December 31, 2011 versus 74.32% as of December 31, 2010. The decrease in the contribution to Total Assets was due to the bigger base in Total Assets in 2011.

Property, Plant and Equipment

Property, Plant and Equipment increased to ₱46.4 million in 2011 from ₱5.2 million in 2010.

This accounted for 37.01% of Total Assets as of December 31, 2011 versus 11.40% as of December 31, 2010. The increase in the contribution to Total Assets was due to the bigger base in Total Assets in 2011.

The 788.17% increase in accounts and increase in the contribution to Total Assets were due to the purchase of drilling and testing equipment.

Deferred Tax Assets

Deferred tax assets were ₱2.3 million as of 2011, which consists of NOLCO and retirement benefit cost.

Trade and Other Payables

Trade and Other Payables increased as of December 31,2011 by 134.58% from ₱2.9 million to ₱6.7 million. This is due to the increase in drilling works done by TMEC.

This accounted for 15.59% of Total Liabilities as of December 31, 2011 versus 58.67% as of December 31, 2010. The decrease in the contribution was due to the overall increase in Total Liabilities as of December 31, 2011 of 782.60%.

Advances from an Affiliate

Advances from an Affiliate increased by 50.98% from ₱36.0 million as of December 2010 to ₱54.4 million as of December 2011. This represents advances from Stronghold Steel Corporation. The nature of the advances was to finance the exploration work on the Davao Oriental and Zamboanga-Sibugay Projects, for working capital of TMEC, and to fund equipment acquisition.

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

This accounted for 83.29% of Total Liabilities as of December 31, 2011 versus 39.82% as of December 31, 2010.

Retirement Benefit Liability

Retirement Benefit Liability increased to ₱483,900 from ₱74,000 in 2010. The 553.92% increase in 2011 was due to the increase in the years of service and compensation of employees.

Twelve months' ended December 31, 2010 vs. Twelve months' ended December 31, 2009

Material Changes to the Statements of Comprehensive Income for the period ended December 31, 2010 compared to the Statement of Comprehensive Income for the period ended December 31, 2009 (increase/ decrease of 5.00% or more)

Sales

For the year ended December 31, 2010, TMEC generated total sales amounting to ₱1.8 million, which is a 63.34% decrease from 2009 sales of ₱4.8 million. The lower sales were due to lower volume produced by small-scale miners operating within the Company's COC areas in Zamboanga-Sibugay.

Cost of Sales

Total Cost of Sales for 2010 decreased from ₱2.6 million to ₱1.1 million, a year-on-year decrease of 56.51%. The costs decreased due to the lower volume of coal sold in 2010.

Gross Profit and Gross Profit Margin

As a result of the 63.34% decrease in Sales and the 56.51% decrease in Cost of Sales, TMEC posted a Gross Profit of ₱613,850, a 71.65% decrease from ₱2.2 million in 2009.

The gross profit margin for the year ended December 31, 2010 was at 34.89% versus the December 31, 2009 year ended 45.12%. The decrease in margin was due to higher costs relative to Sales, specifically the delivery costs, which was only 2.19% in 2009 while it was 28.25% in 2010.

General and Administrative Expenses

General and Administrative expenses in 2010 decreased by 31.50% from ₱7.7 million to ₱5.3 million. This was due to the reduction in expenses related to the acquisition and maintenance of the COCs and the capitalization of all exploration related expenses.

Operating Loss and Operating Loss Margin

As a result of the 71.65% decrease in Gross Profit and the 31.50% decrease in General and Administrative expenses, Operating Loss improved by 15.87% from an operating loss of ₱5.6 million in 2009 to ₱4.7 million in 2010.

The operating loss margin for the year ended December 31, 2010 was at -266.02% versus the December 31, 2009 year ended -115.91%.

Interest Income

Interest income decreased by 97.33% from ₱148,068 to ₱3,948. This is due to the decrease in bank balance.

Net Loss and Net Income Margin

As a result of the 15.87% improvement in TMEC's Operating Loss, it posted a Net Loss of P4.7 million from a Net Loss of ₱5.4 million in 2009. The 13.64% improvement was due to the higher expenses incurred in 2009 as a result of procuring the COCs.

The net income margin for the year ended December 31, 2011 was at 22.98% versus the December 31, 2010 year ended -265.80%.

Notes on the TMEC's Financial Information

Exploration and Evaluation Asset

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

Exploration and evaluation activity includes:

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

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

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

The assets, liabilities, income and expense and operating and investing cash flows as at and for the periods ended December 31, 2011 and June 30, 2012 from the exploration for and evaluation of coal resources are as follows:

	Dec. 31, 2012	June 30, 2012
Total assets	₱125,455,361	₱145,790,394
Total liabilities	43,226,819	61,519,957
Revenue	21,837,655	13,408,888
Expenses	19,145,725	10,493,482
Net cash provided by operating activities	8,037,273	3,074,441
Net cash used in investing activities	78,668,155	21,431,506

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

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

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

Movements of this account are as follows:

	Dec. 31, 2011	June 30, 2012
Cost at beginning of period	34,080,775	71,695,049
Additions for the period	37,614,274	24,258,744
Cost at end of period	71,695,049	₱95,953,793

No impairment loss was recognized in 2011 and 2012.

TMEC obtained an independent valuation report to estimate the value of the coal reserves. Discounted cash flow approach was used in the valuation of the coal reserve. The expected net present value of the coal reserve is ₱12.5 billion.

Impairment of Nonfinancial Assets

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

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

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

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

Revenue Recognition of Sale of Coal

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

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

Prior Period Adjustment on TMEC's 2010 Financial Statements

The 2010 financial statements have been restated for the following:

- Capitalization of expenditures previously charged to profit or loss as exploration and evaluation assets; and
- Recognition of unrecorded retirement benefit liability.

The following is the summary of the prior period adjustments and the financial impact on the Company's financial statements:

	Exploration and Evaluation Asset	Retirement Benefit Liability	Deficit	Net Loss
As previously reported, December 31, 2010	₱12,701,308	₱	(₱31,595,799)	(₱25,982,153)
2010 Adjustments:				
Capitalization of exploration and evaluation asset	21,379,467	-	21,379,467	21,379,467
Recognition of retirement benefit costs	-	74,000	(74,000)	(74,000)
As adjusted, December 31, 2010	₱34,080,775	₱74,000	(₱10,290,332)	(₱4,676,686)

Other Financial Information

As of and for the periods ended December 31, 2010, 2011, and June 30, 2012:

- There are no other material changes in TMEC's financial position (changes of 5.00% or more) and condition that will warrant a more detailed discussion.
- TMEC is not aware of any known trends, or any known demands, commitments, events, or uncertainties that will result in or that are reasonably likely to result in TMEC's liquidity increasing or decreasing in any material way.
- It is not aware of any event that would trigger direct or contingent financial obligation that is material to TMEC, including any default or acceleration of an obligation.
- All material off-balance sheet transactions, arrangements, obligations and other relationships of TMEC with unconsolidated entities or other persons created during the period were considered.
- There are no known trends, events, or uncertainties that have had or that are reasonably expected to have materially favorable or unfavorable impact on net revenues or income from continuing operations.
- TMEC is not aware of any significant elements of income and loss that did not arise from TMEC's continuing operations.
- TMEC is not aware of any seasonal aspects that had a material effect on the financial condition or results of operations.

Key Performance Indicators

TMECuses the following measures to assess its performance from period to period.

Table 79: Key Performance Indicators of TMEC

	Dec. 31, 2010	Dec. 31, 2011	June 30, 2012
Revenue Growth	-63.34%	1141.15%	411.13%
Gross Profit Margin	34.89%	40.53%	49.78%
Net Income Margin	-265.80%	22.98%	15.23%
Return on Asset	-10.20%	4.00%	1.40%
Return on Equity	-11.42%	6.10%	2.42%

The following defines the above ratios:

Revenue Growth

The revenue growth is TMEC's increase in revenues for a given period. This growth rate is computed from the current Revenues less Revenues of the comparative period, divided by the Revenues of the comparative period. This result is expressed in percentage.

An increase in revenue growth percentage indicates that TMEC has been: (a) in the production stage; and (b) increasing production volume.

Gross Profit Margin and Net Income Margin

The gross margin reflects the profitability of TMEC's core business. This is computed by dividing gross income (total Revenues less Cost of Sales) by total Revenues and is expressed in percentage.

Net income margin is the ratio of TMEC's net income after tax versus its Revenues for a given period. This is computed by dividing net income after tax by total Revenues. The result is likewise expressed in percentages.

Gross margin and net income margins measure TMEC's profitability and shows that TMEC can keep its costs under control. It is also used by TMEC as a measure that revenues are increasing faster than its costs, thus, placing TMEC in a liquid position.

Return on Assets and Return on Equity

The return on asset ratio is the ratio of TMEC's net income to total assets. This measures TMEC's ability to generate returns on its assets. This is computed by dividing net income after tax by the total assets. The result is expressed in percentage.

The return of assets shows TMEC's underlying operational performance without considering its funding decisions. It measures how much profit is generated for each peso of assets used. TMEC considers how effectively assets are utilized to generate income and how well costs are managed to maintain profitability.

Return on equity is the ratio of TMEC's net income to stockholders' equity. This likewise measures TMEC's ability to generate returns on investments made by the stockholders. This is computed by dividing net income after tax by the total stockholders' equity. The result is expressed in percentage.

The return of equity shows the amount of profit achieved for each peso invested by TMEC's shareholders.

Changes in Auditors and/or Accounting Procedures

TMEC contracted the external auditing services of Reyes Tacandong & Co. for its comparable Financial Statements as of and for the period ending December 31, 2011 and June 30, 2012.

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MANAGEMENT'S DISCUSSION ON COAL'S FINANCIALS

Summary of Financial Information

The following table presents the summary financial information for COAL and should be read in conjunction with COAL's Audited Financial Statement and Independent Auditors' Report as of and for the 20-day period ended June 30, 2012, including the notes thereto. The information below is not necessarily indicative of the results of COAL's future operations or financial condition.

Table 80: COAL's Summary Audited Consolidated Financial Information As at and 20-day Ended June 30, 2012	
Amounts are in ₱0.00	
Consolidated Statement of Comprehensive Income	
Sales	571,381
Cost of Sales	287,232
Gross Profit	284,149
Operating Income	(10,346,665)
Income (loss) before income tax	(10,346,542)
Net Income (loss)	(10,346,542)
Consolidated Statement of Financial Position	
Assets	
Cash	1,349,952
Receivables	263,787
Coal Inventory	533,313
Advances to affiliates	1,763,197
Prepayments and other current assets	576,041
Total Current Assets	**4,486,290**
Exploration and evaluation assets	95,953,793
Property, plant and equipment -net	43,664,638
Coal reserves	3,131,596,101
Deferred tax asset	1,583,103
Total Non-Current Assets	**3,272,797,635**
TOTAL ASSETS	**3,277,283,925**
Liabilities and Equity	
Trade and other payables	22,342,072
Advances from related parties	64,456,245
Income tax payable	133,500
Total Current Liabilities	**86,931,817**
Retirement benefit liability	698,650
Total Non-Current Liability	**698,650**
Capital stock	3,200,000,000
Deficit	(10,346,542)
Stockholder's equity	**3,189,653,458**
TOTAL LIABILITIES AND EQUITY	**3,277,150,425**
Key Indicators	
Gross Profit Margin (%)	49.73%
Net Income (Loss) Margin (%)	-1,810.80%
Return on Asset (%)	-0.32%
Return on Equity (%)	-0.32%
Current Ratio (x)	0.06
Total Liabilities to Equity (x)	0.03
Earnings Per Share (Basic) (₱0.0000)	0.0032
Book Value Per Share (₱0.0000)	0.9968

Consolidated Statement of Comprehensive Income for the 20-day period ended June 30, 2012

Sales

Sales during the 20-day period amounted to ₱571,381, which was entirely from the sale of inventory purchased from the small-scale mining conducted in TMEC's COC areas in the Zamboanga-Sibugay Project during the period.

Cost of Sales

The Cost of Sales during the 20-day period amounted to ₱287,232, which was comprised of Cost of Inventory amounting to ₱216,408 and Delivery Cost amounting to ₱70,824.

Gross Profit and Gross Profit Margin

COAL's gross profit for the 20-day period ended amounted to ₱284,149. This corresponds to a gross profit margin of 49.73%.

General and Administrative Expenses

General and Administrative expenses amounted to ₱10.6 million for the 20-day period ended June 30, 2012. These expenses were comprised primarily of the Registration and Filing Fee amounting to ₱10.1 million or 95.21% of the General and Administrative Expenses, which relate to the filing fees and related expenses for the incorporation of the Company.

Operating Income and Operating Loss Margin

Due to the limited operations of the Company at 20 days, it incurred an Operating Loss of ₱10.4 million. This corresponds to an operating loss margin of -1,810.82%.

Interest Income

Interest income during the 20-day period amounted to ₱123, which came fully from interest earned from bank deposits.

Net Income and Net Income Margin

The Net Income of the Company for the 20-day period amounted to ₱10.3 million. This translates to a net loss margin of -1,810.80%.

Consolidated Statement of Financial Position as of June 30, 2012

Cash

Cash amounted to ₱1.3 million as at June 30, 2012. This corresponds to a 0.04% contribution to Total Assets.

Receivables

Receivables amounted to ₱263,787 as at June 30, 2012. This corresponds to a 0.01% contribution to Total Assets.

Coal Inventory

Coal Inventory amounted to ₱533,313 as at June 30, 2012. This corresponds to a 0.02% contribution to Total Assets.

Advances to Affiliates

Advances to Affiliates amounted to ₱1.8 million as at June 30, 2012. These were advances to Pacifico Sul Mineraçao Corporation amounting to ₱1.1 million and Colossal Petroleum Corporation amounting to ₱661,982, which are both for working capital purposes. These are unsecured, non-interest bearing, and generally settled in cash and payable upon demand.

These advances correspond to a 0.05% contribution to Total Assets.

Prepayments and Other Current Assets

Prepayments and Other Current Assets amounted to ₱576,041 as at June 30, 2012. This corresponds to a 0.02% contribution to Total Assets.

Exploration and Evaluation Assets

Exploration and Evaluation Assets amounted to ₱96.0 million as at June 30, 2012. This corresponds to a 2.93% contribution to Total Assets. These assets correspond to the costs incurred in the exploration of the mining properties in Davao Oriental and Zamboanga-Sibugay, which included drilling works and topographic surveys conducted.

Property, Plant and Equipment

Property, Plant and Equipment amounted to ₱43.7 million as at June 30, 2012. This corresponds to a 1.33% contribution to Total Assets.

Coal Reserves

Coal Reserves amounted to ₱3.1 billion as at June 30, 2012. This represents the fair value of the coal reserve acquired as a result of the business combination. This is equivalent to 25.60% of TMEC's value as determined by MIB less the net tangible book value of TMEC as at June 30, 2012. This accounted for 95.55% of Total Assets.

Deferred Tax Assets

Deferred tax assets amounted to ₱1.6 million as of end June 2012, which represents the deferred tax assets relating to NOLCO, MCIT, and retirement benefit cost. This accounted for 0.05% of Total Assets.

Trade and Other Payables

Trade and Other Payables amounted to ₱22.3 million as of end June 2012, which is primarily composed of accruals for taxes and licenses amounting to ₱16.0 million and trade payables amounting to ₱5.7 million. This accounted for 25.50% of Total Liabilities as of June 30, 2012

Advances from Related Parties

Advances from Related Parties amounted to ₱64.5 million, composed of advances from Stronghold Steel Corporation amounting to ₱54.4 million and Stockholders amounting to ₱10.1 million. The nature of the advances from Stronghold Steel Corporation was to finance the exploration work on the Davao Oriental and Zamboanga-Sibugay Projects and for working capital of TMEC. The advances from the Stockholders were in connection with the filing fees and related expenses paid for COAL's incorporation.

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

This accounted for 73.55% of Total Liabilities as of June 30, 2012.

Income Tax Payable

Income Tax Payable amounted to ₱133,500. This accounted for 0.15% of Total Liabilities as of June 30, 2012

Retirement Benefit Liability

Retirement Benefit Liability amounted to ₱698,650 as of June 30, 2012. This accounted for 0.80% of Total Liabilities as of June 30, 2012.

Capital Stock

Capital Stock amounted to ₱3.2 billion as of end June 2012. This accounted for 100.32% of Total Stockholders' Equity as of June 30, 2012.

Deficit

Deficit amounted to ₱10.3 million as of end June 2012. This accounted for -0.32% of Total Stockholders' Equity as of June 30, 2012.

Notes on the COAL's Financial Information

Coal Reserves

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

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

Exploration and Evaluation Asset

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

Exploration and evaluation activity includes:

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

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

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

The assets, liabilities, income and expense and operating and investing cash flows as at and for the period ended June 30, 2012 from the exploration for and evaluation of coal resources are as follows:

	June 30, 2012
Total assets	₱145,790,394
Total liabilities	61,519,957
Revenue	571,381
Expenses	704,966
Net cash provided by operating activities	292,963
Net cash used in investing activities	1,210,411

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

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

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

Movements of this account are as follows:

	June 30, 2012
Cost at beginning of period	₱94,403,455
Additions for the period	1,550,338
Cost at end of period	₱95,953,793

No impairment loss was recognized in 2012.

COAL obtained an independent valuation report to estimate the value of the coal reserves. Discounted cash flow approach was used in the valuation of the coal reserve. The expected net present value of the coal reserve is ₱12.5 billion.

Impairment of Nonfinancial Assets

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

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

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

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

Revenue Recognition of Sale of Coal

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

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

Other Financial Information

As of and for the 20-day period ended June 30, 2012:

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

- COAL is not aware of any significant elements of income and loss that did not arise from COAL's continuing operations.
- COAL is not aware of any seasonal aspects that had a material effect on the financial condition or results of operations.

Key Performance Indicators

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

Table 81: Key Performance Indicators of COAL	
Gross Profit Margin (%)	49.73%
Net Income Margin (%)	-1,810.80%
Return on Asset (%)	-0.32%
Return on Equity (%)	-0.32%
Current Ratio (x)	0.06

Since the Company had only been incorporated in June 11, 2012, the Company does not have a basis for a period to period comparison as of June 30, 2012.

The Company's net income margin of -1,810.80% is mainly due to the registration and filing fees amounting to ₱10.12 million incurred during the 19-day period.

The Company's negative return on equity and return on assets, both at -0.32% is due to the net loss pertaining to the registration and filing fees incurred during the said 19-day period.

The Company's current ratio of 0.06x is mainly due to the advances from related parties and other statutory payables amounting to ₱64.46 million and ₱16.29 million, respectively. These advances were made to cover the taxes that needed to be paid in relation to the incorporation of the Company on June 11, 2012.

The negative nature of the above-discussed financial ratios is due to the short time period covered by the financial statements. The Company expects its financial ratios to improve as the period covered by the financial statements normalizes.

Changes in Auditors and/or Accounting Procedures

COAL contracted the external auditing services of Reyes Tacandong & Co. for its Financial Statements as of and for the period ended June 30, 2012. No audit was made to any period prior to June 30, 2012 as the Company was only incorporated in June 11, 2012.

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INDEPENDENT AUDITORS' REPORTS

The Pro-Forma Consolidated Financial Information as of December 31, 2011 and for the six months ended June 30, 2012 and the year ended December 31, 2011, including the notes thereto that are incorporated by reference in this Prospectus, have been reviewed without qualification by Reyes Tacandong & Co., auditors as stated in their reports appearing herein. The Company has not had any disagreements on accounting and financial disclosures with Reyes Tacandong & Co., for the same periods or any subsequent interim period.

TMEC's Financial Statements as of and for the period ending December 31, 2011 and June 30, 2012, including the notes thereto that are incorporated by reference in this Prospectus, have been audited without qualification by Reyes Tacandong & Co., auditors as stated in their reports appearing herein. TMEC has not had any disagreements on accounting and financial disclosures with Reyes Tacandong & Co., for the same periods or any subsequent interim period.

Reyes Tacandong & Co. has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe to the securities in the Company. The independent public auditors will not receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants, or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Committee.

Audit and Audit related Fees

Reyes Tacandong & Co. billed the Company and its subsidiary a total of ₱250,000 for the examination of the previously mentioned financial statements, exclusive of out of pocket expenses and VAT.

The external auditors submitted invoices for services provided and expenses incurred on an interim basis as the work progressed. Invoices were payable upon presentation.

Tax Fees

Reyes Tacandong & Co. did not render professional services to the Company for tax accounting, compliance, advice, planning, and any other form of tax services.

All Other Fees

Reyes Tacandong & Co. did not provide products and services other than the services reported under Audit and Audit-Related Fees and Tax Fees subsections.

Audit Committee Approval Policies

Under the Company's Manual on Corporate Governance, the policies and procedures for the audit rendered by the independent public auditors are to be taken up, discussed, and approved by the Company's Audit Committee.

The Audit Committee's decisions are based on the standards set forth by the Company for the purpose of audit or tax services, as the case may be. If the proposal submitted by the independent public auditor is within the standards set forth, then the proposal is forwarded to the Company's Board of Directors for approval.

REGULATORY FRAMEWORK

Presidential Decree No. 972 (P.D. 972) or "The Coal Development Act of 1976 governs coal operations in the Philippines, providing for the active and systematic exploration, exploitation, development, disposition and utilization of Philippine coal resources. PD 972 introduced the Philippine coal service contract system and established the appropriate guidelines for coal operations.

Under this law, coal operators are required enter into Coal Operating Contracts (COCs) to undertake the exploration, exploitation, and utilization of coal in the different coal regions established by the law. The COC is approved by the President through the DOE. PD 972 provides for the benefits for and obligations of coal operators entering into COCs with the DOE. The law requires a minimum expenditure in every COC of One Million Pesos (₱1,000,000).[25]The term of the COC shall be for two (2) years, extendable for another two (2) years subject to certain conditions. However, if commercial quantity is measured during the exploration period, the COC may be extended for a period of 10 to 20 years, and thereafter renewed for a series of three (3)-year periods not exceeding 12 years under terms and conditions provided by the law, rules and regulations. This law also provides for tax incentives for coal operators.

Under P.D. 972, the agency primarily responsible for implementing the law was the Energy Development Board ("EDB"). Thus, the EDB issued the first Implementing Rules and Regulations of the Coal Development Act of 1976. In 1977, however, Presidential Decree No. 1206 was issued by then-President Marcos creating the Department (Ministry) of Energy. Under this new department, the primary office in charge of implementing the law was the Bureau of Energy Development (BED). Aside from the powers of the of the EDB transferred to it, the BED's responsibilities included administering national programs to encourage and regulate business activities relative to the exploration, exploitation, development and extraction of fossil fuels such as coal. Presently, under the DOE, the Energy Resource Development Bureau has taken over the duties and functions of the BED.

Aside from the Rules and Regulations Implementing Presidential Decree No. 972, the "Coal Development Act of 1976", the following circulars were issued in relation to coal development:

BED Circular No. 1, Series of 1978, "Coal Mine Safety Rules and Regulations" is a set rules and regulations promulgated pursuant to Section 9 of P.D. 972. Safety rules are prescribed for underground and surface mine operations covering requirements for exit, escape ways, submission of mine maps, ventilation, allowable limits of toxic and explosive gases. This also includes the control of coal dust, ground support, rescue organization for emergencies, fire protection, handling of explosives, health and sanitation facilities and other miscellaneous safety rules.

BED Circular No. 81-07-07 (July 20, 1981) was issued following the observation of the BED that the common cause of fatalities in coal mines is due to mine gas. Among the safety precautions required of coal operators are maintenance of ventilation at no less than 20.00% oxygen level, daily examination of active mines by safety engineers to determine presence of methane and other dangerous gasses before the start of every shift, and installation of methane detectors, among others. Failure to follow this circular was sufficient ground to suspend or cancel COCs.

In line with the policy to maintain environmental quality that is conducive to a life of dignity and well-being, Presidential Decree No. 1151 (P.D. 1151), or the "Philippine Environmental Policy Act of 1978," was issued to require the government and the private sector entities undertaking projects that may significantly affect the quality of the environment to undergo an environmental impact assessment.

[25]However, the COCs entered into by the coal operator with the DOE provides for a budget for the work program undertaken by a coal operator. Any amount unexpended from the work program is required to be paid by the coal operator to the DOE.

Presidential Decree No. 1174 (P.D. 1174), which amended P.D. 972, provided for additional incentives to coal operators, such as reimbursement of all operating expenses not exceeding 90.00% of the gross income after deducting all operating expenses, grant of special allowances for Filipino participation of at least 60.00% in the coal development project, grant of timber and water rights within the coal contract area, and access to government-reserved lands subject to applicable laws and guidelines by the concerned agencies. BED Circular No. 81-11-10, or "Guidelines for Coal Operations in the Philippines," dated November 26, 1981, set out the new rules and regulations to implement the provisions under P.D. 1174. These guidelines outline the procedure for filing and processing applications for coal operating contracts and the financial and technical operations of the COC holders. The Circular provides penalties for COC holders who are unable to comply with the performance and reporting requirements of the laws and rules and regulations. Said Circular also provides health and safety regulations that must strictly be adhered to by COC holders, such as allowable limits of gases in the mines and controlling pollutions and siltations in the work area. The Circular provides for rules and regulations on the tax-exempt importations.

Subsequently, BED Circular No. 82-12-12, dated December 27, 1982, was issued to remind COC holders that the main purpose of P.D. 972 is the exploration of coal and not the extraction or removal of coal deposits. It reiterated that COC holders must extract coal from their coal operating contract areas only and in such amount or volume as reasonably necessary and incidental to the exploration activities done on said areas, consistent with the work commitment embodied in their respective work programs, and the amount extracted must be reported monthly to the DOE. Moreover, coal operators should sell their coal produce only to legitimate end users and to persons or entities that are duly authorized by law or existing rules and regulations to purchase coal.

Meanwhile, under Presidential Decree No. 1586, titled "Establishing an Environmental Impact Statement System, Including other Environmental Management Related Measures and for Other Purposes," no person, partnership, or corporation shall undertake a project or operate in an area declared as environmentally-critical without first securing an Environmental Compliance Certificate issued by the President or his duly authorized representative.[26]

Executive Order No. 193 issued by then-President Corazon Aquino later created the Office of Energy Affairs ("OEA") and transferred all the powers of the Ministry of Energy to the OEA. This included the implementation of P.D. 972. The following are some of the circulars issued by the OEA:

OEA Circular 88-11-15, dated October 28, 1988, which provided limitations to exemptions for spare parts of equipment used in coal operations to those imported within a particular calendar year and where the aggregate cost does not exceed 20.00% of the value of the specific machinery or equipment where they will be used. Regular duties and taxes will apply to any amount in excess of the 20.00% limit.

OEA Circular No. 89-08-09, dated August 22, 1989, defined the coal mining activities that may be sub-contracted by COC holders. It likewise required that subcontracting, to be valid, must have the prior approval of the OEA and the subcontractors must possess the financial resources and technical capabilities to continue mining operations in accordance with good coal mining practices. It emphasized that coal extraction shall be the sole and exclusive obligation of a COC holder.

With the passage of Republic Act No. 7638 (R.A. 7638), the DOE was created. The implementation of P.D. 972, as amended, was transferred to the newly created Department.

[26] The Environmental Compliance Certificate is issued by the Environmental Management Bureau.

In 1996, pursuant to DENR Administrative Order No. 37, Series of 1996, proponent of energy projects were required to submit an Environmental Impact Statement (EIS), Initial Environmental Examination (IEE) or obtain a certificate of non-coverage. Subsequently a Memorandum of Agreement was entered into by the DOE and the DENR to stream linnet he EIS process for energy projects. Under the MOA, the term "energy projects" were defined as activities or projects relative to the exploration, development, extraction, production, importation, exportation, processing, transportation, marketing, distribution, utilization, conservation, stockpiling, or storage of all forms of energy products and resources and power generating facilities.[27]The MOA provided that coal activities must have either an IEE or an EIS as part of the application for the issuance of an ECC:

IEEs are required for projects that are not environmentally critical activities but are in environmentally critical areas. The following are the coal related activities that need an IEE:

- Oil and gas pipelines and coal slurry pipelines less than or equal to 20 kilometers; and
- Petrochemical/Coal/Oil/Natural Gas Depots.

If the project however, is an Environmental Critical Project, the required document as application for an ECC is an EIS: The following coal related activities require and EIS:

- All production and development systems of petroleum, gas, geothermal, coal, and hydro energy resources, refineries;
- Energy generation projects involving the use of petroleum, coal, geothermal and renewable energy resources with capacity greater than 10 megawatts; and Petrochemical/Coal/Oil and Natural Gas Terminal.

To protect lands classified as "ancestral land" and "ancestral domain," Republic Act No. 8371, titled the Indigenous Peoples Rights Act of 1997, was passed. Under the law, when land is considered ancestral domain, indigenous people traditionally occupying these lands have the right to develop and use these lands.[28]Thus, the indigenous people are given the right to be informed of and to participate intelligently in the formulation and implementation of coal operating projects. They are also entitled to receive just and fair compensation for any damages sustained by their communities in the implementation of these projects.[29]The law requires a coal operator to secure a Certification of Non-Overlap from the NCIP, stating that the project area does not overlap with ancestral land.[30]The law punishes unauthorized and unlawful intrusion upon, or use of any portion of, the ancestral domain or any violation of the rights of indigenous people thereon. The law also requires the Government to take measures to prevent non-indigenous peoples from taking advantage of the indigenous peoples' customs or lack of understanding of laws to secure ownership or take over the lands possession of land belonging to them.[31]

[27]DENR-DOE Memorandum of Agreement (MOA) on Streamlining of EIS Process for Energy Projects. Paragraph 1.
[28]R.A. 8371, Section 7 (b). *Right to Develop Lands and Natural Resources.*- Subject to Section 56 hereof, right to develop, control and use lands and territories traditionally occupied, owned, or used; to manage and conserve natural resources within the territories and uphold the responsibilities for future generations; xxx
[29]*ibid.* "xxx the right to an informed and intelligent participation in the formulation and implementation of any project, government or private, that will affect or impact upon the ancestral domains and to receive just and fair compensation for any damages which they sustain as a result of the project; and the right to effective measures by the government to prevent any interfere with, alienation and encroachment upon these rights;"
[30]*ibid.* Section 38 and 44.
[31] R.A. 8371, Section 72.

Philippine Energy Contracting Round

The PECR is a government mechanism that allows the exploration and development of the country's petroleum, geothermal, and coal resources through the awarding of service or operating contracts to local and international exploration companies. This initiative is in line with the government's goal to pursue energy independence and sustainability. This system finds basis on P.D. 972, as amended, where the law provides that the DOE has the power to fix the rules. The current rules were laid out by DOE in DC 2011-12-0010. The following rules pertain to the PECR:

DOE Circular No. DC2011-12-0010 "Reiterating a Transparent and Competitive System of Awarding Service and Operating Contracts for Petroleum and Coal Prospective Areas" (December 1, 2011)

This Circular creates the Review and Evaluation Committee under the DOE. Its task is to promulgate the specific guidelines for the PECR, recommend to the Secretary the award of COCs, determine prospective coal areas including those located in maritime zones for Secretary's approval, among others. The highest-ranking proponent based on the criteria provided in this circular is awarded the COC for that specific area for which the proponent applied for, subject to the approval of the Secretary. The specific guidelines are for participation and awarding of COCs are issued by the DOE, a copy of which attached to this memorandum.

DOE Circular No. DC2012-02-0003 (February 29, 2012)

This Circular grants an extension for applicants/proponents to submit documentary requirements in order to participate in the fourth PECR. It also provides for additional areas offered for coal exploration.

Public Reporting Standards

PSE Memorandum No. 2008-0406

With the issuance of PSE Memorandum No. 1008-0406, the PSE adopted the Revised Philippine Mineral Reporting Code (PMRC) for Reporting of Exploration Results, Mineral Resources, and Ore Reserves, dated July 1, 2007, after it was likewise approved by the SEC. The PMRC sets the minimum public reporting standards for all solid minerals, including industrial minerals and coal. Said public reporting standards meet the compliance and regulatory requirements of the Securities and Exchange Commission, among other government regulatory bodies, as well as the Philippine Stock Exchange. The reporting standards are also applied to other publicly released information from reporting corporations, such as published press releases and those make available to corporate websites.

The PMRC was prepared by a PMRC Committee composed of representatives from government institutions, business organizations involved in the mining sector, organizations of mining professionals, as well as the PSE.

The PMRC tasks members of the company's board of directors with the responsibility for its public reports. Such reports must be supported by information and documentation prepared by a Competent Person or Persons. The name of the Competent Person who prepared the reports are required to be disclosed, and the company is further required to state whether the Competent Person is a full-time employee of the company, and, if not, name the Competent Person's employer. A Competent Person is a Member or a Fellow of the Philippine Society of Mining Engineers, Geological Society of the Philippines, or the Society of Metallurgical Engineers of the Philippines.

Other Relevant Legislation

Republic Act No. 8242 (R.A. 8242, as amended by R.A. 9337)

Although P.D. 972 exempts coal operators from all taxes except income tax, Republic Act No. 8242 (R.A. 8242, as amended by R.A. 9337), or the National Internal Revenue Code of 1997, nevertheless imposes excise tax on minerals,[32] including coal, of ₱10 per MT.[33]

Executive Act No. 226 (E.O. 226)

Executive Act No. 226 (E.O. 226), or "The Omnibus Investments Act of 1987," designated as a "Pioneer Enterprise" those that produce non-conventional fuels or manufactures equipment utilizing non-conventional sources of energy or uses or converts to coal or other non-conventional fuels or sources of energy in its production, manufacturing or processing operations as a pioneer enterprise. Under the law, pioneer enterprises registered with the Board of investments shall be entitled Income Tax holiday.

Republic Act 10066 (R.A. 10066)

In order to protect, preserve, conserve and promote the nation's cultural heritage, its property and histories, and the ethnicity of local communities, Republic Act No. 10066 (R.A. 10066), or the "National Cultural Heritage Act of 2009," protects areas designated as Heritage Zones. These zones are determined by The National Historical Institute and the National Museum in consultation with the Commission and the Housing and Land Use Regulatory Board or other concerned agencies.[34]Maintenance of the Heritage Zones falls under the responsibilities of the local government unit.[35]

Executive Order No. 79, series of 2012

Executive Order No. 79, Series of 2012, "Institutionalizing and Implementing Reforms in the Philippine Mining Sector Providing Policies and Guidelines to Ensure Environmental Protection and Responsible Mining in the Utilization of Mineral Resources," was issued by President Benigno S Aquino III on July 6, 2012. While E.O. 79 pertains to the mining sector, it does not cover coal mining. Coal mining is covered under Presidential Decree No. 972, or the Coal Development Act, while E.O. 79 pertains to mining activities under Republic Act No. 7492, or the Philippine Mining Act of 1995.

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[32] RA 7492 (Mining Act of 1995) excludes coals from the definition of minerals:
Section 3 (aa) - Minerals refers to all naturally occurring inorganic substance in solid, gas, liquid, or any intermediate state excluding energy materials such as coal, petroleum, natural gas, radioactive materials, and geothermal energy. (underscoring supplied)

[33] R.A. 8424, Section 151.

[34]R.A. 10066, Section 3(q). "Heritage zone" shall refer to historical, anthropological, archaeological, artistic geographical areas and settings that are culturally significant to the country, as declared by the National Museum and/or the National Historical Institute.

[35]R.A. 10066, Section 13 *Maintenance of Heritage Zones*. — A heritage zone shall be maintained by the local government unit concerned, in accordance with the following guidelines:

(a) Implementation of adaptive reuse of cultural property;
(b) Appearance of streets, parks, monuments, buildings, and natural bodies of water, canals, paths and barangays within a locality shall be maintained as close to their appearance at the time the area was of most importance to Philippine history as determined by the National Historical Institute; and
(c) Local government units shall document and sustain all sociocultural practices such as, but not limited to, traditional celebrations, historical battles, recreation of customs, and the reenactment of battles and other local customs that are unique to a locality.

MATERIAL CONTRACTS AND AGREEMENTS

Other than as provided below, the Company and TMEC are not aware of any material contracts and agreements where it is a party:

Core Drilling Agreement with the Primo Asia Mining and Drilling Inc.

TMEC was previously awarded COC #166 covering an area of approximately 6,000 hectares in Diplahan, Buug, and Siay, in Zamboanga-Sibugay. Pursuant to the Exploration Work Program submitted by TMEC to the DOE, the former bound itself to complete a guaranteed minimum aggregate 1,000 meters of drilling operations, divided into five holes or more at a maximum guaranteed depth of 300 meters per hole for CS 1000 rig. The contract, dated September 30, 2011, provides TMEC with the necessary drilling machine and its accessories, labor, equipment, and tools "necessary to undertake and complete an aggregate of at least [1,000] meters of drilling operations x xx." Contract face value is at ₱4,180,000, subject to further increase in accordance with graduated vertical linear rate pricing scheme. The contract has a "timetable" of three months to complete reckoned from the first day of machine set-up at the project site. This excludes the period for moving, setting-up and curing.

Core Drilling Agreement with Primo Asia Mining and Drilling Inc.

This Core Drilling Agreement, dated November 22, 2011, is for TMEC's COC #159 covering an area of approximately 7,000 hectares in Manay, Davao Oriental. In pursuance to the Exploration Work Program submitted by TMEC to the DOE, the former bound itself to complete a guaranteed minimum aggregate 1,000 meters of drilling operations, divided into 5 holes or more at a maximum guaranteed depth of 200 meters per hole. This contract provides TMEC with the necessary drilling machine and its accessories, labor, equipment, and tools "necessary to undertake and complete an aggregate of at least [1,000] meters of drilling operations x xx." The contract has a "timetable" of four (4) months to complete reckoned from September 1, 2011. This excludes the period for moving, setting-up, and curing.

Coal Operating Contracts with the DOE (On behalf of the Republic of the Philippines)

- COC #159, covering CBS No. 43-L-177, 43-L-178, 43-L-217, 43-L218, 43-L-136, 43-L137, 43-L-176 (with Effective Date on September 16,2009)
- COC #166, covering CBS No. 41-H-280, -281, -320 and -241 (with effective date on November 18,2009)

Pursuant to Presidential Decree No. 972 or the Coal Development Act of 1976, as amended, coal operators are required to enter into coal operating contracts with the government to undertake the exploration, exploitation, and utilization of coal in the different coal regions established by law.

Under these contracts, TMEC is given a period of two (2) years from effective date within which to finish the exploration phase. After said period, the contract shall automatically terminate, unless (a) coal reserves in commercial quantity are found or (b) the exploration phase is extended by the DOE for a maximum period of two (2) years, provided TMEC has not defaulted on its obligations and has complied with the work program and budget it submitted. If the parties have measured and agreed on the existence of Coal Reserves in Commercial Quantity, the contract shall proceed to the development and production phase upon notice by TMEC and approval by the DOE of the Work Program, feasibility study, and the issuance of the ECC and Pre-Condition Certificate by the DENR and NCIP. The contract

for the development and production phase shall remain in force during the balance of the Exploration Phase or any extension thereof and/or for an additional period of up to 10 years. Upon request of TMEC, the contract is extendible for a maximum of another 10 years, if TMEC is not in default of its obligations. Thereafter, TMEC may request for the extension of the contract term for a series of three-year periods, the total of which shall not exceed 12 years.

For COC #159, TMEC's work program requirement is ₱103,885,000. On the other hand, for COC #166, TMEC's work program requirement is ₱60,480,000. Under the contracts, should TMEC fail to comply with its work obligations, it shall pay the DOE the amount it should have spent but did not for direct prosecution of work obligations. Under the contracts, TMEC is entitled to the following from the proceeds of production:

- Recover from the gross income an amount equal to all operating expenses, provided that the amount recovered shall not exceed 90.00% of the total gross income for any calendar year, with unrecovered operating expenses shall be recovered from the gross income of the succeeding calendar year;
- Fee, which shall not exceed 40.00% of the net operating income; and
- Special allowance, which shall not exceed 30.00% of net operating income.

In February 2012, the DOE approved the Company's request for extension of COC #159 and COC #166. COC #159 was extended up to September 15, 2013 while COC #166 was extended up to November 17, 2013. The approval of the extension revised respective work commitments under the COCs but otherwise retained all other terms and conditions of the COCs.

Memorandum of Agreement with Huangzhou Fuyang Gaoquiao Thermal Power Plant Co., Ltd.

Under this contract, TMEC has agreed to deliver 50,000 MT of coal every month, or 600,000MT per year, to Hangzhou Fuyang Gaoqiao Thermal Power Plant Co., Ltd. based in Zhejiang, China. The delivery is scheduled to commence in January 2013 and shall be effective for a period of 10 years. Pricing for the coal shall be based on the USD Global Coal NEWC Index less 5.00% per MT. The contract was executed on January 28, 2010.

Lease Agreement with JTKC Equities, Inc.

This lease agreement covers TMEC's use of office space located at the JTKC Center, 2155 Don Chino Roces Avenue, Makati City as its corporate headquarters. Under the contract, monthly rental is at ₱300,863. The original contract states that the term of the lease was from May 1,2010 to April 30, 2011. On August 31, 2011, the contract was renegotiated for another term ending on July 1, 2013.

Performance Bonds with UCPB General Insurance Co., Inc.

As part of the requirements of the DOE's approval of the extension of COC #159 until September 15, 2013 and COC #166 until November 17, 2013, TMEC obtained performance bonds with UCPB General Insurance Co., Inc.

The performance bonds guarantee TMEC's faithful compliance of the terms and conditions of the COCs it signed with the DOE. For performance bond No. 33971, covering the Davao Oriental Project, UCPB's liability shall not exceed the ₱70,430,996. For performance bond No. 33970, also covering the Zamboanga-Sibugay Project, the coverage of the amounts to ₱54,245,171. The performance bonds Nos. 33970 and 33971 will expire on February 15, 2013.

Topographic Survey Services Agreement with Mr. Joey D. Baldonade

Under this contract dated August 30, 2011, Mr. Joey Baldonade shall provide topographic survey services to TMEC for COC #159. The total project cost is ₱900,000, with 30.00% thereof considered as the professional fee for Mr. Baldonade's services. Upon completion of the topographic survey, Mr. Baldonade is expected to submit the following to TMEC:

- Hard copies of Topographic map at 1-meter contour interval;
- Electronic copy of the topographic map in AutoCAD format;
- 3-D generated presentation map;
- Electronic database and other pertinent field data.

Boundary Survey Services Agreement with Mr. Joey D. Baldonade

Under this contract dated February 6, 2012, Mr. Joey Baldonade shall prepare a boundary survey for Blocks 176 and 177 under COC #159. The professional fee for Mr. Baldonade is ₱300,000, with the proviso that TMEC shall provide the manpower and equipment as well as shoulder all the expenses during the survey. Upon completion of the survey, Mr. Baldonade is expected to submit the following to TMEC:

- DOE Survey Returns;
- Coal block plans duly signed;
- Boundary corners appropriately marked on the ground; and
- List of horizontal and vertical control points duly established.

Deed of Assignment with TMEC shareholders

On May 28, 2012, COAL executed a Deed of Assignment with the shareholders of TMEC which effectively transfers 100.00% ownership of TMEC to COAL. The assigned TMEC shares were used to subscribe and fully pay COAL shares, at a ratio of one (1) TMEC common share for every 36.57 COAL common shares, resulting in the issuance of an aggregate total of 3,200,000,000 COAL shares to TMEC shareholders.

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MANUAL OF CORPORATE GOVERNANCE

The Company's Corporate Governance Manual (the "Manual") was approved by the Board of Directors on July 10, 2012. The Manual is a supplement to the Company's Amended By-Laws.

Adoption and Implementation

The Company is in the process of implementing the abovementioned Manual. To date, the Company has elected two (2) directors, Messrs. Aristides Armas and Juan Kevin Belmonte, who qualify as "independent" pursuant to Section 38 of the Securities Regulation Code.

The Manual also provides for the formation of the following committees: Executive, Audit and Risk, Nomination, and Compensation and Remuneration.

To measure the level of compliance of the Board of Directors and top-level management with its Manual of Corporate Governance, the Manual mandates the establishment by the Company of an evaluation system consisting of a self-rating assessment and performance system by Management and submission of certifications by the Compliance Officer on the Company's compliance with the provisions of the Manual.

Furthermore, to ensure the Company's adherence to the adopted leading practices on good corporate governance, the Chairman of the Board is mandated to designate a Compliance Officer who shall hold the position of a Vice President or its equivalent. He shall have direct reporting responsibilities to the Chairman of the Board.

The Compliance Officer shall perform the following duties:

- Monitor compliance with the provisions and requirements of the Manual;
- Appear before the SEC upon summons on similar matters that need to be clarified by the same;
- Determine violation/s of the Manual and recommend penalty for violation thereof for further review and approval of the Board;
- Issue a certification every January 30th of the year on the extent of the Company's compliance with the Manual for the completed year, explaining the reason/s of the latter's deviation from the same; and
- Identify, monitor and control compliance risks.

Independent Directors

The amended By-laws require the Company to have two (2) independent directors in its Board of Directors. The Manual requires that there must be at least one (1) independent director voting in the Company's Audit and Risk Committee, Nomination Committee, and Compensation and Remuneration Committee. Independent directors must hold no interests or relationships with the Company that may hinder their independence from the Company or its management, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

Under the SEC Code of Corporate Governance, an independent director is required to attend board meetings for quorum requirements, unless he is duly notified of the meeting but deliberately and without justifiable cause fails to attend the meeting.

Audit and Risk Committee

The Company has an Audit and Risk Committee composed of three (3) members, at least one of whom must be an independent director. The independent director chairs the Committee. Each member is required to have an adequate understanding of accounting and auditing principles in general and of the Company's financial management systems and environment in particular.

The Audit and Risk Committee's duties and responsibilities include, but are not limited to, the following:

- Checking all financial reports against their compliance with both the internal and financial management handbook and pertinent account standards, including regulatory requirements;
- Performing oversight financial management functions specifically in the areas of managing credit, market, liquidity, operational, legal, and other risks of the Company, and crisis management; and
- Developing a transparent financial management system that will ensure the integrity of internal control activities throughout the Company through a procedures and policies handbook that will be used by the entire organization.
- Oversee the Company's risk management function.
- Develop a formal risk management policy that guides the Company's risk management and compliance processes and procedures.
- Design and undertake its enterprise-wide risk management activities in accordance with internationally recognized frameworks.
- Discuss and review policies with respect to risk assessment and risk management including the Company's major financial and business risk exposures and the actions Management has undertaken to control them.
- Set the tone and influence the culture of risk management which includes determining the appropriate risk appetite (risk-taker or risk-averse) or level of exposure as a whole or on any relevant individual issue; determining what types of risk are acceptable and which are not.
- Monitor the management of significant risk to reduce the likelihood of unwelcome surprises.
- Satisfy it that less significant risks are being actively managed with the appropriate controls in place and working effectively.
- Annually review the Company's approaches to risk management and recommend to the Board changes or improvements to key elements of its processes and procedures.

Aristides Armas was appointed as the Chairman of the Audit and Risk Committee during the meeting of the Board of Directors of the Company on July 10, 2012. On the same Board meeting, Jaime T. Ang and Eric Y. Roxas were also appointed the members of the Audit and Risk Committee.

The above enumeration comprises the general duties and responsibilities of the Company's Audit and Risk Committee. In accordance with the requirements of SEC Memorandum Circular No. 4, Series of 2012, the Company shall promulgate an Audit Charter, which shall provide, among others, the purpose, membership, structure, operations, reporting process, and resources of the Committee. The Charter shall likewise serve as basis for the Company's assessment of the performance of its Audit and Risk Committee.

Nomination Committee

The Company has a Nomination Committee composed of three (3) members, at least one of whom must be an independent director. The independent director chairs the Nomination Committee. The Nomination Committee's duties and responsibilities include:

- Pre-screening and short-listing all candidates nominated to become a member of the Board, as well as those nominated to other positions requiring appointment by the Board; and
- Redefining the role, duties, and responsibilities of the CEO by integrating the dynamic requirements of the business as a going concern and future expansionary prospects within the realm of good corporate governance at all times.

Harald Tomintz was appointed as the Chairman of the Nomination Committee during the meeting of the Board of Directors of the Company on July 10, 2012. On the same Board meeting, Dexter Tiu and Juan Kevin Belmonte were also appointed the members of the Nomination Committee.

Compensation and Remuneration Committee

The Company has Compensation and Remuneration Committee composed of three (3) members, at least one of whom must be an independent director. The independent director chairs the Compensation and Remuneration Committee. The Compensation and Remuneration Committee's duties and responsibilities include:

- Establishing a formal and transparent procedure for developing a policy on executive remuneration and for fixing remuneration packages of corporate officers and directors; and
- Providing oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Company's culture, strategy, and control environment.

Jaime T. Ang was appointed as the Chairman of the Compensation and Remuneration Committee during the meeting of the Board of Directors of the Company on July 10,2012. On the same Board meeting, Aristides Armas and Eric Y. Roxas were also appointed the members of the Compensation and Remuneration Committee.

Compliance with Rules on Corporate Governance

The Company is not aware of any non-compliance with or deviation from its Manual. The Company will continue to monitor compliance with the Rules on Corporate Governance issued by the SEC and will remain committed in ensuring the adoption of other systems and practices of good corporate governance to enhance its value for its stockholders.

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LEGAL AND OTHER MATTERS

Legal matters in connection with the Offer have been passed upon by Tan Venturanza Valdez Law Offices with address at Unit 2704 East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, and Pasig City.

Copies of the following documents may be inspected during business hours at the Company's principal office:

- Articles of Incorporation and By-Laws of the Company as amended;
- Pro-Forma Consolidated Financial Information as of December 31, 2011 and for the periods ended December 31, 2011 and June 30, 2012;
- The Internal Geologic Report for the Davao Oriental Project dated April 4, 2012; and
- The Internal Geologic Report for the Zamboanga-Sibugay Project dated April 26, 2012.

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CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

In the ordinary course of its business, the Company and TMEC entered into some related party transactions. These can be seen in the Company and TMEC's financial statements under the note "Related Party Transactions", to wit:

- Note 17 of COAL's Consolidated Financial Statements as of and 20-day period ended June 30, 2012;
- Note 18 of TMEC's Financial Statements as of June 30, 2012 and December 31, 2011 and for the six months ended June 30, 2012 and 2011; and
- Note 19 of TMEC's Financial Statements as at and for year-ended December 31, 2011.

Transactions with Stronghold Steel Corporation

- In 2010, TMEC obtained unsecured, non-interest-bearing, and generally settled in cash and payable on demand amounting to ₱21,950,000 from SSC to finance exploration work on the Davao Oriental and Zamboanga-Sibugay Projects. During the same year, TMEC paid SSC ₱20,000,000. At the end of the year, TMEC had outstanding advances from SSC amounting to ₱1,950,000.
- In 2011, TMEC obtained additional unsecured, non-interest bearing, and generally settled in cash and payable on demand amounting to ₱35,101,867 for exploration and general & administrative expenses, and ₱42,500,000 from SSC Corporation to fund equipment acquisition. During the same year, TMEC paid SSC ₱43,550,000. At the end of the year, TMEC had outstanding advances from SSC amounting to ₱36,001,867.
- During the first six months of 2012, TMEC obtained additional unsecured, non-interest bearing, and generally settled in cash and payable on demand amounting to ₱25,365,000 from SSC for exploration and general & administrative expenses. During the period, TMEC paid SSC ₱7,011,132. At the end of the six-month period, TMEC had outstanding advances from SSC amounting to ₱54,355,735.
- SSC and TMEC are related parties under common ownership with certain stockholders of COAL.

Transactions with Pacifico Sul Mineraçao Corporation

- In 2010, TMEC advanced unsecured, non-interest bearing, and generally settled in cash and payable on demand to Pacifico Sul Mineraçao Corporation for its working capital. At the end of 2010, these advances amounted to ₱861,240.
- In 2011, TMEC advanced additional unsecured, non-interest bearing, and generally settled in cash and payable on demand amounting to a net of ₱235,964 to Pacifico Sul Mineraçao Corporation for working capital purposes.
- In 2012, TMEC advanced additional unsecured, non-interest bearing, and generally settled in cash and payable on demand amounting to a net of ₱4,011 to Pacifico Sul Mineraçao Corporation for working capital purposes.
- As of June 30, 2012, the amount advanced to Pacifico Sul Mineraçao Corporation is ₱1,101,215.
- Pacifico Sul Mineraçao Corporation and TMEC are related parties under common ownership with certain stockholders of COAL.

Transactions with Colossal Petroleum Corporation

- In 2011, TMEC advanced unsecured, non-interest bearing, and generally settled in cash and payable on demand amounting to a net of ₱636,179 to Colossal Petroleum Corporation for working capital purposes.
- In 2012, TMEC advanced additional unsecured, non-interest bearing, and generally settled in cash and payable on demand amounting to a net of ₱25,803 to Colossal Petroleum Corporation for working capital purposes.
- As of June 30, 2012, the amount advanced to Colossal Petroleum Corporation is ₱661,982.
- Colossal Petroleum Corporation and TMEC are related parties under common ownership with certain stockholders of COAL.

Transactions with JTKC Equities, Inc.

- TMEC leases office space from, JTKC Equities, Inc., with rental expenses amounting to ₱2,926,688 in 2010, ₱3,610,032 in 2011, and ₱1,805,016 for the six-months ended June 30, 2012.
- The lease agreement shall be effective until March 2013.
- JTKC Equities, Inc. is a related party by virtue of common ownership with the stockholders of COAL.
- Dexter Y. Tiu, a director of both TMEC and COAL and a major stockholder of COAL, and Alexander Y. Tiu, a major stockholder of COAL, are also stockholders of JTKC Equities, Inc.

Transactions with Stockholders

On June 2012, COAL obtained advances from its Stockholders amounting to ₱10,100,510 in connection with the filing fees and related expenses for incorporation. These advances are unsecured, non-interest bearing, and generally settled in cash and payable on demand

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THE PHILIPPINE STOCK MARKET

The information presented in this section has been extracted from publicly available documents that have not been prepared or independently verified by the Company, or any of their respective subsidiaries, affiliates or advisors in connection with listing of the Subject Shares.

Brief History

The Philippines initially had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulating, governed by its respective Board of Governors elected annually by its members.

Several steps initiated by the Government have resulted in the unification of the two bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two exchanges were revoked. While the PSE maintains two trading floors, one in Makati City and the other in Pasig City, these floors are linked by an automated trading system, which integrates all bids, and ask quotations from the bourses.

In June 1998, the Philippine SEC granted the Self-Regulatory Organization status to the PSE, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On August 8, 2001, the PSE completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the Philippine Securities Regulation Code. The PSE has an authorized capital stock of 97.8 million shares, of which 30.7 million shares are subscribed and fully paid-up. Each of the 184 member-brokers was granted 50,000 common shares of the new PSE at a par value of ₱1.00 per share. In addition, a trading right evidenced by a "Trading Participant Certificate" was immediately conferred on each member broker allowing the use of the PSE's trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the President.

On December 15, 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed on the PSE's First Board, Second Board or the Small and Medium Enterprises Board. Each index represents the numerical average of the prices of component stocks.

The PSE has an index, referred to as the PHISIX, which as at the date thereof reflects the price movements of selected stocks listed on the PSE, based on traded prices of stocks from the various sectors. The PSE shifted from full market capitalization to free float market capitalization effective April 3, 2006 simultaneous with the migration to the free float index and the renaming of the PHISIX to PSEi. The PSEi is composed of stocks of 30 selected companies listed on the PSE. With the increasing calls for good corporate governance, the PSE has adopted an online daily disclosure system to improve the transparency of listed companies and to protect the investing public.

The table below sets out movements in the composite index as of the last business day of each calendar year from 1995 to June 2012 and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

Year	Composite Index at Closing	Number of Listed Companies	Aggregate Market Capitalization (in ₱ billions)	Combined Value of Turnover (in ₱ billions)
1995	2,594.2	205	1,545.7	379.0
1996	3,170.6	216	2,121.1	668.8
1997	1,869.2	221	1,251.3	586.2
1998	1,968.8	222	1,373.7	408.7
1999	2,142.9	225	1,936.5	781.0
2000	1,494.5	229	2,576.5	357.7
2001	1,168.1	231	2,141.4	159.6
2002	1,018.4	234	2,083.2	159.7
2003	1,442.4	236	2,973.8	145.4
2004	1,822.8	235	4,766.3	206.6
2005	2,096.0	237	5,948.4	383.5
2006	2,982.5	239	7,173.2,	572.6
2007	3,621.6	244	7,977.6	1,338.3
2008	1,872.9	246	4,069.2	763.9
2009	3,052.7	248	6,029.1	994.2
2010	4,201.1	253	8,866.1	1,207.4
2011	4,372.0	253	8,697.0	1,422.6
June 2012	5,246.4	254	10,051.2	172.5

Source: PSE

Trading

The PSE is a double auction market. Buyers and sellers are each represented by stockbrokers. To trade, bid or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade.

Beginning January 2, 2012, trading on the PSE starts at 9:30 a.m. until 12:00 p.m., when there will be a one and a half hour lunch break. In the afternoon, trading resumes at 1:30 p.m. and ends at 3:30 p., with a 10-minute extension during which transactions may be conducted, provided that they are executed at the last traded price and are only for the purpose of completing unfinished orders. Trading days are Monday to Friday, except legal holidays and days when the BSP clearing house is closed.

Minimum trading lots range from five (5) to 1,000,000 shares depending on the price range and nature of the security traded. Odd-sized lots are traded by brokers on a board specifically designed for odd lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, when the price of a listed security moves up by 50.00% or down by 50.00% in one day (based on the previous closing price or last posted bid price, whichever is higher), the price of that security is automatically frozen by the PSE, unless there is an official statement from the company or a government agency justifying such price fluctuation, in which case the affected security can still be traded but only at the frozen price. If the issuer fails to submit such explanation, a trading halt is imposed by the PSE on the listed security the following day. Resumption of trading shall be allowed only when the disclosure of the company is disseminated, subject again to the trading ban.

Non-Resident Transactions

When the purchase/sale of Philippine shares of stock involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP, within three business days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a Certificate of Registration. Under BSP rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated.

Settlement

The Securities Clearing Corporation of the Philippines ("SCCP") is a wholly owned subsidiary of the PSE, and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on January 17, 2002. It is responsible for:

- Synchronizing the settlement of funds and the transfer of securities through Delivery versus Payment clearing and settlement of transactions of Clearing Members, who are also Trading Participants of the PSE;
- Guaranteeing the settlement of trades in the event of a Trading Participant's default through the implementation of its Fails Management System and administration of the Clearing and trade Guaranty Fund; and
- Performance of Risk Management and Monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a three-day rolling settlement environment, which means that settlement of trades takes place three trading days after transaction date (T+3). The deadline for settlement of trades is 12:00 n.n. of T+3. Securities sold should be in scripless form and lodged under the book-entry system of the PDTC. Each PSE Broker maintains a Cash Settlement Account with one of the two existing Settlement Banks of SCCP, which are Banco de Oro Unibank, Inc. and Rizal Commercial Banking Corporation. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented its Central Clearing and Central Settlement system on May 29, 2006. CCCS employs multilateral netting, whereby the system automatically offsets "buy" and "sell" transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each Clearing Member. All cash debits and credits are also netted into a single net cash position for each Clearing Member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the Central Counterparty to each PSE-eligible trade cleared through it.

Scripless Trading

In 1995, the PDTC (formerly the Philippine Central Depository, Inc.), was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On December 16, 1996, the PDTC was granted a provisional license by the Philippine SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders' meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For

transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks, Rizal Commercial Banking Corporation and Banco de Oro Unibank, Inc.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares of stock in favor of the PCD Nominee Corporation ("PCD Nominee"), a corporation wholly-owned by the PDTC, whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged in the PDTC. "Immobilization" is the process by which the warrant or share certificates of lodging holders are canceled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares in the account of the PCD Nominee through the PDTC participant will be recorded in the issuing corporation's registry. This trust arrangement between the participants and PDTC through the PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the Philippine SEC. No consideration is paid for the transfer of legal title to the PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Under the current PDTC system, only participants (e.g. brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares, through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant's aggregate holdings, in the PDTC system, and with respect to each beneficial owner's holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must course the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP, and into the PDTC system. Once it is determined on the settlement date (T+3) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the SCCP Central Clearing and Central Settlement system, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a shareholder wishes to withdraw his stockholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under the PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of ownership of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are canceled and a confirmation advice is issued in the name of PCD Nominee to confirm new balances of the shares lodged with the PDTC. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of the PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the PCD Nominee's name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agents' books

or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current "de facto" custodianship role.

Amended Rule on Lodgment of Securities

On June 24, 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on July 1, 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the Philippine SEC, without any jumbo or mother certificate in compliance with the requirements of Section 43 of the Philippine Securities Regulation Code. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in the amended rule on Lodgment of Securities of the PSE. Pursuant to the said amendment, the PDTC issued an implementing procedure in support thereof to wit:

- For a new company to be listed at the PSE as of July 1, 2009, the usual procedure will be observed but the transfer agent of the company shall no longer issue a certificate to PCD Nominee but shall issue a Registry Confirmation Advice, which shall be the basis for the PDTC to credit the holdings of the depository participants on listing date.

- On the other hand, for an existing listed company, the PDTC shall wait for the advice of the transfer agent that it is ready to accept surrender of PCD Nominee jumbo certificates and upon such advice, the PDTC shall surrender all PCD Nominee jumbo certificates to the transfer agent for cancellation. The transfer agent shall issue a Registry Confirmation Advice to PDTC evidencing the total number of shares registered in the name of PCD Nominee in the listed company's registry as of confirmation date.

Issuance of Stock Certificates for Certificated Shares

On or after the listing of the shares on the PSE, any beneficial owner of the shares may apply with PDTC through his broker or custodian-participant for a withdrawal from the book-entry system and return to the conventional paper-based settlement. If a shareholder wishes to withdraw his stockholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the uplifting of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are on the account of the uplifting shareholder. Upon the issuance of stock certificates for the shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of the shares into certificated securities will be charged to the person applying for upliftment. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until the relevant stock certificates in the name of the person applying for upliftment shall have been issued by the relevant company's transfer agent.

PHILIPPINE TAXATION

The following is a general description of certain Philippine tax aspects of the investment in the Company. This discussion is based upon laws, regulations, rulings, income tax conventions (treaties), administrative practices, and judicial decisions in effect at the date of this Prospectus. Subsequent legislative, judicial, or administrative changes or interpretations may be retroactive and could affect the tax consequence to the prospective investor.

The tax treatment of a prospective investor may vary depending on such investor's particular situation and certain investors may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to an investor.

This general description does not purport to be a comprehensive description of the Philippine tax aspects of the investment in shares and no information is provided regarding the tax aspects of acquiring, owning, holding, or disposing of the shares under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding, and disposing of the shares in such other jurisdictions.

EACH PROSPECTIVE HOLDER SHOULD CONSULT WITH HIS OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF PURCHASING, OWNING AND DISPOSING OF THE SUBJECT SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL AND NATIONAL TAX LAWS.

As used in this Section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen thereof. A "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen thereof; a non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a non-resident alien engaged in trade or business in the Philippines; otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a non-resident alien not engaged in trade or business in the Philippines. A "domestic corporation" is created or organized under the laws of the Philippines; a "resident foreign corporation" is a non-Philippine corporation engaged in trade or business in the Philippines; and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business in the Philippines.

Tax Incentives on COC Holders under the Development and Production Phase

Pursuant to PD 972 dated July 27, 1976 as amended by PD 1174 dated July 27, 1977, the Philippine Government, through the DOE, provides incentives to coal mining operators to, among others, "develop, achieve, and implement a well-planned, systematic and meaningful exploration, development, exploitation, and production of local coal resources and participation of the private sector" in recognition that coal is a viable energy source for various vital industries.

The current COC system provides the following tax-related incentives to coal mining operators:

- Exemption from payment of all taxes except income tax; and
- Exemption from payment of tariff duties and compensating tax on importation of machinery and equipment and spare parts and materials required for the coal operations subject to the following conditions:
  - that machinery, equipment, spare parts and materials of comparable price and quality are not manufactured in the Philippines;
  - that the same are directly and actually needed and will be used exclusively by the operator in its operations or in operation for it by a contractor;
  - that they are covered by shipping documents in the name of the operator to whom the shipment will be delivered directly by the customs authorities; and
  - that prior approval of the EDB was obtained by the operator before the importation of such machinery, equipment, spare parts and materials, which approval shall not be unreasonably withheld: *Provided, however*, that the operator or its contractor may not sell, transfer, or dispose of the machinery, equipment, spare parts and materials without the prior approval of the EDB and payment of taxes and duties thereon: *Provided, further*, that should the operator or its contractor sell, transfer, or dispose of these machinery, equipment, spare parts or

materials without the prior approval of the EDB, it shall pay twice the amount of the taxes and duties thereon: *Provided, finally*, that the EDB shall allow and approved the sale, transfer or disposition of the said items without tax if made:

- to another operator under a coal operating contract;
- for reasons of technical obsolescence; or
- for purposes of replacement to improve and/or expand the operation under the coal operating contract.

The above-mentioned incentives are applicable to TMEC since it is the holder of COC #159 and COC #166.

Corporate Income Tax

A domestic corporation is subject to an ordinary income tax at the rate of 30.00% (effective January 1, 2009 pursuant to Republic Act No. 9337) on its taxable income (gross income less allowable deductions) from all sources within and outside the Philippines except, among others: (a) gross interest income from Philippine currency bank deposits and yield or any other monetary benefit from deposit substitutes, trust funds, and similar arrangements as well as royalties from sources within the Philippines that are generally taxed at the lower final withholding tax rate of 20.00% of the gross amount of such income; and (b) interest income from a depository bank under the expanded foreign exchange deposit system that is subject to a final tax at the rate of 7.50% of such income.

A minimum corporate income tax of 2.00% of the gross income as of the end of the taxable year is imposed on a domestic corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operations, when the minimum corporate income tax is greater than the ordinary income tax for the taxable year.

Nevertheless, any excess of the minimum corporate income tax over the ordinary corporate income tax shall be carried forward and credited against the latter for the three immediately succeeding taxable years. Further, subject to certain conditions, the minimum corporate income tax may be suspended with respect to a corporation that suffers losses on account of a prolonged labor dispute, *force majeure* or legitimate business reasons.

Tax on Dividends

Cash and property dividends received from a domestic corporation by individual shareholders who are either citizens or residents of the Philippines are subject to tax at the rate of 10.00%. Cash and property dividends received from a domestic corporation by domestic corporations or resident foreign corporations are not subject to tax.

Cash and property dividends received by non-resident alien individuals engaged in trade or business in the Philippines are subject to a 20.00% tax on the gross amount thereof, while cash and property dividends received by non-resident alien individuals not engaged in trade or business in the Philippines are generally subject to tax at the rate of 25.00% of the gross amount subject, however, to the applicable preferential tax rates under tax treaties executed between the Philippines and the country of residence or domicile of such non-resident foreign individuals. A non-resident alien who comes to the Philippines and stays in the country for an aggregate period of more than 180 days during any calendar year will be deemed a non-resident alien engaged in business in the Philippines.

Cash and property dividends received from a domestic corporation by another domestic corporation or by resident foreign corporations are not subject to tax while those received by non-resident foreign corporations (i.e. foreign corporations not engaged in trade or business in the Philippines) are subject to a final withholding tax at the rate of 30.00% (pursuant to Republic Act 9337 effective January 2009). The 30.00% rate for dividends paid to a non-resident foreign corporation may be reduced depending on whether the country of residence of such foreign corporation has an existing tax treaty with the Philippines. A country with a tax treaty may have a reduced preferential tax rate depending on the provisions of the corresponding tax treaties. The 30.00% rate may be reduced to 15.00% if the country in which the non-resident foreign corporation is domiciled: (a) imposes no tax on foreign sourced dividends; or (b) allows a credit against the tax due from the non-resident foreign corporation, for taxes deemed to have been paid in the Philippines equivalent to 15.00%.

Stock dividends distributed pro-rata to any holder of shares of stock are not subject to Philippine income tax. However, the sale, exchange or disposition of shares received as stock dividends by the holder is subject to the capital gains or stock transaction tax.

Any availment of tax treaty relief should be preceded by an application for tax treaty relief filed in accordance with regulations issued by Philippine tax authorities. Thereafter, if regular tax rate is withheld by the paying corporation instead of the reduced rates applicable under a treaty, the nonresident holder of the shares may file a claim for refund from the BIR. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information, and may also involve the filing of a judicial appeal, it may be impractical to pursue such a refund.

Tax Treaties

The table lists some countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

Countries with which the Philippines has Tax Treaties			
	Dividends (%)	**Stock transaction tax on sale or disposition effected through the PSE (%)**[9]	**Capital Gains tax due on disposition of shares outside the PSE (%)**
Canada	25[1]	0.5	Exempt[11]
China	15[2]	Exempt[10]	Exempt[11]
France	15[3]	0.5	Exempt[11]
Germany	15[4]	0.5	5/10[12]
Japan	15[5]	0.5	Exempt[11]
Singapore	25[6]	0.5	Exempt[11]
United Kingdom	25[7]	0.5	Exempt[13]
USA	25[8]	0.5	Exempt[11]

Notes:

1. *15.00% if recipient company controls at least 10.00% of the voting power of the company paying the dividends.*
2. *10.00% if the recipient company holds directly at least 10.00% of the capital of the company paying the dividends*
3. *15.00% if the recipient company holds directly at least 15.00% of the voting shares of the company paying the dividends*
4. *10.00% if the recipient company owns directly at least 25.00% of the capital of the company paying the dividends*
5. *10.00% if the recipient company owns directly at least 25.00% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of six (6) months immediately preceding the date of payment of the dividends*
6. *15.00% if during the part of the paying company's taxable year which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15.00% of the outstanding shares of the voting stock of the paying company were owned by the recipient company.*
7. *15.00% if the recipient company is a company which controls directly or indirectly at least 10.00% if the voting power of the company paying the dividends*

8. *20.00% if during the part of the paying corporation's taxable year which precedes the date of payment of dividends and during the whole year of its prior taxable year at least 10.00% of the outstanding shares of the voting stock of the paying corporation was owned by the recipient corporation*
9. *Exempt if the stock transaction tax is expressly covered by the applicable tax treaty or is deemed by the relevant authorities as an identical or substantially similar tax to the Philippine income tax. In BIR ruling no. ITAD 22-07 dated February 9, 2007, the BIR held that the stock transaction tax cannot be considered as an identical or substantially similar tax on income, and, consequently, ruled that a Singapore resident is not exempt from the stock transaction tax on the sale of its shares in a Philippine corporation through PSE.*
10. *Exempt under Article 2(b) of the RP-China Tax Treaty*
11. *Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.*
12. *Under the RP-Germany Tax Treaty, capital gains from the alienation of shares of a Philippine corporation may be taxed in the Philippines irrespective of the nature of the assets of the Philippine corporation. Tax rates are 5% on the net capital gains realized during the taxable year not in excess of ₱100,000.00 and 10.00% on the net capital gains realized during the taxable year in excess of ₱100,000.00*
13. *Under the RP-UK Tax Treaty, capital gains on the sale of the stock of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.*

Sale, Exchange or Disposition of Common Shares

Taxes on Capital Gains, for a Sale Made Outside the PSE

Net capital gains realized by a resident or non-resident other than a dealer in securities during each taxable year from the sale, exchange, or disposition of shares outside the facilities of the PSE, unless an applicable treaty exempts such gains from tax or provides for preferential rates, are subject to tax as follows: 5.00% on gains not exceeding ₱100,000 and 10.00% on gains over ₱100,000. An application for tax treaty relief must be filed with (and approved) by the Philippine tax authorities in order to obtain an exemption under a tax treaty.

The capital gains tax described above shall apply (unless an applicable treaty exempts such gains from tax or provides for preferential rates) to the secondary sale of the common shares by the holder thereof to another party made outside the facilities of the PSE.

Taxes on Transfer of Shares Listed and Traded through the PSE

A sale or other disposition of shares of stock listed and traded through the facilities of the PSE by a resident or a non-resident holder, other than a dealer in securities, is generally subject to a stock transaction tax at the rate of one-half of one percent (1/2 of 1.00%) of the gross selling price or gross value in money of the shares of stock sold or otherwise disposed, unless an applicable treaty exempts such sale from said tax. This tax is required to be collected by and paid to the Government by the selling stockbroker on behalf of his client. The stock transaction tax is classified as a percentage tax in lieu of a capital gains tax. Under certain tax treaties, the exemptions from capital gains tax discussed herein may not be application to stock transaction tax.

In a letter dated December 28, 2010, the BIR issued a letter to the SEC imposing a range of between 10.00% to 33.00% public ownership levels based on the listed company's market capitalization, using the scale for the minimum levels for an initial public offering. The BIR letter would effectively require listed companies to maintain potentially higher public ownership levels than prescribed by the PSE. In addition, the BIR letter stated that the BIR would "strictly impose the 5.00%/10.00% capital gains tax" for trades in listed companies "who will not maintain their public ownership requirement." This letter was referred to the PSE by the SEC on January 3, 2011.

The PSE subsequently issued a memorandum dated January 20, 2011 in response to the SEC on the BIR's statements. The PSE noted that the Philippine Tax Code imposes a stock transaction tax of ½ of 1.00% of the gross selling price or gross value in money of shares of stock listed and traded

on the PSE, without qualification and that the powers of the Secretary of Finance to promulgate rules and regulations implementing the Philippine Tax Code should be confined to the details for implementing the law as it has been enacted and such powers cannot be extended to amend or expand the statutory requirement of the Philippine Tax Code.

Value Added Tax

In addition, a Value-Added Tax of 12.00% is imposed on the commission earned by the PSE-registered broker, which is generally passed on to the client.

Documentary Stamp Tax

The original issue of shares of stock is subject to documentary stamp (DST) tax of ₱1.00 for each ₱200 par value or a fraction thereof, of the shares of stock issued. The secondary transfer of shares of stock is subject to a documentary stamp tax of ₱0.75 for each ₱200 par value or a fractional part thereof of the shares of stock transferred.

On June 30, 2009, Republic Act 9648 was signed into law and it permanently exempts the sale, barter or exchange of shares of stock listed and traded through the local stock exchange from the payment of documentary stamp tax and was made retroactive to March 20, 2009.

In addition, the borrowing and lending of securities that will be executed under the Securities Borrowing and Lending Program to be implemented by a registered exchange, or which are in accordance with regulations prescribed by the appropriate regulatory authority, will likewise exempt from DST. However, the securities borrowing and lending agreement should be duly covered by a master securities borrowing and lending agreement acceptable to the appropriate regulatory authority, and should be duly registered and approved by the BIR. Otherwise, such agreement will be subject to the DST on debt instruments at the rate of ₱1.00 on each ₱200 or the fractional part thereof of the issue price of such debt instrument.

Estate and Gift Taxes

Shares issued by a corporation organized under Philippine laws are deemed to have a Philippine *situs*, and any transfer thereof by way of donation or succession, even if made by a non-resident decedent or donor outside the Philippines, is subject to Philippine estate and donor's tax.

Subject to certain exceptions, the transfer of shares upon the death of an individual holder to his heirs by way of succession, whether such holder was a citizen of the Philippines or an alien, regardless of residence, will be subject to Philippine taxes at progressive rates ranging from 5.00% to 20.00%, if the net estate is over ₱200,000. On the other hand, individuals, whether or not citizen or residents of the Philippines, who transfer shares by way of gift or donation will be liable to Donor's tax on such transfers at a progressive rates ranging from 2.00% to 15.00% of the net gifts made during the year exceeding ₱100,000. In case of a corporate donor or an individual who donates to a person other than his brother, sister, spouse, ancestors, lineal descendants or relatives by consanguinity within the 4th civil degree, the donor's tax rate will be a flat rate of 30.00%.

Estate and donor's taxes, however, shall not be collected in respect of intangible personal property, such as shares of stock: (a) if the decedent at the time of his death or the donor at the time of the donation was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character, in respect of intangible personal property of citizens of the Philippines not residing in that foreign country; or (b) if the laws of the foreign country of which the decedent or donor was a citizen and resident at the time of his death or donation allows a similar

exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

Taxation outside the Philippines

Shares of stock in a domestic corporation are considered under Philippine law as situated in the Philippines and the gain derived from their sale is entirely from Philippine sources; hence, such gain is generally subject to Philippine income tax and the transfer of such shares by gift (donation), or succession, is generally subject to the donor's or estate taxes as above-stated.

The tax treatment of a non-resident holder of shares of stock in jurisdictions outside the Philippines may vary depending on the tax laws applicable to such holder by reason of domicile or business activities and such holder's particular situation. This Prospectus does not fully discuss the tax consideration on non-resident holders of shares of stock under laws other than those of the Philippines.

EACH PROSPECTIVE HOLDER SHOULD CONSULT WITH HIS/HER OWN TAX ADVISER AS TO THE PARTICULAR TAX CONSEQUENCES TO SUCH HOLDER OF PURCHASING, OWNING, AND DISPOSING OF THE SUBJECT SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF ANY STATE, LOCAL, AND NATIONAL TAX LAWS.

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PHILIPPINE FOREIGN INVESTMENT, EXCHANGE CONTROLS, AND FOREIGN OWNERSHIP

Foreign Investment

Foreign investors are permitted to invest in the securities of a Philippine corporation unless otherwise limited by restrictions on foreign ownership imposed under the Constitution and Philippine statutes, as provided in the Foreign Investment Negative List. Among the principal restricted business activities is the ownership of private land where the Constitution, in relation to Commonwealth Act No. 141, states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least 60.00% of whose capital is owned by such citizens.

The SEC and the Department of Justice have consistently applied the so-called "Control Test" in determining the required Filipino equity in restricted business activities. The Control Test states that shares belonging to corporations or partnerships at least 60.00% of the capital of which is owned by Filipino citizens shall be considered as of Philippine nationality. Thus, although such corporation has foreign shareholdings, it shall be considered as 100.00% Filipino-owned.

However, in December 2010, the SEC issued an opinion concerning Medusa Mining Ltd., where it indicated that the "Grandfather Rule" should be utilized in determining compliance with the allowable limits of foreign equity in an entity that seeks to comply with nationality requirements provided by the 1987 Philippine Constitution. The Grandfather Rule states that, in determining whether an entity is compliant with the limit provided for in the Constitution, the SEC is mandated to look into the citizenship of the individual stockholders (i.e. natural persons) of an investor corporation of an entity engaged in a nationalized or partly nationalized activity. If shares in said investor corporation are in turn held by another investor corporation, the SEC must also inquire into the citizenship of the individual stockholders of said second tier investor corporation and so on and so forth. Thus, under the Grandfather Rule, only the number of shares actually held by the ultimate individual stockholders who are Filipino citizens shall be counted as of Philippine nationality.

Moreover, the Court of Appeals recently promulgated a decision in the case of Redmont Consolidated Mines Corporation v. Narra Nickel Mining and Development Corporation, et al., wherein it pronounced that the Grandfather Rule applies when there is doubt in the 60-40 Filipino-equity ownership in a corporation. When there is none, the control test is applied.

However, in June 2011 the Supreme Court promulgated "Wilson P. Gamboa vs. Finance Secretary Teves et.al", involving the Philippine Long Distance Telephone Company. The issue in said case was whether, in determining compliance with the nationality restriction, one should consider the entire outstanding capital stock of a corporation (i.e., both voting and non-voting shares) or just the voting shares. The Supreme Court held that the term "capital" in Section 11, Article XII of the 1987 Constitution refers only to shares of stock of a corporation entitled to vote for the election of the Directors and not to total outstanding capital stock, which comprises both voting and non-voting shares.

Registration of Foreign Investment and Exchange Controls

Under current BSP regulations, a foreign investment in listed Philippine securities (such as the Company's Common Shares) must be registered with the BSP if the foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits, and earnings that accrue thereon will be sourced from the Philippine banking system. If the foreign exchange required to service capital repatriation or dividend remittance will be sourced outside the Philippine banking system, registration is not required

The application for registration must be filed by a stockbroker/dealer or an underwriter directly with the BSP or with a custodian bank designated by the investor. A custodian bank may be any Authorized Agent Bank or offshore banking unit in the Philippines appointed by the investor to register the investment, hold shares for the investor, and represent the investor in all necessary actions in connection with his investments in the Philippines. Applications for registration must be accompanied by: (a) a purchase invoice, or subscription agreement and/or proof of listing in the PSE, and (b) a credit advice or bank certification showing the amount of foreign currency inwardly remitted and converted to Pesos through a commercial bank; and (c) in certain instances, transfer instructions from the shareholder and/or dealer, as the case may be. Upon submission of the required documents, a Bangko Sentral Registration Document will be issued by the BSP or the investor's custodian bank.

Proceeds of divestments or dividends of registered investments are repatriable or remittable immediately in full through the Philippine commercial banking system, net of applicable tax, without need of BSP approval. Remittance is allowed upon presentation of the Bangko Sentral Registration Document, at the exchange rate applicable on the date of actual remittance. Pending repatriation or reinvestment, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts. Interest earned thereon, net of taxes, and is also remittable in full. Remittance of divestment proceeds of dividends of registered investments may be reinvested in the Philippines if the investments are registered with the BSP or the investor's custodian bank.

The foregoing is subject to the power of the BSP, with the approval of the President of the Philippines, to restrict the availability of foreign exchange during an exchange crisis, when an exchange crisis is imminent or in times of national emergency.

The registration with the BSP of all foreign investments in the Subject Shares shall be the responsibility of the foreign investor.

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ANNEX I

PRO-FORMA CONSOLIDATED FINANCIAL INFORMATION OF COAL ASIA HOLDINGS INCORPORATED AS OF DECEMBER 31, 2011 AND FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND THE YEAR ENDED DECEMBER 31, 2011

Coal Asia Holdings Incorporated and Subsidiary

Pro-forma Consolidated Financial Information
December 31, 2011 and
For the Six Months Ended June 30, 2012 and
For the Year Ended December 31, 2011

With independent auditor's report provided by



REYES TACANDONG & CO.
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REPORT ON REVIEW OF PRO-FORMA CONSOLIDATED FINANCIAL INFORMATION
INDEPENDENT AUDITORS' REPORT

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

We have reviewed the pro-forma adjustments reflecting the transaction described in Note 3 and the application of those adjustments to the historical amounts in the accompanying pro-forma consolidated statement of financial position of Coal Asia Holdings Incorporated and Subsidiary as of December 31, 2011, and the pro-forma consolidated statements of comprehensive income for the six months ended June 30, 2012 and for the year ended December 31, 2011. The historical financial statements are derived from the historical financial statements of Titan Mining and Energy Corporation, which were audited by us. Such pro-forma adjustments are based on management's assumptions described in Note 4. Coal Asia Holdings Incorporated's management is responsible for the pro-forma consolidated financial information.

Our review was conducted in accordance with Philippine Standard on Assurance Engagement 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, and Securities and Exchange Commission Memorandum Circular No. 2, Series of 2008, and accordingly, included such procedures as we considered necessary in the circumstances. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's assumptions, the pro-forma adjustments and the application of those adjustments to historical financial information. Accordingly, we do not express an opinion.

The objective of this pro-forma financial information is to show what the significant effect on the historical financial information might have been had the transaction described in Note 3 occurred at an earlier date. However, the pro-forma consolidated financial information are not necessarily indicative of the results of operations or related effects on the financial position that would have been attained had the above-mentioned transaction actually occurred earlier.

Based on the review, nothing came to our attention to cause us to believe that management's assumptions do not provide a reasonable basis for presenting the significant effects directly attributable to the transaction described in Note 3, that the related pro-forma adjustments do not give appropriate effect to those assumptions, or that the related pro-forma columns do not reflect the proper application of those adjustments to the historical financial statements in the pro-forma consolidated statement of financial position as of December 31, 2011 and the pro-forma consolidated statements of comprehensive income for the six months ended June 30, 2012 and for the year ended December 31, 2011.

REYES TACANDONG & CO.

CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
Tax Identification No. 205-067-976
SEC Accreditation No. 0658-AR-1
Group A; Valid until March 30, 2014
BOA Accreditation No. 4782; Valid until December 31, 2012
BIR Accreditation No. 08-005144-7-2010
Issued November 5, 2010; Valid until November 5, 2013
PTR No. 3174556
Issued January 2, 2012, Makati City

July 10, 2012
Makati City, Metro Manila

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2011

	Titan Mining and Energy Corporation (Note 4)	Pro-forma Adjustments (Note 5)	Pro-forma Consolidated
ASSETS			
Current Assets			
Cash	₱1,353,149	₱–	₱1,353,149
Trade and other receivables	613,996	–	613,996
Coal inventory	1,207,801	–	1,207,801
Advances to affiliates	1,733,383	–	1,733,383
Prepayments and other current assets	102,596	–	102,596
Total Current Assets	5,010,925	–	5,010,925
Noncurrent Assets			
Exploration and evaluation asset	71,695,049	–	71,695,049
Property and equipment	46,425,162	–	46,425,162
Coal reserves	–	3,133,771,458	3,133,771,458
Deferred tax assets	2,324,225	–	2,324,225
Total Noncurrent Assets	120,444,436	3,133,771,458	3,254,215,894
	₱125,455,361	₱3,133,771,458	₱3,259,226,819
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	₱6,741,052	₱16,000,000	₱22,741,052
Advances from an affiliate	36,001,867	10,213,080	46,214,947
Total Current Liabilities	42,742,919	26,213,080	68,955,999
Noncurrent Liability			
Retirement benefit liability	483,900	–	483,900
Equity			
Capital stock	87,500,000	3,112,500,000	3,200,000,000
Deficit	(5,271,458)	(4,941,622)	(10,213,080)
Total Equity	82,228,542	3,107,558,378	3,189,786,920
	₱125,455,361	₱3,133,771,458	₱3,259,226,819

See accompanying notes to pro-forma financial information.

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

PRO-FORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the six months ended June 30, 2012			For the year ended December 31, 2011		
	Titan Mining and Energy Corporation (Note 4)	**Pro-forma Adjustments** (Note 5)	**Pro-forma Consolidated**	Titan Mining and Energy Corporation (Note 4)	Pro-forma Adjustments (Note 5)	Pro-forma Consolidated
SALES	**₱13,408,888**	**₱–**	**₱13,408,888**	₱21,837,655	₱–	₱21,837,655
COST OF SALES	**6,733,874**	**–**	**6,733,874**	12,986,847	–	12,986,847
GROSS PROFIT	**6,675,014**	**–**	**6,675,014**	8,850,808	–	8,850,808
GENERAL AND ADMINISTRATIVE EXPENSES	**(3,759,608)**	**(10,000)**	**(3,769,608)**	(6,158,878)	(112,570)	(6,271,448)
INTEREST INCOME	**1,111**	**–**	**1,111**	2,719	–	2,719
INCOME BEFORE INCOME TAX	**2,916,517**	**(10,000)**	**2,906,517**	2,694,649	(112,570)	2,582,079
INCOME TAX EXPENSE (BENEFIT)						
Current	**133,500**	**–**	**133,500**	–	–	–
Deferred	**741,122**	**–**	**741,122**	(2,324,225)	–	(2,324,225)
	874,622	**–**	**874,622**	(2,324,225)	–	(2,324,225)
NET INCOME	**2,041,895**	**(10,000)**	**2,031,895**	5,018,874	(112,570)	4,906,304
OTHER COMPREHENSIVE INCOME	**–**	**–**	**–**	–	–	–
TOTAL COMPREHENSIVE INCOME	**₱2,041,895**	**(₱10,000)**	**₱2,031,895**	₱5,018,874	(₱112,570)	₱4,906,304
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	**87,500,000**		**3,200,000,000**	69,375,000		3,200,000,000
BASIC EARNINGS PER SHARE	**₱0.023**		**₱0.001**	₱0.072		₱0.002

See accompanying notes to pro-forma financial information.

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY
NOTES TO PRO-FORMA FINANCIAL INFORMATION

1. Pro-forma Financial Information

The shareholders of Coal Asia Holdings Incorporated (the Company or CAHI) and Titan Mining and Energy Corporation (TMEC) consummated a Deed of Assignment as discussed in Note 3. The transaction resulted to the 100% ownership of TMEC by CAHI.

The pro-forma financial information covers the consolidated financial information of CAHI and TMEC, the subsidiary, as at December 31, 2011 and for the six months ended June 30, 2012 and the year ended December 31, 2011.

Pro-forma financial information provides investors with information on the impact of the Deed of Assignment showing how this transaction might have affected the historical financial statements of TMEC if the transaction had been consummated at an earlier time.

2. Corporate Information

CAHI was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on June 11, 2012 as a holding company.

TMEC, a wholly-owned subsidiary of CAHI after the execution of the Deed of Assignment, was incorporated and registered with the SEC on November 11, 2008. TMEC is engaged in the operations of coal mining and energy-related businesses.

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

3. Nature of Transaction

The stockholders of TMEC and CAHI consummated a Deed of Assignment on May 28, 2012. CAHI agreed to sell and issue 3,200,000,000 common shares at a par value of ₱1 in exchange for and in full consideration of the 87,500,000 common shares at a par value of ₱1 of TMEC (the Transaction). As a result of the Transaction, CAHI owns 100% of the outstanding common shares of TMEC.

4. Basis of Preparing the Pro-Forma Financial information

The pro-forma financial information has been prepared in accordance with Paragraph 8 of Part II of the Securities Regulation Code Rule 68, As Amended, and SEC Memorandum Circular No. 2, Series of 2008.

The pro-forma financial information should be read together with the audited financial statements of TMEC as at December 31, 2011 and for the year then ended.

The pro-forma consolidated statement of financial position as at December 31, 2011 is based on the abovementioned historical financial statements of TMEC, adjusted to give effect to the Transaction discussed in Note 3 as if it happened on December 31, 2011.

The pro-forma consolidated statements of comprehensive income for the six months ended June 30, 2012 and the year ended December 31, 2011 are based on the abovementioned historical financial statements, adjusted to give effect to the Transaction discussed in Note 3 as if had happened on January 1, 2011.

The pro-forma adjustments are based upon available information and certain assumptions that the Company believes are reasonable under the circumstances. The pro-forma consolidated statement of comprehensive income does not purport to represent what the consolidated result of operations would actually have been had the Transaction in fact occurred on January 1, 2011 nor does it purport to project the consolidated result of operations of the Company for any future period or date. The pro-forma consolidated statement of financial position also does not purport to represent what the consolidated financial position would actually have been had the Transaction in fact occurred on December 31, 2011.

The pro-forma financial information is not intended to be considered in isolation from, or as a substitute for, financial position or results of operations prepared in accordance with Philippine Financial Reporting Standards.

5. **Pro-Forma Adjustments**

The stockholders of TMEC consummated a Deed of Assignment for the incorporation of the Company. TMEC obtained an independent valuation report to estimate the value of the coal reserves within the province of Davao Oriental and Zamboanga Sibugay, Philippines. The expected net present value of the coal reserves is ₱12.5 billion. The Company issued 3,200,000,000 common shares at a par value of ₱1 in exchange and in full consideration for the 87,500,000 common shares at a par value of ₱1 of TMEC or 100% of the outstanding common shares of TMEC. This was approved by SEC on June 11, 2012.

The Company has a concrete plan for an Initial Public Offering of 800,000,000 primary common shares or 20% of the outstanding common shares within the year. The net proceeds from the IPO will be used for: a) further exploration work for both Davao Oriental and Zamboanga-Sibugay Coal Projects; and b) mine development of Davao Oriental Coal Project.

The Company accounted for the Transaction using the acquisition method in accordance with PFRS 3.

Below are the pro-forma adjustments to the historical financial statements of TMEC to reflect the pro-forma financial information of CAHI as a result of the Transaction:

2011

Pro-forma Statement of Financial Position

	Debit	Credit
Coal reserves	₱3,133,771,458	
Capital stock		₱3,133,771,458
To reflect the capital stock of CAHI.		

Pro-forma Statement of Comprehensive Income

	Debit	Credit
Incorporation expenses	102,570	
Business taxes	10,000	
Advances from stockholders		112,570
To recognize the expenses of CAHI.		

2012

Pro-forma Statement of Comprehensive Income

	Debit	Credit
Business taxes	10,000	
Accrued expenses		10,000
To recognize the expenses of CAHI.		

Nonrecurring expenses

The nonrecurring expenses directly related to the Transaction were not considered in the pro-forma consolidated statement of comprehensive income as shown below:

	Debit	Credit
Registration and filing fee	10,100,510	
Advances from stockholders		10,100,510
To recognize expenses incurred related to the Transaction.		

However, these expenses were adjusted to the consolidated statement of financial position to give effect to the Transaction.

ANNEX II

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF COAL ASIA HOLDINGS INCORPORATED AS OF AND 20-DAY PERIOD ENDED JUNE 30, 2012

Coal Asia Holdings Incorporated and Subsidiary

Consolidated Financial Statements
June 30, 2012

With independent auditor's report provided by



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SEC Accreditation No. 0207-F

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated financial statements of Coal Asia Holdings Incorporated and Subsidiary, which comprise the consolidated statement of financial position as at June 30, 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period June 11, 2012 to June 30, 2012, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Coal Asia Holdings Incorporated and Subsidiary as at June 30, 2012, and its financial performance and its cash flows for the period June 11, 2012 to June 30, 2012 in accordance with Philippine Financial Reporting Standards.

REYES TACANDONG & CO.



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Partner
CPA Certificate No. 86981
Tax Identification No. 205-067-976
SEC Accreditation No. 0658-AR-1
Group A; Valid until March 30, 2014
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PTR No. 3174556
Issued January 2, 2012, Makati City

July 10, 2012
Makati City, Metro Manila

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2012

ASSETS	
Current Assets	
Cash (Notes 7, 18 and 19)	₱1,349,952
Receivables (Notes 18 and 19)	263,787
Coal inventory (Note 8)	533,313
Advances to affiliates (Notes 17, 18 and 19)	1,763,197
Prepayments and other current assets (Note 9)	576,041
Total Current Assets	4,486,290
Noncurrent Assets	
Exploration and evaluation asset (Note 10)	95,953,793
Property and equipment (Note 11)	43,664,638
Coal reserves (Note 5)	3,131,596,101
Deferred tax assets (Note 20)	1,583,103
Total Noncurrent Assets	3,272,797,635
	₱3,277,283,925
LIABILITIES AND EQUITY	
Current Liabilities	
Trade and other payables (Notes 12, 18 and 19)	₱22,342,072
Advances from related parties (Note 17)	64,456,245
Income tax payable	133,500
Total Current Liabilities	86,931,817
Noncurrent Liability	
Retirement benefit liability (Note 16)	698,650
Equity	
Capital stock	3,200,000,000
Deficit	(10,346,542)
Total Equity	3,189,653,458
	₱3,277,283,925

See accompanying notes to consolidated financial statements.

The Parent Company was incorporated on June 11, 2012.

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD JUNE 11, 2012 TO JUNE 30, 2012

SALES	₱571,381
COST OF SALES (Note 13)	287,232
GROSS PROFIT	284,149
GENERAL AND ADMINISTRATIVE EXPENSES (Note 14)	(10,630,814)
INTEREST INCOME	123
NET LOSS	10,346,542
OTHER COMPREHENSIVE INCOME	–
TOTAL COMPREHENSIVE LOSS	₱10,346,542
BASIC LOSS PER SHARE (Note 21)	₱0.0032

See accompanying notes to consolidated financial statements.

The Parent Company was incorporated on June 11, 2012.

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD JUNE 11, 2012 TO JUNE 30, 2012

CAPITAL STOCK - ₱1 par value	
Authorized - 5,000,000,000 shares	
Issued and outstanding - 3,200,000,000 shares	₱3,200,000,000
DEFICIT	
Total comprehensive loss for the period	10,346,542
	₱3,189,653,458

See accompanying notes to consolidated financial statements.

The Parent Company was incorporated on June 11, 2012.

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD JUNE 11, 2012 TO JUNE 30, 2012

	2012
CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss	(₱10,346,542)
Adjustments for:	
Depreciation (Notes 11 and 14)	13,639
Retirement benefit cost (Notes 16)	2,932
Interest income (Note 7)	(123)
Operating loss before working capital changes	(10,330,094)
Decrease (increase) in:	
Receivables	51,233
Coal inventory	287,232
Advances to affiliates	(4,011)
Prepayments and other current assets	(31,000)
Increase in trade and other payables	16,116,400
Net cash generated from operations	6,089,760
Interest received	123
Net cash provided by operating activities	6,089,883
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment in a subsidiary	(16,000,000)
Additions to exploration and evaluation asset	(1,210,411)
Net cash used in investing activities	(17,210,411)
CASH FLOWS FROM A FINANCING ACTIVITY	
Advances from related parties	9,543,080
NET DECREASE IN CASH	(1,577,448)
CASH AT BEGINNING OF PERIOD	2,927,400
CASH AT END OF PERIOD	₱1,349,952

See accompanying notes to consolidated financial statements.

*The Parent Company was incorporated on June 11, 2012.

COAL ASIA HOLDINGS INCORPORATED AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting Entity

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

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

The Parent Company and stockholders of TMEC entered into a Deed of Assignment. The Parent Company issued 3,200,000,000 common shares at a par value of ₱1 in exchange for and in full consideration of the 87,500,000 common shares at a par value of ₱1 of TMEC (see Note 5). As a result of the transaction, CAHI now owns 100% of the outstanding common shares of TMEC.

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

The accompanying consolidated financial statements of the Group as at June 30, 2012 and for the period June 11, 2012 to June 30, 2012 were approved and authorized for issuance by the Board of Directors (BOD) on July 10, 2012.

These consolidated financial statements have been prepared solely for inclusion in the prospectus prepared by the Group for its initial public offering and for no other purpose.

2. Basis of Preparation and Statement of Compliance

The consolidated financial statements have been prepared on the historical cost basis and are presented in Philippine peso, the Group's functional currency. All values represent absolute amounts except when otherwise stated.

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

3. **Summary of Changes in PFRS**

New and Revised PFRS Not Yet Adopted

Relevant new and revised PFRS which are not yet effective for the period ended June 30, 2012 and have not been applied in preparing the consolidated financial statements are summarized below:

Effective for annual periods beginning on or after July 1, 2012:

- PAS 1, *Financial Statement Presentation, Presentation of Items of Other Comprehensive Income* – The amendment changed the presentation of items in Other Comprehensive Income (OCI). Items that could be reclassified to profit or loss at a future point in time would be presented separately from items that will never be reclassified.

Effective for annual periods beginning on or after January 1, 2013:

- *PAS 19, Employee Benefits* (Amendment) – There were numerous changes ranging from the fundamental such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording.

- PAS 27, *Separate Financial Statements* (As Revised in 2011) – As a consequence of the new PFRS 10, *Consolidated Financial Statements* and PFRS 12, *Disclosure of Involvement with Other Entities*, PAS 27 is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.

- *PAS 28, Investments in Associates and Joint Ventures* (As Revised in 2011) – This standard describes the application of the equity method to investments in joint ventures and associates.

- PFRS 10, *Consolidated Financial Statements* – The standard replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and SIC-12, *Consolidation - Special Purpose Entities*. It establishes a single control model that applies to all entities including special purpose entities. This will require management to exercise significant judgment to determine which entities are controlled, and are required to be consolidated by a parent company.

- PFRS 11*, Joint Arrangements* - PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities* – Non-monetary Contributions by Venturers. The standard removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, joint venture entities that meet the definition of a joint venture must be accounted for using the equity method.

- PFRS 12, *Disclosure of Involvement with Other Entities* – The standard includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosure requirements that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

- PFRS 13, *Fair Value Measurement* – The standard establishes a single source of guidance under PFRS for all fair value measurements. It does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted.

Effective for annual periods beginning on or after January 1, 2013:

- IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine – This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset.

Effective for annual periods beginning on or after January 1, 2015:

- PFRS 9, *Financial Instruments: Classification and Measurement* – The standard is the first phase in the replacement of PAS 39 and applies to classification and measurement of financial assets as defined in PAS 39.

Under prevailing circumstances, except for the amendments in PAS 19 and adoption of PFRS 9 and 13, the foregoing new and revised PFRS is not expected to have any material effect on the consolidated financial statements. The Group is currently in the process of assessing the impact of such changes in its consolidated financial statements.

4. Summary of Significant Accounting Policies

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below.

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its wholly-owned subsidiary, TMEC (see Note 1). The financial statement of TMEC is prepared for the same reporting period as the Parent Company, using uniform accounting policies for the like transactions and other events in similar circumstances. All intercompany balances and transactions, including intercompany income and expenses and unrealized gain and losses, are eliminated in full.

A subsidiary is an entity in which the parent company has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. A subsidiary is consolidated from the date on which control is transferred to the parent company and ceases to be consolidated from the date on which control is transferred out of the Parent Company.

Financial Assets and Liabilities

Financial assets and liabilities are accounted for as follows:

a. Recognition

Financial instruments are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provision of the instruments. Financial instruments are initially recognized at fair value. In the case of regular way purchase or sale of financial asset, recognition and derecognition, as applicable, is done using trade date accounting. The initial measurement of the financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction costs.

"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 are 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.

b. Classification

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

As at June 30, 2012, the Group does not have financial assets and liabilities at FVPL, HTM investments and AFS financial assets.

Loans and Receivables. Loans and receivables are financial assets with fixed or determinable payments and fixed maturities and that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial asset at FVPL. Loans and receivables are included in current assets if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent assets.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and any transaction cost which are directly attributable to the discount or premium recognized. The amortization is included in profit or loss.

The Group has classified its cash, receivables and advances to affiliates as loans and receivables.

Other Financial Liabilities at Amortized Cost. Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or through borrowing.

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

The Group has classified its trade and other payables (excluding statutory payables) and advances from related parties as other financial liabilities at amortized cost.

c. Derecognition

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

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

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

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

d. Fair Value

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business as at the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market

transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis or other valuation models.

e. Offsetting

Financial assets and 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 an 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 where the related assets and liabilities are presented gross in the consolidated statement of financial position.

f. Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The carrying value of the impaired account is reduced to the extent that it exceeds the asset's net realizable value. Impairment losses are recognized in full in profit or loss. If in a subsequent period, the amount of accumulated impairment losses has decreased because of an event occurring after impairment was recognized, the decline is allowed to be reversed to profit or loss to the extent that the resulting carrying value will not exceed the amortized cost determined, had no impairment been recognized.

Business Combinations

Business combination is accounted for using the acquisition method in accordance with PFRS 3.

Common control business combinations are accounted for using acquisition method of accounting if the transaction has a commercial substance. Under the acquisition method of accounting, the cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are measured initially at fair values at the date of acquisition, irrespective of the extent of any minority interest.

As part of allocating the cost of the combination, the acquiree's identifiable assets, liabilities and contingent liabilities are measured by the acquirer at their fair values at the acquisition date. If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts the combination using provisional values. Adjustments to these provisional values as a result of completing the initial accounting shall be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date and goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of

the identifiable asset, liability or contingent liability being recognized or adjusted. If the cost of acquisition is less than the fair value of the net assets of the acquiree, the difference is recognized directly in the consolidated statement of comprehensive income.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined using the first-in, first-out method. The net realizable value of inventories is the estimated selling price in the ordinary course of business, less the estimated cost of marketing and distribution. In determining the net realizable value, the Group considers any adjustment necessary for obsolescence.

Prepayments

Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and charged to profit or loss when incurred. Prepayments that are expected to be realized for no more than 12 months after the financial reporting period are classified as other current assets. Otherwise these are classified as other noncurrent assets.

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

Property and Equipment

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

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

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

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

	Number of Years
Drilling equipment	10
Survey equipment	3
Testing equipment	5
Transportation equipment	5
Furniture, fixtures and other equipment	3

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

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

Impairment of Nonfinancial Assets

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

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

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

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

Capital Stock

Capital stock is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital. Incremental costs incurred directly attributable to the issuance of new shares are recognized in equity as deduction from proceeds, net of tax.

Deficit
Deficit represents the cumulative balance of net loss.

Earnings per Share (EPS)
Basic EPS is computed by dividing earnings applicable to common stock by the weighted average number of common shares outstanding after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year.

Segment Reporting
The Group's operating business is organized and managed according to the nature of the activities.

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

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

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

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

Cost of Sales. Cost of sales are recognized as expenses when the related goods are sold and includes expenses directly related to sale of coal such as cost of fuel and lubricants, materials and supplies which are recognized as incurred.

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

Retirement Benefit Costs
Retirement benefit costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Retirement benefit costs include current service cost, interest cost and amortization of actuarial gains and losses.

The retirement benefit liability recognized by the Group is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related retirement benefit liability.

Actuarial gains and losses from retirement benefits costs are recognized as income or expense if the cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of the 10% of the present value of defined benefit obligation or 10% of the fair value of the plan assets. These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Operating Leases

Leases, which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Income Taxes

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

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

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

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

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

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

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

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Transactions between related parties are accounted for at arm's-length prices or on terms similar to those offered to non-related parties in an economically comparable market.

Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

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

Events After the Reporting Date

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

5. Business Combination

The stockholders of TMEC assigned in favor of the Parent Company the 100% ownership in TMEC. The cost of the acquisition is composed of common shares of CAHI amounting to ₱3.2 billion and directly attributable costs amounting to ₱16.0 million.

The provisional fair value of the identifiable assets and liabilities of TMEC at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were:

	Fair Value Recognized on Acquisition	Carrying Amount
Cash	₱2,927,400	₱2,927,400
Receivables	315,020	315,020
Coal inventory	820,545	820,545

(Forward)

	Fair Value Recognized on Acquisition	Carrying Amount
Advances to affiliates	₱1,861,756	₱1,861,756
Prepayments and other current assets	545,041	545,041
Exploration and evaluation asset	94,403,455	94,403,455
Property and equipment	43,997,275	43,997,275
Coal reserves	3,131,596,101	–
Deferred tax assets	1,583,103	1,583,103
	3,278,049,696	146,453,595
Trade and other payables	6,225,672	6,225,672
Advances from related parties	55,015,735	55,015,735
Income tax payable	133,500	133,500
Retirement benefit liability	674,789	674,789
	62,049,696	62,049,696
Net assets acquired	₱3,216,000,000	₱84,403,899

This is considered as non-cash transaction in the consolidated statement of cash flows.

Pro-forma Financial Information

Pro-forma financial information provide investors with information on the impact showing how the transaction above might have affected the historical financial information of TMEC if the transaction had been consummated at an earlier time.

The pro-forma adjustments are based upon available information and certain assumptions that the Group believes are reasonable under the circumstances. The unaudited pro-forma consolidated statement of comprehensive income does not purport to represent what the consolidated result of operations would actually have been had the transaction in fact occurred at an earlier time nor does it purport to project the consolidated result of operations of the Group for any future period or date.

Below is the unaudited pro-forma consolidated statement of comprehensive income for the six months ended June 30, 2012:

Sales	₱13,408,888
Cost of sales	6,733,874
General and administrative expenses	3,769,608
Net income	2,031,895
Basic earnings per share	0.001

6. Significant Accounting Judgments and Estimates

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

The following are the significant judgments and estimates made by the Group.

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

Impairment of Receivables. Allowance is made for specific and groups of accounts where objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances including, but not limited to, the length of the Group's relationship with the customers and known market forces, average age of accounts, collection experience and historical loss experience.

The carrying amount of receivables amounted to ₱263,787 as at June 30, 2012. No impairment loss pertaining to receivables was recognized in 2012.

NRV of Inventories. The Group, in determining the NRV of inventories, considers any adjustments for obsolescence, which is generally 100% allowance on inventories that are damaged or a certain percentage if their selling prices have declined. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in allowance for inventory obsolescence and market decline would increase recorded operating expenses and decrease current assets.

As at June 30, 2012, inventories carried at the lower of costs and NRV amounted to ₱533,313 (see Note 8).

No allowance for inventory obsolescence was recognized in 2012.

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

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

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

- The carrying value of exploration and evaluation asset and property and equipment may be affected due to changes in estimated future cash flows; and

- The recognition and carrying value of deferred tax assets may change due to changes in the judgments regarding the existence of such assets and in estimates of the likely recovery of such assets.

The carrying amount of coal reserve amounted to ₱3,131,596,101 (Note 5).

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

As at June 30, 2012, exploration and evaluation asset amounted to ₱95,953,793 (see Note 10).

Estimating Useful Lives of Property and Equipment. The Group estimates the useful life of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful life 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 life of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Based on management's assessment as at June 30, 2012, there is no change in estimated useful lives of property and equipment during the period. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

As at June 30, 2012, property and equipment, net of accumulated depreciation, amounted to ₱43,664,638 (see Note 11).

Impairment of Nonfinancial Assets. The Group assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

No impairment losses were recognized on nonfinancial assets in 2012.

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

As at June 30, 2012, the Group has deferred tax assets amounting to ₱1,583,103 (see Note 20).

Retirement Benefit Costs. The determination of the obligation and cost of retirement and other long-term employee benefits is dependent on the assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 16 to the consolidated financial statements and include, among others, discount rates, expected rates of return on plan assets and salary increase rates. Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The Group's unrecognized net actuarial losses amounted to ₱98,000 as at June 30, 2012. The retirement benefit liability as at June 30, 2012 amounted to ₱698,650 (see Note 16).

7. Cash

This account consists of:

	June 30, 2012
Cash on hand	₱576,255
Cash in bank	773,697
	₱1,349,952

Cash in bank earns interest at the respective bank deposit rates.

8. Coal Inventory

This account represents unsold coal purchased from small-scale miners within the mine properties. The cost of these inventories amounting to ₱533,313 as at June 30, 2012, is lower than its NRV.

9. Prepayments and Other Current Assets

This account consists of:

	June 30, 2012
Performance bond	₱428,574
Prepayments for:	
Rental	49,500
Insurance	21,273
Others	76,694
	₱576,041

Performance bond represents payments to a surety to guarantee the faithful performance of the Group with all the provisions of the Coal Operating Contracts.

10. Exploration and Evaluation Asset

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

Coal Operating Contract Nos. 159, 166 and 167 provide a certain minimum work expenditure obligations covered by the work program of exploration phase (see Note 22).

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

Movements of this account are as follows:

	June 30, 2012
Cost at beginning of period	₱94,403,455
Additions for the period	1,550,338
Cost at end of period	₱95,953,793

No impairment loss was recognized in 2012.

The Group obtained an independent valuation report to estimate the value of the coal reserves. Discounted cash flow approach was used in the valuation of the coal reserve. The expected net present value of the coal reserve is ₱12.5 billion.

11. Property and Equipment

Movements of this account are as follows:

	June 30, 2012					
	Drilling Equipment	Survey Equipment	Testing Equipment	Transportation Equipment	Office Furniture and Equipment	Total
Cost						
Balances at beginning of period	**₱40,144,500**	**₱891,734**	**₱2,350,344**	**₱5,022,973**	**₱699,458**	**₱49,109,009**
Additions	–	–	–	–	–	–
Balances at end of period	**40,144,500**	**891,734**	**2,350,344**	**5,022,973**	**699,458**	**49,109,009**
Accumulated Depreciation						
Balances at beginning of period	**1,749,380**	**509,925**	**282,911**	**2,098,231**	**471,287**	**5,111,734**
Depreciation	**218,673**	**14,047**	**30,467**	**55,811**	**13,639**	**332,637**
Balances at end of period	**1,968,053**	**523,972**	**313,378**	**2,154,042**	**484,926**	**5,444,371**
Carrying Amount	**₱38,176,447**	**₱367,762**	**₱2,036,966**	**₱2,868,931**	**₱214,532**	**₱43,664,638**

Depreciation expense charged to "Exploration and evaluation asset" account amounted to ₱318,998 in 2012 (see Note 10).

12. Trade and Other Payables

This account consists of:

	June 30, 2012
Accruals for:	
Taxes and licenses	₱16,010,000
Rental (see Note 22)	285,794
Exploration cost and others	38,112
Trade	5,733,112
Withholding taxes payable	225,372
Other statutory payables	49,682
	₱22,342,072

Trade payables are generally settled within 30 days. Other payables are noninterest-bearing and are normally settled throughout the year.

13. Cost of Sales

This account consists of:

	2012
Cost of inventory	₱216,408
Delivery cost	70,824
	₱287,232

The cost of inventory pertains to coal, which were purchased from small-scale miners, sold to third parties.

14. General and Administrative Expenses

This account consists of:

	2012
Registration and filing fee	₱10,121,530
Rental	200,557
Personnel cost (see Note 15)	79,338
Professional fees	63,960
Representation and entertainment	16,546
Depreciation (see Note 11)	13,639
Janitorial services	12,216
Transportation and communication	11,287
Taxes and licenses	18,698
Others	93,043
	₱10,630,814

15. Personnel Costs

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

	2012
Salaries and wages	₱531,988
Employee benefits	15,853
Retirement benefit costs (see Note 16)	20,929
	₱568,770

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

	2012
Salaries and wages	₱72,056
Employee benefits	4,350
Retirement benefit costs (see Note 16)	2,932
	₱79,338

16. Retirement Benefit Liability

The Group has an unfunded defined benefit plan covering all of its regular employees. The benefits are based on years of service and compensation. The plan provides for a lump-sum benefit payment upon retirement which shall not be less than the minimum mandated retirement benefit plan under Republic Act (RA) No. 7641 Retirement Pay Law. The latest actuarial valuation as at December 31, 2011 was prepared by an independent actuary using the projected unit credit method.

The components of retirement benefit costs are as follows:

	2012
Current service cost	₱21,528
Interest cost	1,711
Actuarial loss recognized	622
	₱23,861

Retirement benefit costs amounting to ₱20,929 were capitalized to "Exploration and evaluation asset" account in 2012 (see Note 15).

Changes in the present value of benefit obligation (PVBO) are as follows:

	June 30, 2012
Balance at beginning of period	773,411
Current service cost	21,528
Interest cost	1,711
Balance at end of period	₱796,650

The amounts recognized in the consolidated statement of financial position as at June 30, 2012 are as follows:

	June 30, 2012
PVBO	₱796,650
Unrecognized net actuarial loss	(98,000)
Retirement benefit liability	₱698,650

Movements in the retirement benefit liability are as follows:

	June 30, 2012
Balance at beginning of period	₱674,789
Retirement benefit costs	23,861
Balance at end of period	₱698,650

Actuarial gains (losses) in excess of corridor are amortized over the average expected future service years.

	2012
Net cumulative unrecognized actuarial loss at beginning of period	₱98,622
Actuarial loss recognized	(622)
Net cumulative unrecognized actuarial loss at end of period	₱98,000

The assumptions used to determine the retirement benefits for the period ended June 30, 2012 are as follows:

	2012
Discount rate	5.25%
Salary increase rate	8.00%

The amounts for the current period of the PVBO and any experience adjustments are as follows:

	2012
PVBO	₱796,650
Experience adjustments	–

17. Related Party Transactions

The significant transactions of the Group, in the normal course of business, with its related parties are described below.

The Group has transactions with related parties for working capital purposes. These are unsecured, noninterest-bearing and generally settled in cash and payable on demand.

The outstanding balances from related parties arising from such transactions are as follows:

	2012
Advances to affiliates:	
Pacifico Sul Mineracao Corporation (PSMC)	₱1,101,215
Colossal Petroleum Corporation (CPC)	661,982
	₱1,763,197
Advances from related parties:	
Stronghold Steel Corporation (SSC)	₱54,355,735
Stockholders	10,100,510
	₱64,456,245

The Group, PSMC, CPC and SSC are under common ownership.

Lease Agreement
The Group entered into a lease agreement with its affiliate, JTKC Equities, Inc. Rental expense amounted to ₱200,557 for the period.

Key Management Personnel Compensation
No short-term or other benefits were paid to key management employees of the Group in 2012.

18. Financial Assets and Liabilities

The Group's financial instruments consist mainly of financial assets and financial liabilities directly related to operations, specifically cash, advances to affiliates, trade receivables, trade and other payables (excluding statutory payables) and advances from related parties.

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

Financial Risk Management Objectives and Policies

Price Risk. The price that the Group can charge for its coal is directly and indirectly related to the market price of coal. Prices are also affected by changes in the supply of coal and may be affected by the price of alternative fuel supplies, availability of shipping vessels as well as shipping costs.

There can be no assurance that coal prices will be sustained or that domestic and international competitors will not seek to replace the Group in its relationship with its key customers by offering higher quality, better prices or larger guaranteed supply volumes, any of which would have a materially adverse effect on the Group's profits.

All coal sales of the Group are sold for consumption in the Philippines.

The following table shows the effect on income before income tax should the change in the prices of coal occur based on the inventory of the Group as of December 31, 2012 with all other variables held constant. The change in coal prices is based on 1-year historical price movements.

Based on Ending Coal Inventory	Effect on Income before Income Tax 2012
Change in coal price:	
Increase by 10%	₱130,515
Decrease by 10%	(130,515)

Credit Risk. The Group's exposure to credit risk arises from the failure on the part of its counterparty in fulfilling its financial commitments to the Group under the prevailing contractual terms. Financial instruments that potentially subject the Group to credit risk consist primarily of cash, trade receivables and advances to affiliates. The Group's maximum exposure is equal to the carrying amount of these instruments. These present minimal credit risk based on management's assessment and are considered high grade accounts. High grade accounts consist of receivables from debtors with good financial condition and with relatively low defaults.

The Group has neither past due nor impaired receivables from any counterparties as at June 30, 2012.

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 present the maturity profile of the financial liabilities of the Group based on remaining contractual obligations as at June 30, 2012:

	June 30, 2012				
	On Demand	**1 to 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
Trade and other payables*	**₱6,057,018**	**₱–**	**₱–**	**₱–**	**₱6,057,018**
Advances from related parties	**64,456,245**	**–**	**–**	**–**	**64,456,245**
	₱70,513,263	**₱–**	**₱–**	**₱–**	**₱70,513,263**

**excluding statutory payables amounting to ₱16,285,054.*

Capital Management

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

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

In determining reasonable leverage, the Group evaluates its cost of capital and manages its level of debt to maintain an optional cost of capital based in current conditions.

The Group is not subject to externally-imposed capital requirements.

19. Fair Value Measurement of Financial Instruments

Set out below is a comparison of carrying amounts and fair values of financial assets and liabilities as at June 30, 2012:

	2012	
	Carrying Value	Fair Value
Financial assets:		
Cash	₱1,349,952	₱1,349,952
Trade receivables	263,787	263,787
Advances to affiliates	1,763,197	1,763,197
	₱3,376,936	₱3,376,936
Financial liabilities:		
Trade and other payables*	₱6,057,018	₱6,057,018
Advances from related parties	64,456,245	64,456,245
	₱70,513,263	₱70,513,263

**excluding statutory payables amounting to ₱16,285,054 as at June 30, 2012.*

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

Current Financial Assets and Liabilities. The carrying amounts of cash, trade receivables, advances to affiliates, trade and other payables and advances from related parties approximate their fair values due to the short-term nature of these financial instruments.

20. Income Taxes

The Group is entitled to the following incentives under the Coal Operating Contracts (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.

There is no current provision for income tax due to the Group's taxable loss position.

As at June 30, 2012, the Group's recognized deferred tax assets shown in the consolidated statement of financial position consists of the following:

NOLCO	₱1,423,843
Excess of MCIT over RCIT	133,500
Retirement benefit cost	25,760
	₱1,583,103

Based on available evidence, specifically the Group's positive financial forecasts, management has assessed that the deferred tax assets are realizable.

The details of the Subsidiary's NOLCO and their respective availment periods are presented below:

Year Incurred	Amount	Applied	Unexpired	Valid Until
2010	₱4,671,538	₱–	₱4,671,538	2015
2009	5,560,633	5,368,180	192,453	2014
2008	198,081	198,081	–	2013
	₱10,430,252	₱5,566,261	₱4,863,991	

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 10 years of operation as a deduction from taxable income for the next 5 years immediately following the year of loss.

21. Basic Earnings Per Share

The following table presents information necessary to calculate loss per share:

	2012
Net loss	₱10,346,542
Divided by weighted average number of common shares outstanding	3,200,000,000
Basic loss per share	₱0.0032

22. Commitments

The Group has the following contractual commitments:

Lease Agreement

The Group has a lease agreement with its affiliate, JTKC Equities, Inc., which commenced in 2010 and was renewed in 2011 valid until July 31, 2013 renewable upon mutual consent of both parties. Rental expense amounted to ₱200,557 for the period (see Note 14).

Future minimum lease payments under non-cancellable operating lease as at June 30, 2012 are payable as follows:

	2012
Within one year	₱3,610,032
After one year but not more than five years	300,836
	₱3,910,868

Coal Operating Contracts with DOE

The Government, through the Department of Energy (DOE), awarded 5 Coal Operating Contracts (COC) to the Group. The exploration phase under the COCs is for 2 years and can be extended for another 2 years upon the approval of the DOE. The development and production phase

commences when DOE and the Group agrees on the existence of Coal Reserves in Commercial Quantity subject to the terms and conditions in the COC.

COC Nos. 159, 166 and 167 were extended for another 2 years in 2011 with the approval of DOE while COC Nos. 158 and 168 were given up by the Group. Management believes that no obligation will arise from COC Nos. 158 and 168 that were given up.

COC No. 159 covers 7,000 hectares in Davao Oriental while COC Nos. 166 and 167 which are located Zamboanga Sibugay covers 4,000 hectares and 2,000 hectares, respectively. Activities done throughout the year includes geological mapping, subsurface investigation, drilling and geodetic survey. The Group is obliged to spend not less than ₱195,500,000 for the direct implementation of the Work Program of the exploration phase of these COCs.

The DOE is paid, as share of the Government, the balance of the TMEC's gross income after deducting all operating expenses and the Group'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. The Group is 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. The DOE's share under the COCs amounted to ₱20,540 in 2012.

23. **Operating Segments**

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

ANNEX III

FINANCIAL STATEMENTS OF TITAN MINING AND ENERGY CORPORATION
AS OF JUNE 30, 2012 AND DECEMBER 31, 2011
AND FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011

Titan Mining and Energy Corporation

(A Wholly-owned Subsidiary of Coal Asia Holdings Incorporated)

Financial Statements
June 30, 2012 and December 31, 2011 and
for the Six Months Ended June 30, 2012 and 2011

With independent auditor's report provided by



REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Titan Mining and Energy Corporation
3rd Floor JTKC Center
2155 Chino Roces Ave., Makati City

We have audited the accompanying financial statements of Titan Mining and Energy Corporation, which comprise the statements of financial position as at June 30, 2012 and December 31, 2011, and statements of comprehensive income, statements of changes in equity and statements of cash flows for the six months ended June 30, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Titan Mining and Energy Corporation as at June 30, 2012 and December 31, 2011, and its financial performance and its cash flows for the six months ended June 30, 2012 and 2011 in accordance with Philippine Financial Reporting Standards.

REYES TACANDONG & CO.



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BOA Accreditation No. 4782; Valid until December 31, 2012
BIR Accreditation No. 08-005144-7-2010
Issued November 5, 2010; Valid until November 5, 2013
PTR No. 3174556
Issued January 2, 2012, Makati City

July 10, 2012
Makati City, Metro Manila

TITAN MINING AND ENERGY CORPORATION
(A Wholly-owned Subsidiary of Coal Asia Holdings Incorporated)

STATEMENTS OF FINANCIAL POSITION

	June 30, 2012	December 31, 2011
ASSETS		
Current Assets		
Cash (Notes 6, 19 and 20)	**₱1,349,952**	₱1,353,149
Trade and other receivables (Notes 7, 19 and 20)	**263,787**	613,996
Coal inventory (Note 8)	**533,313**	1,207,801
Advances to affiliates (Notes 18, 19 and 20)	**1,865,767**	1,733,383
Prepayments and other current assets (Note 9)	**576,041**	102,596
Total Current Assets	**4,588,860**	5,010,925
Noncurrent Assets		
Exploration and evaluation asset (Note 10)	**95,953,793**	71,695,049
Property and equipment (Note 11)	**43,664,638**	46,425,162
Deferred tax assets (Note 21)	**1,583,103**	2,324,225
Total Noncurrent Assets	**141,201,534**	120,444,436
	₱145,790,394	₱125,455,361
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 12, 19 and 20)	**₱6,332,072**	₱6,741,052
Advances from an affiliate (Notes 18, 19 and 20)	**54,355,735**	36,001,867
Income tax payable (Note 21)	**133,500**	–
Total Current Liabilities	**60,821,307**	42,742,919
Noncurrent Liability		
Retirement benefit liability (Note 17)	**698,650**	483,900
Equity		
Capital stock (Note 13)	**87,500,000**	87,500,000
Deficit	**(3,229,563)**	(5,271,458)
Total Equity	**84,270,437**	82,228,542
	₱145,790,394	₱125,455,361

See accompanying Notes to Financial Statements.

TITAN MINING AND ENERGY CORPORATION
(A Wholly-owned Subsidiary of Coal Asia Holdings Incorporated)

STATEMENTS OF COMPREHENSIVE INCOME

	Six Months Ended June 30	
	2012	2011
SALES	**₱13,408,888**	₱2,623,400
COST OF SALES (Note 14)	**6,733,874**	1,461,969
GROSS PROFIT	**6,675,014**	1,161,431
GENERAL AND ADMINISTRATIVE EXPENSES (Note 15)	**(3,759,608)**	(3,112,193)
INTEREST INCOME (Note 6)	**1,111**	1,604
INCOME (LOSS) BEFORE INCOME TAX	**2,916,517**	(1,949,158)
INCOME TAX EXPENSE (BENEFIT) (Note 21)		
Current	**133,500**	–
Deferred	**741,122**	(3,139,360)
	874,622	(3,139,360)
NET INCOME	**2,041,895**	1,190,202
OTHER COMPREHENSIVE INCOME	**–**	–
TOTAL COMPREHENSIVE INCOME	**₱2,041,895**	₱1,190,202

See accompanying Notes to Financial Statements.

TITAN MINING AND ENERGY CORPORATION
(A Wholly-owned Subsidiary of Coal Asia Holdings Incorporated)

STATEMENTS OF CHANGES IN EQUITY

	Six Months Ended June 30	
	2012	2011
CAPITAL STOCK (Note 13)	**₱87,500,000**	₱51,250,000
DEFICIT		
Balance at beginning of period	**(5,271,458)**	(10,290,332)
Total comprehensive income for the period	**2,041,895**	1,190,202
Balance at end of period	**(3,229,563)**	(9,100,130)
TOTAL EQUITY	**₱84,270,437**	₱42,149,870

See accompanying Notes to Financial Statements.

TITAN MINING AND ENERGY CORPORATION

(A Wholly-owned Subsidiary of Coal Asia Holdings Incorporated)

STATEMENTS OF CASH FLOWS

	Six Months Ended June 30	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**₱2,916,517**	(₱1,949,158)
Adjustments for:		
Depreciation (Note 15)	**122,754**	98,644
Retirement benefit costs (Notes 16 and 17)	**26,393**	25,189
Interest income (Note 6)	**(1,111)**	(1,604)
Operating income (loss) before working capital changes	**3,064,553**	(1,826,929)
Decrease (increase) in:		
Trade and other receivables	**350,209**	647,019
Coal inventory	**674,488**	897,183
Advances to affiliates	**(132,384)**	(296,713)
Prepayments and other current assets	**(473,445)**	904,734
Increase (decrease) in trade and other payables	**(408,980)**	184,630
Net cash from operating activities	**3,074,441**	509,924
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment (Note 11)	**(233,207)**	(186,170)
Additions to exploration and evaluation asset (Note 10)	**(21,199,410)**	(14,804,749)
Interest received	**1,111**	1,604
Net cash used in investing activities	**(21,431,506)**	(14,989,315)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in advances from an affiliate	**18,353,868**	14,640,092
NET INCREASE (DECREASE) IN CASH	**(3,197)**	160,701
CASH AT BEGINNING OF PERIOD	**1,353,149**	1,682,164
CASH AT END OF PERIOD	**₱1,349,952**	₱1,842,865

See accompanying Notes to Financial Statements.

TITAN MINING AND ENERGY CORPORATION
(A Wholly-owned Subsidiary of Coal Asia Holdings Incorporated)

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Titan Mining and Energy Corporation (the Company) (formerly Titan Exploration and Development Corporation), a wholly-owned subsidiary of Coal Asia Holdings Incorporated (CAHI), was incorporated and registered with the Philippines Securities and Exchange Commission (SEC) on November 11, 2008. The Company is engaged in the operations of coal mining and energy related businesses.

The stockholders of the Company and CAHI entered into a Deed of Assignment on May 28, 2012. CAHI issued 3,200,000,000 common shares at a par value of ₱1 in exchange for 87,500,000 common shares at a par value of ₱1 of the Company. As a result of this transaction, CAHI now owns 100% of the outstanding common shares of the Company.

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

The financial statements were approved and authorized for issuance by the Board of Directors (BOD) on July 10, 2012.

2. Basis of Preparation and Statement of Compliance

The accompanying financial statements have been prepared under the historical cost basis and presented in Philippine peso, the Company's functional currency. All values are stated in absolute amounts unless otherwise indicated.

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

The Company is a subsidiary of a parent company reporting under PFRS and therefore availed of the exemption on the mandatory adoption of PFRS for Small and Medium-sized Entities (SMEs).

These financial statements have been prepared solely for inclusion in the prospectus prepared by CAHI for its initial public offering and for no other purpose.

3. **Summary of Changes in PFRS**

Adoption of New and Revised PFRS

The Company adopted new and revised PFRS effective January 1, 2012. These are summarized below.

- PAS 12, *Income Taxes, Recovery of Underlying Assets* – The amendment clarified the determination of deferred tax on investment property measured at fair value under PAS 40, *Investment Property*. The deferred tax should be determined considering that the carrying value of the investment property will be recovered through a sale transaction. Moreover, the deferred tax on non-depreciable assets that are measured using the revaluation model under PAS 16, *Property, Plant and Equipment,* should always be measured on the sale value of the asset.

- PFRS 7, *Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements – A*dditional disclosure on financial assets that have been transferred but not derecognised and the continuing involvement in the derecognised assets is required to enable the user of the financial statements to evaluate related risks.

- PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets* – The amendment will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

- PFRS 7, *Financial Instruments Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments) – The amendment requires entities to disclose information that will enable users to evaluate the effect or potential effect of netting arrangements on an entity's financial position. The new disclosure is required for all recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

These new and revised PFRS have no significant impact on the amounts and disclosures in the financial statements of the Company.

New and Revised PFRS Not Yet Adopted

Relevant new and revised PFRS which are not yet effective for the period ended June 30, 2012 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after July 1, 2012:

- PAS 1, *Financial Statement Presentation, Presentation of Items of Other Comprehensive Income* – The amendment changed the presentation of items in Other Comprehensive Income (OCI). Items that could be reclassified to profit or loss at a future point in time would be presented separately from items that will never be reclassified.

Effective for annual periods beginning on or after January 1, 2013:

- PAS 19, *Employee Benefits* (Amendment) – There were numerous changes ranging from the fundamental such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording.

- PAS 27, *Separate Financial Statements* (As Revised in 2011) – As a consequence of the new PFRS 10, *Consolidated Financial Statements* and PFRS 12, *Disclosure of Investment with Other Entities*, PAS 27 is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.

- PAS 28, *Investments in Associates and Joint Ventures* (As Revised in 2011) – This standard describes the application of the equity method to investments in joint ventures and associates.

- PFRS 10, *Consolidated Financial Statements* – The standard replaces the portion of PAS 27, that addresses the accounting for consolidated financial statements and SIC-12, *Consolidation - Special Purpose Entities*. It establishes a single control model that applies to all entities including special purpose entities. This will require management to exercise significant judgment to determine which entities are controlled, and are required to be consolidated by a parent company.

- PFRS 11*, Joint Arrangements* – PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. The standard removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

- PFRS 12 – The standard includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosure requirements that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

- PFRS 13, *Fair Value Measurement* – The standard establishes a single source of guidance under PFRS for all fair value measurements. It does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted.

Effective for annual periods beginning on or after January 1, 2013:

- IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* – This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset.

Effective for annual periods beginning on or after January 1, 2015:

- PFRS 9, *Financial Instruments: Classification and Measurement* – The standard is the first phase in the replacement of PAS 39, *Financial Instruments: Recognition and Measurement*, and applies to classification and measurement of financial assets as defined in PAS 39.

Under prevailing circumstances, except for PAS 19, PFRS 9 and 13, the foregoing new and revised PFRS is not expected to have any material effect on the financial statements. The Company is currently in the process of assessing the impact of such changes in its financial statements.

4. Summary of Significant Accounting Policies

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Financial Assets and Liabilities

Financial assets and liabilities are accounted for as follows:

a. Recognition

Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provision of the instruments. Financial instruments are initially recognized at fair value. In the case of regular way purchase or sale of financial asset, recognition and derecognition, as applicable, is done using trade date accounting. The initial measurement of the financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction costs.

"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 Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there are no observable data on inception, the Company 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 Company determines the appropriate method of recognizing the "Day 1" difference.

b. Classification

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

As at June 30, 2012 and December 31, 2011, the Company does not have financial assets and liabilities at FVPL, HTM investments and AFS financial assets.

Loans and Receivables. Loans and receivables are financial assets with fixed or determinable payments and fixed maturities and that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial asset at FVPL. Loans and receivables are included in current assets if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent assets.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and any transaction cost which are directly attributable to the discount or premium recognized. The amortization is included in profit or loss.

The Company has classified its cash, trade receivables and advances to affiliates as loans and receivables.

Other Financial Liabilities at Amortized Cost. Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or through borrowing.

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

The Company has classified its trade and other payables (excluding statutory payables) and advances from an affiliate as other financial liabilities at amortized cost.

c. Derecognition

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

- the right to receive cash flows from the asset have expired; or

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

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

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

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

d. Fair Value

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business as at the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis or other valuation models.

e. Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an 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 where the related assets and liabilities are presented gross in the statement of financial position.

f. Impairment of Financial Assets

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The carrying value of the impaired account is reduced to the extent that it exceeds the asset's net realizable value. Impairment losses are recognized in full in profit or loss. If in a subsequent period, the amount of accumulated impairment losses has decreased because of an event occurring after impairment was recognized, the decline is allowed to be reversed to profit or loss to the extent that the resulting carrying value will not exceed the amortized cost determined, had no impairment been recognized.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined using the first-in, first-out method. The net realizable value of inventories is the estimated selling price in the ordinary course of business, less the estimated cost of marketing and distribution. In determining the net realizable value, the Company considers any adjustment necessary for obsolescence.

Prepayments

Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and charged to profit or loss when incurred. Prepayments that are expected to be realized for no more than 12 months after the financial reporting period are classified as other current assets. Otherwise these are classified as other noncurrent assets.

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

Property and Equipment

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

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

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

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

	Number of Years
Drilling equipment	10
Survey equipment	3
Testing equipment	5
Transportation equipment	5
Furniture, fixtures and other equipment	3

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

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

Impairment of Nonfinancial Assets

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

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

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

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

Capital Stock

Capital stock is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital. Incremental costs incurred directly attributable to the issuance of new shares are recognized in equity as deduction from proceeds, net of tax.

Deficit
Deficit represents the cumulative balance of net income or loss, net of any dividend declaration.

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

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

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

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

Cost of Sales. Cost of sales are recognized as expenses when the related goods are sold and includes expenses directly related to sale of coal such as cost of fuel and lubricants, materials and supplies which are recognized as incurred.

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

Retirement Benefit Costs
Retirement benefit costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Retirement benefit costs include current service cost, interest cost and amortization of actuarial gains and losses.

The retirement benefit liability recognized by the Company is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related retirement benefit liability.

Actuarial gains and losses from retirement benefits costs are recognized as income or expense if the cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of the 10% of the present value of defined benefit obligation. These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Operating Leases

Leases, which do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized in the statement of comprehensive income on a straight-line basis over the lease term.

Income Taxes

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

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

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

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

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

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

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

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Transactions between related parties are accounted for at arm's-length prices or on terms similar to those offered to non-related parties in an economically comparable market.

Provisions and Contingencies
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to the 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 Company's financial position at the end of reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

5. Significant Accounting Judgments and Estimates

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

The following are the significant judgments and estimates made by the Company.

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

Impairment of Trade and Other Receivables. Allowance is made for specific and groups of accounts where objective evidence of impairment exists. The Company evaluates these accounts based on available facts and circumstances including, but not limited to, the length of the Company's relationship with the customers and known market forces, average age of accounts, collection experience and historical loss experience.

The carrying amount of trade and other receivables amounted to ₱263,787 and ₱613,996 as at June 30, 2012 and December 31, 2011, respectively (see Note 7). No impairment loss pertaining to trade and other receivables was recognized in 2012 and 2011.

NRV of Inventories. The Company, in determining the NRV of inventories, considers any adjustments for obsolescence, which is generally 100% allowance on inventories that are damaged or a certain percentage if their selling prices have declined. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in allowance for inventory obsolescence and market decline would increase recorded operating expenses and decrease current assets.

As at June 30, 2012 and December 31, 2011, inventory carried at the lower of cost and NRV amounted to ₱533,313 and ₱1,207,801, respectively (see Note 8).

No allowance for inventory obsolescence was recognized in 2012 and 2011.

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

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

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

- The carrying value of exploration and evaluation asset and property and equipment may be affected due to changes in estimated future cash flows; and

- The recognition and carrying value of deferred tax assets may change due to changes in the judgments regarding the existence of such assets and in estimates of the likely recovery of such assets.

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

As at June 30, 2012 and December 31, 2011, exploration and evaluation asset amounted to ₱95,953,793 and ₱71,695,049, respectively (see Note 10).

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

Based on management's assessment as at June 30, 2012 and December 31, 2011, there is no change in estimated useful lives of property and equipment during the year. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

As at June 30, 2012 and December 31, 2011, property and equipment, net of accumulated depreciation, amounted to ₱43,664,638 and ₱46,425,162, respectively (see Note 11).

Impairment of Nonfinancial Assets. The Company assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

No impairment losses were recognized on nonfinancial assets in 2012 and 2011.

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

As at June 30, 2012 and December 31, 2011, the Company has deferred tax assets amounting to ₱1,583,103 and ₱2,324,225, respectively (see Note 21).

Retirement Benefit Costs. The determination of the obligation and cost of retirement and other long-term employee benefits is dependent on the assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 17 to the financial statements and include, among others, discount rates, expected rates of return on plan assets and salary increase rates. Actual results that differ from the Company's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The Company's unrecognized net actuarial losses amounted to ₱98,000 and ₱103,600 as at June 30, 2012 and December 31, 2011, respectively. The retirement benefit liability as at June 30, 2012 and December 31, 2011 amounted to ₱698,650 and ₱483,900, respectively (see Note 17).

6. Cash

This account consists of:

	June 30, 2012	December 31, 2011
Cash on hand	**₱576,255**	₱675,229
Cash in bank	**773,697**	677,920
	₱1,349,952	₱1,353,149

Cash in bank earns interest at the prevailing bank deposit rates. Interest income from the bank account amounted to ₱1,111 and ₱1,604 in 2012 and 2011, respectively.

7. Trade and Other Receivables

This account consists of:

	June 30, 2012	December 31, 2011
Trade receivables	**₱–**	₱147,250
Advances to employees	**263,787**	466,746
	₱263,787	₱613,996

Trade receivables are generally within 30-day credit term. Advances are normally settled within one (1) year.

8. Coal Inventory

This account represents unsold coal purchased from small-scale miners within the mine properties. The cost of these inventories amounting to ₱533,313 and ₱1,207,801 as at June 30, 2012 and December 31, 2011, respectively, are lower than its NRV.

9. Prepayments and Other Current Assets

This account consists of:

	June 30, 2012	December 31, 2011
Performance bond	**₱428,574**	₱–
Prepayments for:		
Rental	**49,500**	25,500
Insurance	**21,273**	26,062
Salaries	**–**	17,500
Others	**76,694**	33,534
	₱576,041	₱102,596

Performance bond represents payments to a surety to guarantee the faithful performance of the Company with all the provisions of the Coal Operating Contracts.

10. Exploration and Evaluation Asset

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

Coal Operating Contract Nos. 159, 166 and 167 provide a certain minimum work expenditure obligations covered by the work program of exploration phase (see Note 22).

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

Movements of this account are as follows:

	June 30, 2012	December 31, 2011
Cost at beginning of period	**₱71,695,049**	₱34,080,775
Additions	**24,258,744**	37,614,274
Cost at end of period	**₱95,953,793**	₱71,695,049

No impairment loss was recognized in 2012 and 2011.

The Company obtained an independent valuation report to estimate the value of the coal reserves. Discounted cash flow approach was used in the valuation of the coal reserve. The expected net present value of the coal reserve is ₱12.5 billion.

11. Property and Equipment

Movements of this account are as follows:

	June 30, 2012					
	Drilling Equipment	**Survey Equipment**	**Testing Equipment**	**Transportation Equipment**	**Office Furniture and Equipment**	**Total**
Cost						
Balances at beginning of period	**₱40,144,500**	**₱663,377**	**₱2,350,344**	**₱5,022,973**	**₱694,608**	**₱48,875,802**
Additions	**–**	**228,357**	**–**	**–**	**4,850**	**233,207**
Balances at end of period	**40,144,500**	**891,734**	**2,350,344**	**5,022,973**	**699,458**	**49,109,009**
Accumulated Depreciation						
Balances at beginning of period	**–**	**397,551**	**39,172**	**1,651,745**	**362,172**	**2,450,640**
Depreciation	**1,968,053**	**126,421**	**274,206**	**502,297**	**122,754**	**2,993,731**
Balances at end of period	**1,968,053**	**523,972**	**313,378**	**2,154,042**	**484,926**	**5,444,371**
Carrying Amount	**₱38,176,447**	**₱367,762**	**₱2,036,966**	**₱2,868,931**	**₱214,532**	**₱43,664,638**

	December 31, 2011					
	Drilling Equipment	Survey Equipment	Testing Equipment	Transportation Equipment	Office Furniture and Equipment	Total
Cost						
Balances at beginning of year	₱–	₱663,377	₱–	₱5,022,973	₱508,438	₱6,194,788
Additions	40,144,500	–	2,350,344	–	186,170	42,681,014
Balances at end of year	40,144,500	663,377	2,350,344	5,022,973	694,608	48,875,802
Accumulated Depreciation						
Balances at beginning of year	–	176,426	–	647,150	144,149	967,725
Depreciation	–	221,125	39,172	1,004,595	218,023	1,482,915
Balances at end of year	–	397,551	39,172	1,651,745	362,172	2,450,640
Carrying Amount	₱40,144,500	₱265,826	₱2,311,172	₱3,371,228	₱332,436	₱46,425,162

Depreciation expense charged to "Exploration and evaluation asset" account amounted to ₱2,870,977 and ₱1,264,892 in 2012 and 2011, respectively (see Note 10).

12. Trade and Other Payables

This account consists of:

	June 30, 2012	December 31, 2011
Trade	**₱5,733,112**	₱6,038,625
Accruals for:		
Rental (see Note 22)	**285,794**	285,794
Exploration cost	**11,530**	45,234
Others	**26,582**	54,421
Withholding taxes payable	**225,372**	271,613
Other statutory payables	**49,682**	45,365
	₱6,332,072	₱6,741,052

Trade payables are generally settled within 30 days. Other payables are noninterest-bearing and are normally settled throughout the year.

13. Capital Stock

Movement in the Company's capital stock as at June 30, 2012 and December 31, 2011 follows:

	June 30, 2012		December 31, 2011	
	Shares	**Amount**	Shares	Amount
Authorized shares at ₱1 par value	**350,000,000**	**₱350,000,000**	350,000,000	₱350,000,000
Issued and Outstanding:				
Balance at beginning of period	**87,500,000**	**₱87,500,000**	51,250,000	₱51,250,000
Additional issuances			36,250,000	36,250,000
Balance at end of period	**87,500,000**	**₱87,500,000**	87,500,000	₱87,500,000

14. Cost of Sales

This account consists of:

	2012	2011
Cost of inventory	**₱4,820,254**	₱1,068,931
Delivery cost	**1,679,557**	130,624
Fuel and oil	**225,424**	151,882
Supplies	**8,639**	110,532
	₱6,733,874	₱1,461,969

The cost of inventory pertains to coal, which were purchased from small-scale miners, sold to third parties.

15. General and Administrative Expenses

This account consists of:

	2012	2011
Rental (see Note 18)	**₱1,805,016**	₱1,805,016
Personnel cost (see Note 16)	**714,045**	741,154
Professional fees	**575,641**	27,778
Representation and entertainment	**148,910**	13,667
Depreciation (see Note 11)	**122,754**	98,644
Transportation and communication	**101,580**	119,075
Janitorial services	**109,944**	78,395
Taxes and licenses	**78,281**	52,336
Office supplies	**47,676**	111,277
Advertising and promotion	**29,000**	29,000
Others	**26,761**	35,851
	₱3,759,608	₱3,112,193

16. Personnel Costs

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

	2012	2011
Salaries and wages	**₱4,787,895**	₱4,024,283
Employee benefits	**142,680**	151,084
Retirement benefit costs (see Note 17)	**188,357**	179,761
	₱5,118,932	₱4,355,128

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

	2012	2011
Salaries and wages	**₱648,500**	₱671,167
Employee benefits	**39,152**	44,798
Retirement benefit costs (see Note 17)	**26,393**	25,189
	₱714,045	₱741,154

17. Retirement Benefit Liability

The Company has an unfunded defined benefit plan covering all of its regular employees. The benefits are based on years of service and compensation. The plan provides for a lump-sum benefit payments upon retirement which shall not be less than the minimum mandated retirement benefit plan under Republic Act (RA) No. 7641 Retirement Pay Law. The latest actuarial valuation as at December 31, 2011 was prepared by an independent actuary using the projected unit credit method.

The components of retirement benefit costs are as follows:

	2012	2011
Current service cost	**₱193,750**	₱182,450
Interest cost	**15,400**	6,850
Actuarial loss recognized	**5,600**	15,650
	₱214,750	₱204,950

Retirement benefit costs amounting to ₱188,357 and ₱179,761 were capitalized to "Exploration and evaluation asset" account in 2012 and 2011, respectively (see Note 16).

Changes in the present value of benefit obligation (PVBO) are as follows:

	June 30, 2012	December 31, 2011
Balance at beginning of period	**₱587,500**	₱221,100
Current service cost	**193,750**	364,900
Interest cost	**15,400**	13,700
Actuarial (gains) losses:		
Experience adjustments	**–**	(36,200)
Change in assumptions	**–**	24,000
Balance at end of period	**₱796,650**	₱587,500

The amounts recognized in the statement of financial position as at June 30, 2012 and December 31, 2011 are as follows:

	June 30, 2012	December 31, 2011
PVBO	**₱796,650**	₱587,500
Unrecognized net actuarial loss	**(98,000)**	(103,600)
Retirement benefit liability	**₱698,650**	₱483,900

Movements in the retirement benefit liability are as follows:

	June 30, 2012	December 31, 2011
Balance at beginning of period	**₱483,900**	₱74,000
Retirement benefit costs	**214,750**	409,900
Balance at end of period	**₱698,650**	₱483,900

Actuarial gains (losses) in excess of corridor are amortized over the average expected future service years.

	June 30, 2012	December 31, 2011
Net cumulative unrecognized actuarial loss at beginning of period	**₱103,600**	₱147,100
Actuarial loss due to PVBO	**–**	(12,200)
Actuarial loss recognized	**(5,600)**	(31,300)
Net cumulative unrecognized actuarial loss at end of period	**₱98,000**	₱103,600

The assumptions used to determine the retirement benefits for the period ended June 30, 2012 and December 31, 2011 are as follows:

	2012	2011
Discount rate	**5.25%**	5.25%
Salary increase rate	**8.00%**	8.00%

The amounts for the current and previous annual period of the PVBO and any experience adjustments are as follows:

	2012	2011
PVBO	**₱796,650**	₱587,500
Experience adjustments	**–**	(36,200)

18. Related Party Transactions

The significant transactions of the Company, in the normal course of business, with its related parties are described below.

The Company has transactions with related parties pertaining to working capital purposes. These are unsecured, noninterest-bearing and generally settled in cash and payable on demand.

The outstanding balances from related parties arising from such transactions are as follows:

	June 30, 2012	December 31, 2011
Advances to affiliates:		
Pacifico Sul Mineracao Corporation (PSMC)	**₱1,101,215**	₱1,097,204
Colossal Petroleum Corporation (CPC)	**661,982**	636,179
CAHI	**102,570**	–
	₱1,865,767	₱1,733,383
Advances from an affiliate -		
Stronghold Steel Corporation (SSC)	**₱54,355,735**	₱36,001,867

PSMC, CPC and SSC are related parties under common ownership with the stockholders of CAHI.

Lease Agreement

The Company entered into a lease agreement with its affiliate, JTKC Equities, Inc. Rental expense amounted to ₱1,805,016 in 2012 and 2011.

Key Management Personnel Compensation

No short-term or other benefits were paid to key management employees of the Company in 2012 and 2011.

19. Financial Assets and Liabilities

The Company's financial instruments consist mainly of financial assets and financial liabilities directly related to operations, specifically cash, advances to and from affiliates, trade receivables and trade and other payables (excluding statutory payables).

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

Financial Risk Management Objectives and Policies

Price Risk. The price that the Company can charge for its coal is directly and indirectly related to the market price of coal. Prices are also affected by changes in the supply of coal and may be affected by the price of alternative fuel supplies, availability of shipping vessels as well as shipping costs.

There can be no assurance that coal prices will be sustained or that domestic and international competitors will not seek to replace the Company in its relationship with its key customers by offering higher quality, better prices or larger guaranteed supply volumes, any of which would have a materially adverse effect on the Company's profits.

All coal sales of the Company are sold for consumption in the Philippines.

The following table shows the effect on income before income tax should the change in the prices of coal occur based on the inventory of the Company as of June 30, 2012 and December 21, 2011 with all other variables held constant. The change in coal prices is based on 1-year historical price movements.

	Effect on Income before Income Tax	
Based on Ending Coal Inventory	**2012**	2011
Change in coal price:		
Increase by 10%	**₱130,515**	₱35,344
Decrease by 10%	**(130,515)**	(35,344)

Credit Risk. The Company's exposure to credit risk arises from the failure on the part of its counterparty in fulfilling its financial commitments to the Company under the prevailing contractual terms. Financial instruments that potentially subject the Company to credit risk consist primarily of cash, trade receivables and advances to affiliates. The Company's maximum exposure is equal to the carrying amount of these instruments. These present minimal credit risk based on management's assessment and are considered high grade accounts. High grade accounts consist of receivables from debtors with good financial condition and with relatively low defaults.

The Company has neither past due nor impaired receivables from any counterparties as at June 30, 2012 and December 31, 2011.

Liquidity Risk. Liquidity risk arises from the Company's inability to raise sufficient funds at the least possible cost to meet its financial commitments. The Company'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 tables below present the maturity profile of the financial liabilities of the Company based on remaining contractual obligations as at June 30, 2012 and December 31, 2011:

	June 30, 2012				
	On Demand	**1 to 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
Trade and other payables*	**₱6,057,018**	**₱–**	**₱–**	**₱–**	**₱6,057,018**
Advances from an affiliate	**54,355,735**	**–**	**–**	**–**	**54,355,735**
	₱60,412,753	**₱–**	**₱–**	**₱–**	**₱60,412,753**

**excluding statutory payable amounting to ₱275,054.*

	December 31, 2011				
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	Total
Trade and other payables*	₱6,424,074	₱–	₱–	₱–	₱6,424,074
Advances from an affiliate	36,001,867	–	–	–	36,001,867
	₱42,425,941	₱–	₱–	₱–	₱42,425,941

**excluding statutory payable amounting to ₱316,978*

Capital Management

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

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

In determining reasonable leverage, the Company evaluates its cost of capital and manages its level of debt to maintain an optional cost of capital based in current conditions.

The Company is not subject to externally-imposed capital requirements.

20. Fair Value Measurement of Financial Instruments

Set out below is a comparison of carrying amounts and fair values of financial assets and liabilities as at June 30, 2012 and December 31, 2011:

	2012		2011	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial assets:				
Cash	**₱1,349,952**	**₱1,349,952**	₱1,353,149	₱1,353,149
Trade receivables	**–**	**–**	147,250	147,250
Advances to affiliates	**1,865,767**	**1,865,767**	1,733,383	1,733,383
	₱3,215,719	**₱3,215,719**	₱3,233,782	₱3,233,782
Financial liabilities:				
Trade and other payables*	**₱6,057,018**	**₱6,057,018**	₱6,424,074	₱6,424,074
Advances from an affiliate	**54,355,735**	**54,355,735**	36,001,867	36,001,867
	₱60,412,753	**₱60,412,753**	₱42,425,941	₱42,425,941

**excluding statutory payable amounting to ₱275,054 and ₱316,978 as at June 30, 2012 and December 31, 2011, respectively.*

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

Current Financial Assets and Liabilities. The carrying amounts of cash, trade receivables, trade and other payables and advances to/from affiliates approximate their fair values due to the short-term nature of these financial instruments.

21. Income Taxes

The Company is entitled to the following incentives under the Coal Operating Contract (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 current income tax expense in 2012 amounting to ₱133,500 pertains to MCIT.

As at June 30, 2012 and December 31, 2011, the Company's recognized deferred tax assets shown in the statement of financial statement consist of the following:

	June 30, 2012	December 31, 2011
NOLCO	**₱1,423,843**	₱2,306,383
MCIT	**133,500**	–
Retirement benefit cost	**25,760**	17,842
	₱1,583,103	₱2,324,225

Management has assessed based on available evidence, specifically the Company's positive financial forecasts that the above deferred tax assets are realizable.

The details of the Company's NOLCO and their respective availment periods are presented below:

Year Incurred	Amount	Applied	Unexpired	Valid Until
2010	₱4,671,538	₱–	₱4,671,538	2015
2009	5,560,633	5,486,027	74,606	2014
2008	198,081	198,081	–	2013
	₱10,430,252	₱5,684,108	₱4,746,144	

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 10 years of operation as a deduction from taxable income for the next 5 years immediately following the year of loss.

A reconciliation between the income tax expense based on statutory income tax rate and the effective income tax rate on income before tax is as follows:

	2012	2011
Income tax at statutory tax rate	**₱874,955**	(₱584,747)
Interest income subjected to final tax	**(333)**	(481)
Change in unrecognized deferred tax assets	**–**	(2,554,132)
	₱874,622	(₱3,139,360)

22. **Commitments**

The Company has the following contractual commitments:

Lease Agreement

The Company has a lease agreement with its affiliate, JTKC Equities, Inc., which commenced in 2010 and was renewed in 2011 valid until July 31, 2013 renewable upon mutual consent of both parties. Rental expense amounted to ₱1,805,016 in 2012 and 2011 (see Note 15).

Future minimum lease payments under non-cancellable operating lease as at June 30, 2012 and December 31, 2011 are payable as follows:

	2012	2011
Within one year	**₱3,610,032**	₱3,610,032
After one year but not more than five years	**300,836**	2,105,852
	₱3,910,868	₱5,715,884

Coal Operating Contracts (COC) with Department of Energy (DOE)

The Government, through the DOE, awarded 5 COCs to the Company. The exploration phase under the COCs is for 2 years and can be extended for another 2 years upon the approval of the DOE. The development and production phase commences when DOE and the Company agrees on the existence of Coal Reserves in Commercial Quantity subject to the terms and conditions in the COC.

COC Nos. 159, 166 and 167 were extended for another 2 years in 2011 with the approval of DOE while COC Nos. 158 and 168 were given up by the Company. Management believes that no obligation will arise from COC Nos. 158 and 168 that were given up.

COC No. 159 covers 7,000 hectares in Davao Oriental while COC Nos. 166 and 167 which are located Zamboanga Sibugay covers 4,000 hectares and 2,000 hectares, respectively. Activities done throughout the year includes geological mapping, subsurface investigation, drilling and geodetic survey. The Company is obliged to spend not less than ₱195,500,000 for the direct implementation of the Work Program of the exploration phase of these COCs.

The DOE is paid, as share of the Government, the balance of the gross income after deducting all operating expenses and the Company'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. The Company is 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. The DOE's share under the COCs amounted to ₱20,540 and ₱49,805 in 2012 and 2011, respectively.

ANNEX IV

FINANCIAL STATEMENTS OF TITAN MINING AND ENERGY CORPORATION
FOR DECEMBER 31, 2011
(WITH COMPARATIVE FIGURES IN 2010 AND 2009)

Titan Mining and Energy Corporation

Financial Statements
December 31, 2011
(With Comparative Figures in 2010 and 2009)

With independent auditor's report provided by



REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Titan Mining and Energy Corporation
3rd Floor JTKC Center
2155 Chino Roces Ave., Makati City

Report on the Financial Statements

We have audited the accompanying financial statements of Titan Mining and Energy Corporation, which comprise the statement of financial position as at December 31, 2011, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Titan Mining and Energy Corporation as at December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

Other Matters

The financial statements of Titan Mining and Energy Corporation as at and for the years ended December 31, 2010 and 2009 were audited by another auditor whose report dated March 30, 2011, expressed an unmodified opinion on those statements. The opinion of such auditor, however, did not include the restatement adjustments discussed in Note 5 to the financial statements.

As discussed in Note 19 to the financial statements, an amendment was made to effect a reclassification within the statement of financial position. This reclassification, however, did not affect our audit opinion on the financial statements of Titan Mining and Energy Corporation as at December 31, 2011.

Report on Supplementary Information Required Under Revenue Regulations 15-2010 of the Bureau of Internal Revenue

Our audit is conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes and license fees in Note 26 to the financial statements is presented for the purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Titan Mining and Energy Corporation. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

REYES TACANDONG & CO.



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BIR Accreditation No. 08-005144-7-2010
Issued November 5, 2010; Valid until November 5, 2013
PTR No. 3174556
Issued January 2, 2012, Makati City

June 5, 2012
Makati City, Metro Manila

TITAN MINING AND ENERGY CORPORATION

STATEMENT OF FINANCIAL POSITION

(With Comparative Figures in 2010)

	December 31	
	2011	2010 (As restated - Note 5)
ASSETS		
Current Assets		
Cash (Notes 7, 20 and 21)	**₱1,353,149**	₱1,682,164
Trade and other receivables (Notes 8, 20 and 21)	**613,996**	964,863
Coal inventory (Note 9)	**1,207,801**	1,601,639
Advances to affiliates (Notes 19, 20 and 21)	**1,733,383**	861,240
Prepayments and other current assets (Note 10)	**102,596**	1,439,565
Total Current Assets	**5,010,925**	6,549,471
Noncurrent Assets		
Exploration and evaluation asset (Note 11)	**71,695,049**	34,080,775
Property and equipment (Note 12)	**46,425,162**	5,227,063
Deferred tax assets (Note 22)	**2,324,225**	**–**
Total Noncurrent Assets	**120,444,436**	39,307,838
	₱125,455,361	₱45,857,309
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 13, 20 and 21)	**₱6,741,052**	₱2,873,641
Advances from an affiliate (Notes 19, 20 and 21)	**36,001,867**	1,950,000
Total Current Liabilities	**42,742,919**	4,823,641
Noncurrent Liability		
Retirement benefit liability (Note 18)	**483,900**	74,000
Equity		
Capital stock (Note 14)	**87,500,000**	51,250,000
Deficit	**(5,271,458)**	(10,290,332)
Total Equity	**82,228,542**	40,959,668
	₱125,455,361	₱45,857,309

See accompanying Notes to Financial Statements.

TITAN MINING AND ENERGY CORPORATION

STATEMENT OF COMPREHENSIVE INCOME

(With Comparative Figures in 2010 and 2009)

	Years Ended December 31		
	2011	2010 (As restated - Note 5)	2009
SALES	**₱21,837,655**	₱1,759,475	₱4,800,000
COST OF SALES (Note 15)	**12,986,847**	1,145,625	2,634,370
GROSS PROFIT	**8,850,808**	613,850	2,165,630
GENERAL AND ADMINISTRATIVE EXPENSES (Note 16)	**(6,158,878)**	(5,294,484)	(7,729,263)
INTEREST INCOME (Note 7)	**2,719**	3,948	148,068
INCOME (LOSS) BEFORE INCOME TAX	**2,694,649**	(4,676,686)	(5,415,565)
DEFERRED INCOME TAX BENEFIT (Note 22)	**2,324,225**	–	–
NET INCOME (LOSS)	**5,018,874**	(4,676,686)	(5,415,565)
OTHER COMPREHENSIVE INCOME	**–**	–	–
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱5,018,874**	(₱4,676,686)	(₱5,415,565)
BASIC EARNINGS (LOSS) PER SHARE (Note 23)	**₱0.07**	(₱0.11)	(₱0.17)

See accompanying Notes to Financial Statements.

TITAN MINING AND ENERGY CORPORATION

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2011

(With Comparative Figures in 2010 and 2009)

	2011	2010 (As restated - Note 5)	2009
CAPITAL STOCK (Note 14)	**₱87,500,000**	₱51,250,000	₱31,250,000
DEFICIT			
Balance at beginning of year, as previously reported	**(31,595,799)**	(5,613,646)	(198,081)
Prior period adjustments (Note 5)	**21,305,467**	–	–
Balance at beginning of year, as restated	**(10,290,332)**	(5,613,646)	(198,081)
Total comprehensive income (loss) for the year	**5,018,874**	(4,676,686)	(5,415,565)
Balance at end of year	**(5,271,458)**	(10,290,332)	(5,613,646)
TOTAL EQUITY	**₱82,228,542**	₱40,959,668	₱25,636,354

See accompanying Notes to Financial Statements.

TITAN MINING AND ENERGY CORPORATION

STATEMENT OF CASH FLOWS

(With Comparative Figures in 2010 and 2009)

	Years Ended December 31		
	2011	2010 (As restated - Note 5)	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱2,694,649**	(₱4,676,686)	(₱5,415,565)
Adjustments for:			
Depreciation (Note 16)	**218,023**	127,386	16,583
Retirement benefit cost (Notes 17 and 18)	**50,378**	9,096	**–**
Interest income (Note 7)	**(2,719)**	(3,948)	(148,068)
Operating income (loss) before working capital changes	**2,960,331**	(4,544,152)	(5,547,050)
Decrease (increase) in:			
Trade and other receivables	**350,867**	(722,371)	**–**
Coal inventory	**393,838**	(1,601,639)	**–**
Prepayments and other current assets	**1,336,969**	(1,044,005)	(638,051)
Increase in advances to affiliates	**(872,143)**	(861,240)	**–**
Increase in trade and other payables	**3,867,411**	2,770,517	103,123
Net cash from (used in) operating activities	**8,037,273**	(6,002,890)	(6,081,978)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment (Note 12)	**(42,681,014)**	(5,823,421)	(371,367)
Additions to exploration and evaluation asset	**(35,989,860)**	(25,259,378)	(6,479,039)
Interest received	**2,719**	3,948	148,068
Net cash flows used in investing activities	**(78,668,155)**	(31,078,851)	(6,702,338)
CASH FLOWS FROM FINANCING ACTIVITIES			
Additional shares issued (Note 14)	**36,250,000**	20,000,000	18,750,000
Increase in advances from an affiliate	**34,051,867**	1,950,000	**–**
Net cash flows provided by financing activities	**70,301,867**	21,950,000	18,750,000
NET INCREASE (DECREASE) IN CASH	**(329,015)**	(15,131,741)	5,965,684
CASH AT BEGINNING OF YEAR	**1,682,164**	16,813,905	10,848,221
CASH AT END OF YEAR	**₱1,353,149**	₱1,682,164	₱16,813,905

See accompanying Notes to Financial Statements.

TITAN MINING AND ENERGY CORPORATION

NOTES TO FINANCIAL STATEMENTS

(With Comparative Information in 2010 and 2009)

1. Corporate Information

Titan Mining and Energy Corporation (the Company) (formerly Titan Exploration and Development Corporation) was incorporated and registered with the Philippines Securities and Exchange Commission (SEC) on November 11, 2008. The Company is engaged in the operations of coal mining and energy related businesses.

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

The financial statements were approved and authorized for issue by the Board of Directors (BOD) on June 5, 2012.

2. Basis of Preparation and Statement of Compliance

The accompanying financial statements have been prepared under the historical cost basis and presented in Philippine peso, which is the Company's functional and presentation currency. All values are stated in absolute amounts unless otherwise indicated.

The Company has concrete plans to conduct an initial public offering within the year and therefore availed of the exemption on mandatory adoption of Philippine Financial Reporting Standards (PFRS) for Small and Medium-sized Entities (SMEs). For the purposes of complying with the reportorial requirements of the SEC, the Company presented a three-year statement of comprehensive income and included the disclosures in its operating segment and earnings (loss) per share as required by the PFRS 8, *Operating Segments*, and Philippine Accounting Standards (PAS) 33, *Earnings per Share*, respectively, as at and for all years presented in the financial statements.

Moreover, the accompanying financial statements have been prepared in compliance with PFRS, issued by the Financial Reporting Standards Council (FRSC) and adopted by the SEC. PFRS includes statements named PFRS, PAS and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC).

3. Summary of Changes in PFRS

Adoption of New and Revised PFRS

The Company adopted new and revised PFRS effective January 1, 2011. These are summarized below:

- PAS 24, *Related Party Disclosures* (Amended) – The amended standard simplified the definition of a related party by clarifying relationships that are considered to be related parties to assure consistency in the application of the standard.

- PAS 32, *Financial Instruments: Presentation - Classification of Rights Issues* (Amended) – Rights issues (and certain options or warrants) are classified as equity instruments when the rights are given pro rata to all existing owners of the same class of an entity's non-derivative equity instruments, or given to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

- Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement* – The amendment provides guidance on assessing the recoverable amount of a net pension asset and permits an entity to treat the prepayment of a minimum funding requirement as an asset.

- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments* – The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instrument issued is measured at its fair value. If the fair value cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

- Improvements to PFRS

  The omnibus amendments to PFRS were issued in May 2011 primarily to clarify accounting and disclosure requirements to assure consistency in the application of the following standards.

  - PFRS 3, *Business Combinations*
  - PFRS 7, *Financial Instruments: Disclosures*
  - PAS 1, *Presentation of Financial Statements*
  - PAS 27, *Consolidated and Separate Financial Statements*
  - Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*

These new and revised PFRS have no significant impact on the amounts and disclosures in the financial statements of the Company.

New and Revised PFRS Not Yet Adopted

Relevant new and revised PFRS which are not yet effective for the year ended December 31, 2011 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after July 1, 2012:

- PAS 1, *Financial Statement Presentation, Presentation of Items of Other Comprehensive Income* – The amendment changed the presentation of items in Other Comprehensive Income (OCI). Items that could be reclassified to profit or loss at a future point in time would be presented separately from items that will never be reclassified.

Effective for annual periods beginning on or after January 1, 2012:

- PAS 12, *Income Taxes, Recovery of Underlying Assets* – The amendment clarified the determination of deferred tax on investment property measured at fair value under PAS 40, *Investment Property*. The deferred tax should be determined considering that the carrying value of the investment property will be recovered through a sale transaction. Moreover,

the deferred tax on non-depreciable assets that are measured using the revaluation model under PAS 16, *Property, Plant and Equipment,* should always be measured on the sale value of the asset.

Effective for annual periods beginning on or after January 1, 2013:

- PAS 19, *Employee Benefits* (Amendment) – There were numerous changes ranging from the fundamental such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording.

- PAS 27, *Separate Financial Statements* (As Revised in 2011) – As a consequence of the new PFRS 10, *Consolidated Financial Statements* and PFRS 12, *Disclosure of Investment with Other Entities*, PAS 27 is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.

- PAS 28, *Investments in Associates and Joint Ventures* (As Revised in 2011) – This standard describes the application of the equity method to investments in joint ventures and associates.

- PFRS 10, *Consolidated Financial Statements* – The standard replaces the portion of PAS 27, that addresses the accounting for consolidated financial statements and SIC-12, *Consolidation - Special Purpose Entities*. It establishes a single control model that applies to all entities including special purpose entities. This will require management to exercise significant judgment to determine which entities are controlled, and are required to be consolidated by a parent company.

- PFRS 11*, Joint Arrangements* – PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. The standard removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

- PFRS 12 – The standard includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosure requirements that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

- PFRS 13, *Fair Value Measurement* – The standard establishes a single source of guidance under PFRS for all fair value measurements. It does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted.

Effective for annual periods beginning on or after July 1, 2011:

- PFRS 7, *Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements – A*dditional disclosure on financial assets that have been transferred but not derecognised and the continuing involvement in the derecognised assets is required to enable the user of the financial statements to evaluate related risks.

- PFRS 7, *Financial Instruments: Disclosures - Transfers of Financial Assets* – The amendment will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

- PFRS 7, *Financial Instruments Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendments) – The amendment requires entities to disclose information that will enable users to evaluate the effect or potential effect of netting arrangements on an entity's financial position. The new disclosure is required for all recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

Effective for annual periods beginning on or after January 1, 2013:

- IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine* – This interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ("production stripping costs") and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset.

Effective for annual periods beginning on or after January 1, 2015:

- PFRS 9, *Financial Instruments: Classification and Measurement* – The standard is the first phase in the replacement of PAS 39, *Financial Instruments: Recognition and Measurement*, and applies to classification and measurement of financial assets as defined in PAS 39. The completion of the changes is expected in the first half of 2012.

Under prevailing circumstances, except for the amendments in PAS 19 and adoption of PFRS 9 and 13, the foregoing new and revised PFRS is not expected to have any material effect on the financial statements. The Company is currently in the process of assessing the impact of such changes in its financial statements.

4. Summary of Significant Accounting Policies

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Financial Assets and Liabilities

Financial assets and liabilities are accounted for as follows:

a. Recognition

Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provision of the instruments. Financial instruments are initially recognized at fair value. In the case of regular way purchase or sale of financial asset, recognition and derecognition, as applicable, is done using trade date

accounting. The initial measurement of the financial instruments, except for those designated at fair value through profit or loss (FVPL), includes transaction costs.

"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 Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there are no observable data on inception, the Company 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 Company determines the appropriate method of recognizing the "Day 1" difference.

b. Classification

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

As at December 31, 2011 and 2010, the Company does not have financial assets and liabilities at FVPL, HTM investments and AFS financial assets.

Loans and Receivables. Loans and receivables are financial assets with fixed or determinable payments and fixed maturities and that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial asset at FVPL. Loans and receivables are included in current assets if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent assets.

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and any transaction cost which are directly attributable to the discount or premium recognized. The amortization is included in profit or loss.

The Company has classified its cash, trade receivables and advances to affiliates as loans and receivables.

Other Financial Liabilities at Amortized Cost. Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or through borrowing.

Other financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and

losses are recognized in profit or loss when the liabilities are derecognized, as well as through amortization process.

The Company has classified its trade and other payables (excluding other taxes payable) and advances from an affiliate as other financial liabilities at amortized cost.

c. Derecognition

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

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

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

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

d. Fair Value

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business as at the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis or other valuation models.

e. Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an 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 where the related assets and liabilities are presented gross in the statement of financial position.

f. Impairment of Financial Assets

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The carrying value of the impaired account is reduced to the extent that it exceeds the asset's net realizable value. Impairment losses are recognized in full in profit or loss. If in a subsequent period, the amount of accumulated impairment losses has decreased because of an event occurring after impairment was recognized, the decline is allowed to be reversed to profit or loss to the extent that the resulting carrying value will not exceed the amortized cost determined, had no impairment been recognized.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined using the first-in, first-out method. The net realizable value of inventories is the estimated selling price in the ordinary course of business, less the estimated cost of marketing and distribution. In determining the net realizable value, the Company considers any adjustment necessary for obsolescence.

Prepayments

Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and charged to profit or loss when incurred. Prepayments that are expected to be realized for no more than 12 months after the financial reporting period are classified as other current assets. Otherwise these are classified as other noncurrent assets.

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

Property and Equipment

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

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

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

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

	Number of Years
Drilling equipment	10
Survey equipment	3
Testing equipment	5
Transportation equipment	5
Furniture, fixtures and other equipment	3

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

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

Impairment of Nonfinancial Assets

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

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

The net recoverable value of a nonfinancial asset is the greater of its value in use or its fair value less costs to sell. Value in use is the present value of future cash flows expected to be derived from an asset while the fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less cost of disposal. In assessing value in use, the estimated future cash flows are discounted to their

present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Capital Stock

Capital stock is measured at par value for all shares issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital. Incremental costs incurred directly attributable to the issuance of new shares are recognized in equity as deduction from proceeds, net of tax.

Deficit

Deficit represents the cumulative balance of net income or loss, net of any dividend declaration.

Earnings per Share (EPS)

Basic EPS is computed by dividing earnings applicable to common stock by the weighted average number of common shares outstanding after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year.

Segment Reporting

The Company's operating business is organized and managed according to the nature of the activities.

Revenue Recognition

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

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

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

Cost and Expense Recognition

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

Cost of Sales. Cost of sales are recognized as expenses when the related goods are sold and includes expenses directly related to sale of coal such as cost of fuel and lubricants, materials and supplies which are recognized as incurred.

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

Retirement Benefit Costs

Retirement benefit costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with option to accelerate when significant changes to underlying assumptions occur. Retirement benefit costs include current service cost, interest cost and amortization of actuarial gains and losses.

The retirement benefit liability recognized by the Company is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognized. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rates of government bonds that have terms to maturity approximating the terms of the related retirement benefit liability.

Actuarial gains and losses from retirement benefits costs are recognized as income or expense if the cumulative unrecognized actuarial gains and losses at the end of the previous reporting period exceeded the greater of the 10% of the present value of defined benefit obligation. These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Operating Leases

Leases, which do not transfer to the Company substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized in the statement of comprehensive income on a straight-line basis over the lease term.

Income Taxes

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

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

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

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

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

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

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

Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Transactions between related parties are accounted for at arm's-length prices or on terms similar to those offered to non-related parties in an economically comparable market.

Provisions and Contingencies

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to the 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 Company's financial position at the end of reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

5. Prior Period Adjustments

The 2010 financial statements have been restated for the following:

- Capitalization of expenditures previously charged to profit or loss as exploration and evaluation assets; and

- Recognition of unrecorded retirement benefit liability.

The following is the summary of the prior period adjustments and the financial impact on the Company's financial statements:

	2010			
	Exploration and Evaluation Asset	Retirement Benefit Liability	Deficit	Net Loss
As previously reported, December 31, 2010	₱12,701,308	₱–	(₱31,595,799)	(₱25,982,153)
2010 Adjustments:				
Capitalization of exploration and evaluation asset	21,379,467	–	21,379,467	21,379,467
Recognition of retirement benefit costs	–	74,000	(74,000)	(74,000)
As adjusted, December 31, 2010	₱34,080,775	₱74,000	(₱10,290,332)	(₱4,676,686)

6. Significant Accounting Judgments and Estimates

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

The following are the significant judgments and estimates made by the Company.

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

Impairment of Trade and Other Receivables. Allowance is made for specific and groups of accounts where objective evidence of impairment exists. The Company evaluates these accounts based on available facts and circumstances including, but not limited to, the length of the Company's relationship with the customers and known market forces, average age of accounts, collection experience and historical loss experience.

The carrying amount of trade and other receivables amounted to ₱613,996 and ₱964,863 as at December 31, 2011 and 2010, respectively (see Note 8). No impairment loss pertaining to trade and other receivables was recognized in 2011 and 2010.

NRV of Inventories. The Company, in determining the NRV of inventories, considers any adjustments for obsolescence, which is generally 100% allowance on inventories that are damaged or a certain percentage if their selling prices have declined. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in allowance for inventory obsolescence and market decline would increase recorded operating expenses and decrease current assets.

As at December 31, 2011 and 2010, inventories carried at the lower of costs and NRV amounted to ₱1,207,801 and ₱1,601,639, respectively (see Note 9).

No allowance for inventory obsolescence was recognized in 2011 and 2010.

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

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

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

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

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

As at December 31, 2011 and 2010, exploration and evaluation asset amounted to ₱71,695,049 and ₱34,080,775, respectively (see Note 11).

Estimating Useful Lives of Property and Equipment. The Company estimates the useful life of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful life 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 life of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Based on management's assessment as at December 31, 2011 and 2010, there is no change in estimated useful lives of property and equipment during the year. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

As at December 31, 2011 and 2010, property and equipment, net of accumulated depreciation, amounted to ₱46,425,162 and ₱5,227,063, respectively (see Note 12).

Impairment of Nonfinancial Assets. The Company assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

No impairment losses were recognized on nonfinancial assets in 2011 and 2010.

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

As at December 31, 2011 and 2010, the Company has deferred tax assets amounting to ₱2,324,225 and nil, respectively (see Note 22).

Retirement Benefit Costs. The determination of the obligation and cost of retirement and other long-term employee benefits is dependent on the assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 18 to the financial statements and include, among others, discount rates, expected rates of return on plan assets and salary increase rates. Actual results that differ from the Company's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The Company's unrecognized net actuarial losses amounted to ₱103,600 and ₱147,100 as at December 31, 2011 and 2010, respectively. The retirement benefit liability as at December 31, 2011 and 2010 amounted to ₱483,900 and ₱74,000, respectively (see Note 18).

7. Cash

This account consists of:

	2011	2010
Cash on hand	**₱675,229**	₱336,065
Cash in bank	**677,920**	1,346,099
	₱1,353,149	₱1,682,164

Cash in bank earns interest at the respective bank deposit rates. Interest income from the bank account amounted to ₱2,719, ₱3,948 and ₱148,068 in 2011, 2010 and 2009, respectively.

8. Trade and Other Receivables

This account consists of:

	2011	2010
Trade receivables	**₱147,250**	₱677,297
Advances to employees	**466,746**	287,566
	₱613,996	₱964,863

Trade receivables are generally within 30-day credit term. Advances are normally settled within one (1) year.

9. Coal Inventory

This account represents unsold coal purchased from small-scale miners within the mine properties. The cost of these inventories amounting to ₱1,207,801 and ₱1,601,639 as at December 31, 2011 and 2010, respectively, are lower than its NRV.

10. Prepayments and Other Current Assets

This account consists of:

	2011	2010
Prepayments for:		
Insurance	**₱26,062**	₱–
Rental	**25,500**	53,000
Salaries	**17,500**	–
Performance bond	**–**	1,336,722
Others	**33,534**	49,843
	₱102,596	₱1,439,565

Performance bond represents payments to a surety to guarantee the faithful performance of the Company with all the provisions of the Coal Operating Contracts.

11. Exploration and Evaluation Asset

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

Coal Operating Contract Nos. 159, 166 and 167 provide a certain minimum work expenditure obligations covered by the work program of exploration phase (see Note 24).

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

Movements of this account are as follows:

	2011	2010 (As restated - see Note 5)
Cost at beginning of year	**₱34,080,775**	₱7,932,737
Additions	**37,614,274**	26,148,038
Cost at end of year	**₱71,695,049**	₱34,080,775

No impairment loss was recognized in 2011 and 2010.

The Company obtained an independent valuation report to estimate the value of the coal reserves. Discounted cash flow approach was used in the valuation of the coal reserve. The expected net present value of the coal reserve is ₱12.5 billion.

12. Property and Equipment

Movements of this account are as follows:

	2011					
	Drilling Equipment	**Survey Equipment**	**Testing Equipment**	**Transportation Equipment**	**Office Furniture and Equipment**	**Total**
Cost						
Balances at beginning of year	**₱–**	**₱663,377**	**₱–**	**₱5,022,973**	**₱508,438**	**₱6,194,788**
Additions	**40,144,500**	**–**	**2,350,344**	**–**	**186,170**	**42,681,014**
Balances at end of year	**40,144,500**	**663,377**	**2,350,344**	**5,022,973**	**694,608**	**48,875,802**
Accumulated Depreciation						
Balances at beginning of year	**–**	**176,426**	**–**	**647,150**	**144,149**	**967,725**
Depreciation	**–**	**221,125**	**39,172**	**1,004,595**	**218,023**	**1,482,915**
Balances at end of year	**–**	**397,551**	**39,172**	**1,651,745**	**362,172**	**2,450,640**
Carrying Amount	**₱40,144,500**	**₱265,826**	**₱2,311,172**	**₱3,371,228**	**₱332,436**	**₱46,425,162**

	2010					
	Drilling Equipment	Survey Equipment	Testing Equipment	Transportation Equipment	Office Furniture and Equipment	Total
Cost						
Balances at beginning of year	₱–	₱93,477	₱–	₱219,900	₱57,990	₱371,367
Additions	–	569,900	–	4,803,073	450,448	5,823,421
Balances at end of year	–	663,377	–	5,022,973	508,438	6,194,788
Accumulated Depreciation						
Balances at beginning of year	–	6,031	–	7,330	3,222	16,583
Depreciation	–	170,395	–	639,820	140,927	951,142
Balances at end of year	–	176,426	–	647,150	144,149	967,725
Carrying Amount	₱–	₱486,951	₱–	₱4,375,823	₱364,289	₱5,227,063

Depreciation expense charged to "Exploration and evaluation asset" account amounted to ₱1,264,892 and ₱823,756 in 2011 and 2010, respectively (see Note 11).

13. Trade and Other Payables

This account consists of:

	2011	2010
Trade	**₱6,038,625**	₱2,315,649
Accruals for:		
Rental (see Note 24)	**285,794**	285,794
Exploration cost	**45,234**	28,287
Others	**54,421**	76,976
Withholding taxes payable	**271,613**	100,480
Other statutory payables	**45,365**	66,455
	₱6,741,052	₱2,873,641

Trade payables are generally settled within 30 days. Other payables are noninterest-bearing and are normally settled throughout the year.

14. Capital Stock

Movement in the Company's capital stock as at December 31, 2011 and 2010 follows:

	2011		2010	
	Shares	**Amount**	Shares	Amount
Authorized shares at ₱1 par value	**350,000,000**	**₱350,000,000**	350,000,000	₱350,000,000
Issued and Outstanding:				
Balance at beginning of year	**51,250,000**	**₱51,250,000**	31,250,000	₱31,250,000
Additional issuances	**36,250,000**	**36,250,000**	20,000,000	20,000,000
Balance at end of year	**87,500,000**	**₱87,500,000**	51,250,000	₱51,250,000

15. Cost of Sales

This account consists of:

	2011	2010	2009
Cost of inventory	**₱9,208,334**	₱578,574	₱2,400,000
Delivery cost	**3,301,609**	497,052	105,000
Fuel and oil	**286,400**	–	96,500
Supplies	**190,504**	69,999	32,870
	₱12,986,847	₱1,145,625	₱2,634,370

The cost of inventory pertains to coal, which were purchased from small-scale miners, sold to third parties.

16. General and Administrative Expenses

This account consists of:

	2011	2010	2009
Rental (see Note 19)	**₱3,610,032**	₱2,926,688	₱–
Personnel cost (see Note 17)	**1,454,443**	1,405,924	758,646
Transportation and communication	**287,519**	191,794	115,253
Depreciation (see Note 12)	**218,023**	127,386	16,583
Janitorial services	**207,667**	124,794	–
Office supplies	**147,783**	73,237	59,139
Taxes and licenses	**96,961**	64,347	395,590
Professional fees	**27,778**	22,222	776,056
Representation and entertainment	**27,029**	58,891	341,414
Advertising and promotion	**21,581**	47,400	207,768
Exploration and evaluation expenses	**–**	–	4,246,437
Others	**60,062**	251,801	812,377
	₱6,158,878	₱5,294,484	₱7,729,263

17. Personnel Costs

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

	2011	2010
Salaries and wages	**₱9,018,400**	₱8,880,177
Employee benefits	**290,789**	374,080
Retirement benefit costs (see Note 18)	**359,522**	64,904
	₱9,668,711	₱9,319,161

No personnel costs were charged to "Exploration and evaluation asset" account in 2009.

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

	2011	2010	2009
Salaries and wages	**₱1,321,667**	₱1,303,050	₱720,829
Employee benefits	**82,398**	93,778	37,817
Retirement benefit costs (see Note 18)	**50,378**	9,096	**–**
	₱1,454,443	₱1,405,924	₱758,646

18. Retirement Benefit Liability

The Company has an unfunded defined benefit plan covering all of its regular employees. The benefits are based on years of service and compensation. The plan provides for a lump-sum benefit payments upon retirement which shall not be less than the minimum mandated retirement benefit plan under Republic Act (RA) No. 7641 Retirement Pay Law. The latest actuarial valuation as at December 31, 2011 was prepared by an independent actuary using the projected unit credit method.

The components of retirement benefit costs are as follows:

	2011	2010 (As restated - see Note 5)
Current service cost	**₱364,900**	₱71,500
Interest cost	**13,700**	2,500
Actuarial loss recognized	**31,300**	–
	₱409,900	₱74,000

Retirement benefit costs amounting to ₱359,522 and ₱64,904 were capitalized to "Exploration and evaluation asset" account in 2011 and 2010, respectively (see Note 17).

Changes in the present value of benefit obligation are as follows:

	2011	2010 (As restated - see Note 5)
Balance at beginning of year	**₱221,100**	₱–
Current service cost	**364,900**	71,500
Interest cost	**13,700**	2,500
Actuarial (gains) losses:		
Experience adjustments	**(36,200)**	120,300
Change in assumptions	**24,000**	26,800
Balance at end of year	**₱587,500**	₱221,100

The amounts recognized in the statement of financial position as at December 31, 2011 and 2010 are as follows:

	2011	2010 (As restated - see Note 5)
Present value of defined benefit obligation	**₱587,500**	₱221,100
Unrecognized net actuarial loss	**(103,600)**	(147,100)
Retirement benefit liability	**₱483,900**	₱74,000

Movements in the retirement benefit liability are as follows:

	2011	2010 (As restated - see Note 5)
Balance at beginning of year	**₱74,000**	₱–
Retirement benefit costs	**409,900**	74,000
Balance at end of year	**₱483,900**	₱74,000

Actuarial gains (losses) in excess of corridor are amortized over the average expected future service years.

	2011	2010 (As restated - see Note 5)
Net cumulative unrecognized actuarial loss at beginning of year	**₱147,100**	₱–
Actuarial loss due to PVBO	**(12,200)**	147,100
Actuarial loss recognized	**(31,300)**	–
Net cumulative unrecognized actuarial loss at end of year	**₱103,600**	₱147,100

The assumptions used to determine the retirement benefits for the years ended December 31, 2011 and 2010 are as follows:

	2011	2010
Discount rate	**5.25%**	6.20%
Salary increase rate	**8.00%**	8.00%

The amounts for the current and previous annual period of the PVBO and any experience adjustments are as follows:

	2011	2010
PVBO	**₱587,500**	₱221,100
Experience adjustments	**(36,200)**	120,300

19. Related Party Transactions

The significant transactions of the Company, in the normal course of business, with its related parties are described below.

Related Parties under Common Ownership
The Company has transactions with related parties under common ownership pertaining to working capital purposes. These are unsecured, noninterest-bearing and generally settled in cash and payable on demand.

The outstanding balances from related parties under common ownership arising from such transactions are as follows:

	2011	2010
Advances to affiliates:		
Pacifico Sul Mineracao Corporation	**₱1,097,204**	₱861,240
Colossal Petroleum Corporation	**636,179**	–
	₱1,733,383	₱861,240
Advances from an affiliate -		
Stronghold Steel Corporation	**₱36,001,867**	₱1,950,000

The 2011 financial statements were amended to reflect an adjustment to certain related party balances amounting to ₱229,908 which was adjusted against Stronghold Steel Corporation.

Lease Agreement
The Company entered into a lease agreement with its affiliate, JTKC Equities, Inc. Rental expense amounted to ₱3,610,032 and ₱2,926,688 in 2011 and 2010, respectively.

Key Management Personnel Compensation
No short-term or other benefits were paid to key management employees of the Company in 2011 and 2010.

20. Financial Assets and Liabilities

The Company's financial instruments consist mainly of financial assets and financial liabilities directly related to operations, specifically cash, advances to and from affiliates, trade receivables and trade and other payables.

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

Financial Risk Management Objectives and Policies

Price Risk. The price that the Company can charge for its coal is directly and indirectly related to the market price of coal. Prices are also affected by changes in the supply of coal and may be affected by the price of alternative fuel supplies, availability of shipping vessels as well as shipping costs.

There can be no assurance that coal prices will be sustained or that domestic and international competitors will not seek to replace the Company in its relationship with its key customers by offering higher quality, better prices or larger guaranteed supply volumes, any of which would have a materially adverse effect on the Company's profits.

All coal sales of the Company are sold for consumption in the Philippines.

The following table shows the effect on income before income tax should the change in the prices of coal occur based on the inventory of the Company as of December 31, 2011 and 2010 with all other variables held constant. The change in coal prices is based on 1-year historical price movements.

	Effect on Income before Income Tax	
Based on Ending Coal Inventory	**2011**	2010
Change in coal price:		
Increase by 10%	**₱35,344**	₱1,454,233
Decrease by 10%	**(35,344)**	(1,454,233)

Credit Risk. The Company's exposure to credit risk arises from the failure on the part of its counterparty in fulfilling its financial commitments to the Company under the prevailing contractual terms. Financial instruments that potentially subject the Company to credit risk consist primarily of cash, trade receivables and advances to affiliates. The Company's maximum exposure is equal to the carrying amount of these instruments. These present minimal credit risk based on management's assessment and are considered high grade accounts. High grade accounts consist of receivables from debtors with good financial condition and with relatively low defaults.

The Company has no past due nor impaired receivables from any counterparties as at December 31, 2011 and 2010.

Liquidity Risk. Liquidity risk arises from the Company's inability to raise sufficient funds at the least possible cost to meet its financial commitments. The Company'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 tables below present the maturity profile of the financial liabilities of the Company based on remaining contractual obligations as at December 31, 2011 and 2010:

	December 31, 2011				
	On Demand	**1 to 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**Total**
Trade and other payables*	**₱6,424,074**	**₱–**	**₱–**	**₱–**	**₱6,424,074**
Advances from an affiliate	**36,001,867**	**–**	**–**	**–**	**36,001,867**
	₱42,425,941	**₱–**	**₱–**	**₱–**	**₱42,425,941**

**excluding other taxes payable amounting to ₱316,978*

	December 31, 2010				
	On Demand	1 to 3 Months	3 to 12 Months	1 to 5 Years	Total
Trade and other payables*	₱2,706,706	₱–	₱–	₱–	₱2,706,706
Advances from an affiliate	1,950,000	–	–	–	1,950,000
	₱4,656,706	₱–	₱–	₱–	₱4,656,706

**excluding other taxes payable amounting to ₱166,935*

Capital Management

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

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

In determining reasonable leverage, the Company evaluates its cost of capital and manages its level of debt to maintain an optional cost of capital based in current conditions.

The Company is not subject to externally-imposed capital requirements.

21. Fair Value Measurement of Financial Instruments

Set out below is a comparison of carrying amounts and fair values of financial assets and liabilities as at December 31, 2011 and 2010:

	2011		2010	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial assets:				
Cash	**₱1,353,149**	**₱1,353,149**	₱1,682,164	₱1,682,164
Trade receivables	**147,250**	**147,250**	677,297	677,297
Advances to affiliates	**1,733,383**	**1,733,383**	861,240	861,240
	₱3,233,782	**₱3,233,782**	₱3,220,701	₱3,220,701
Financial liabilities:				
Trade and other payables*	**₱6,424,074**	**₱6,424,074**	₱2,706,706	₱2,706,706
Advances from an affiliate	**36,001,867**	**36,001,867**	1,950,000	1,950,000
	₱42,425,941	**₱42,425,941**	₱4,656,706	₱4,656,706

**excluding other taxes payable amounting to ₱316,978 and ₱166,935 as at December 31, 2011 and 2010, respectively.*

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

Current Financial Assets and Liabilities. The carrying amounts of cash, trade receivables, trade and other payables and advances to/from affiliates approximate their fair values due to the short-term nature of these financial instruments.

22. **Income Taxes**

The Company 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 income tax expense consists of deferred income tax benefit amounting to ₱2,324,225 in 2011.

As at December 31, 2011, the Company's recognized deferred tax assets shown in the statement of financial statement consists of the following:

NOLCO	₱2,306,383
Retirement benefit cost	17,842
	₱2,324,225

Management's assessment based on available evidence, specifically the Company's positive financial forecasts, demonstrates that above deferred tax assets are realizable.

In 2010, the Company did not recognize any deferred tax assets on NOLCO and retirement benefit cost amounting to ₱3,129,075 and ₱2,729, respectively, since the management believes that the related tax benefits may not be recoverable.

The details of the Company's NOLCO and their respective availment periods are presented below:

Year Incurred	Amount	Applied	Unexpired	Valid Until
2010	₱4,671,538	₱–	₱4,671,538	2015
2009	5,560,633	2,544,227	3,016,406	2014
2008	198,081	198,081	–	2013
	₱10,430,252	₱2,742,308	₱7,687,944	

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 10 years of operation as a deduction from taxable income for the next 5 years immediately following the year of loss.

A reconciliation between the income tax expense based on statutory income tax rate and the effective income tax rate on income before tax is as follows:

	2011	2010 (As restated - see Note 5)
Income tax at statutory tax rate	**₱808,395**	(₱1,403,006)
Interest income subjected to final tax	**(816)**	(1,184)
Change in unrecognized deferred tax assets	**(3,131,804)**	1,404,190
	(₱2,324,225)	₱–

23. Basic Earnings Per Share

The following table presents information necessary to calculate earnings per share:

	2011	2010	2009
Net income (loss)	**₱5,018,874**	(₱4,676,686)	(₱5,415,565)
Divided by weighted average number of common shares outstanding	**69,375,000**	41,250,000	31,250,000
Basic earnings (loss) per share	**₱0.07**	(₱0.11)	(₱0.17)

24. Commitments

The Company has the following contractual commitments:

Lease Agreement

The Company has a lease agreement with its affiliate, JTKC Equities, Inc., which commenced in 2010 and was renewed in 2011 valid until July 31, 2013 renewable upon mutual consent of both parties. Rental expense amounted to ₱3,610,032 and ₱2,926,688 in 2011 and 2010, respectively (see Note 16).

Future minimum lease payments under non-cancellable operating lease as at December 31, 2011 are payable as follows:

Within one year	₱3,610,032
After one year but not more than five years	2,105,852
	₱5,715,884

Coal Operating Contracts with DOE

The Government, through the Department of Energy (DOE), awarded 5 Coal Operating Contracts (COC) to the Company. The exploration phase under the COCs is for 2 years and can be extended for another 2 years upon the approval of the DOE. The development and production phase commences when DOE and the Company agrees on the existence of Coal Reserves in Commercial Quantity subject to the terms and conditions in the COC.

COC Nos. 159, 166 and 167 were extended for another 2 years in 2011 with the approval of DOE while COC Nos. 158 and 168 were given up by the Company. Management believes that no obligation will arise from COC Nos. 158 and 168 that were given up.

COC No. 159 covers 7,000 hectares in Davao Oriental while COC Nos. 166 and 167 which are located Zamboanga Sibugay covers 4,000 hectares and 2,000 hectares, respectively. Activities done throughout the year includes geological mapping, subsurface investigation, drilling and geodetic survey. The Company is obliged to spend not less than ₱195,500,000 for the direct implementation of the Work Program of the exploration phase of these COCs.

The DOE is paid, as share of the Government, the balance of the gross income after deducting all operating expenses and the Company'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. The Company is 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. The DOE's share under the COCs amounted to ₱49,805 and ₱37,332 in 2011 and 2010, respectively.

25. Operating Segments

For management reporting purposes, the Company 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 Company.

26. Supplementary Information Required by the Bureau of Internal Revenue (BIR)

The information required by RR 15-2010 is presented below. This information is presented for the purpose of filing with the BIR and is not a required part of the basic financial statements.

Local and National Taxes

The Company's local and national taxes for the year ended December 31, 2011 consist of:

Local:	
Business permit	₱35,589
Annual registration fee	3,150
Community tax	2,254
Others	2,157
National:	
Motor vehicle registration fees	4,006
Others	49,805
	₱96,961

The above local and national taxes are classified under "Taxes and licenses" account in general and administrative expenses.

Withholding Taxes

Withholding taxes paid for and accrued by the Company for the year ended December 31, 2011 consist of:

	Paid	Accrued
Expanded withholding tax	₱338,259	₱66,475
Withholding tax on compensation	1,482,081	205,138
	₱1,820,340	₱271,613

Tax Assessments

The Company has no pending deficiency tax assessment from the BIR as at December 31, 2011.

Tax Cases

The Company has no pending tax case in courts or other regulatory bodies outside the BIR as at December 31, 2011.

ANNEX V

CP REPORTS – DAVAO ORIENTAL AND ZAMBOANGA-SIBUGAY PROJECTS

Coal Asia Holdings
Reliable energy resources through responsible mining

September 24, 2012

THE PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City 1226
Philippines

Attention: **MS. MARSHA ANGELYN M. RESURRECCION**
Head, Issuer Regulation Division

MR. J.V. B. ZUÑO III
Officer-in-Charge, Listings Department

MR. LEON MICHAEL M. CANCILLER
Listing Analyst

Re: **COAL ASIA HOLDINGS INCORPORATED**
PLANNED INITIAL PUBLIC OFFERING

Gentlemen:

This is in relation to the planned initial public offering ("IPO") of Coal Asia Holdings Incorporated ("COAL" or the "Company") on the First Board of The Philippine Stock Exchange, Inc. ("PSE" or the "Exchange") of 800,000,000 common shares at an offer price of ₱1.00. As required by the Exchange, we are herewith submitting the soft copies of the Competent Person's Report for the Davao Oriental and Zamboanga-Sibugay Projects as supplement to the Red Herring uploaded on the PSE website on September 17, 2012. The same documents will replace the current Annexes V and VI found in the Red Herring posted on the PSE website.

We hope that you will find everything in order.

Thank you.

Very truly yours,

HARALD R. TOMINTZ
Chairman

Coal Asia Holdings
Reliable energy resources through responsible mining

September 25, 2012

THE PHILIPPINE STOCK EXCHANGE, INC.
Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue, Makati City 1226
Philippines

Attention: **MS. MARSHA ANGELYN M. RESURRECCION**
Head, Issuer Regulation Division

MR. J.V. B. ZUÑO III
Officer-in-Charge, Listings Department

MR. LEON MICHAEL M. CANCILLER
Listing Analyst

Re: **COAL ASIA HOLDINGS INCORPORATED**
PLANNED INITIAL PUBLIC OFFERING

Gentlemen:

This is in relation to the planned initial public offering ("IPO") of Coal Asia Holdings Incorporated ("COAL" or the "Company") on the First Board of The Philippine Stock Exchange, Inc. ("PSE" or the "Exchange") of 800,000,000 common shares at an offer price of ₱1.00.

I, Mr. Enrique C. Payawal, a registered Competent Person under the Geological Society of the Philippines, hereby provide my consent to the public filing of the Technical Report for COAL's Coal Operating Contract Numbers 159, 166, and 167, and to extract from the said Technical Reports information written in the Red Herring and Final Prospectuses. I also have carefully reviewed the written Red Herring and Final Prospectuses filed with the Securities and Exchange Commission and the PSE and press releases, which includes management analysis. I verify that information provided in the Red Herring and Final Prospectuses and said press releases fairly and accurately represent the information embodied in the Technical Report. Lastly, I verify that at the time of the Technical Report, to the best of my knowledge, all technical information that is required to make the report is not misleading.

Very truly yours,

ENRIQUE C. PAYAWAL
Registered Geologist
PRC No. 255
December 18, 1968

PTR for Geologist
No. 3303063
April 20, 2012
Makati City

PMRC – CP
June 02, 2009

ANNEX V-A

INTERNAL GEOLOGIC REPORT
RESULT OF EXPLORATION
DAVAO COAL PROJECT

INTERNAL GEOLOGIC REPORT
RESULT OF EXPLORATION
DAVAO COAL PROJECT

Municipality of Manay, Davao Oriental

Coal Operating Contract No. 159

of

TITAN MINING AND ENERGY CORPORATION

3/F JFKC Centre, 2155 Don Chino Roces Ave.
Makati City, Philippines

by:

Enrique C. Payawal
Geologist
Vice-President for Exploration

April 04, 2012

TABLE OF CONTENTS

Section	Description	Page No.
1.	**CERTIFICATE AND CONSENT OF COMPETENT PERSON *(CP)***	**5**
2.	**SUMMARY**	**6**
	2.1 INTRODUCTION	**6**
	2.2 PROPERTY DESCRIPTION	**6**
	2.3 PROPERTY LOCATION	**6**
	2.4 OWNERSHIP	**9**
	2.5 GEOLOGY AND MINERALIZATION	**9**
	2.6 EXPLORATION CONCEPT	**9**
	2.7 STATUS OF EXPLORATION	**10**
	2.8 CONCLUSIONS	**10**
	2.9 RECOMMENDATIONS	**11**
3.	**INTRODUCTION**	**11**
	3.1 REPORT PREPARATION	**11**
	3.2 COMPLIANCE OF REPORT WITH PHILIPPINE MINERAL REPORTING CODE *(PMRC)*	**11**
	3.3 PURPOSE OF REPORT AND SCOPE OF WORK	**11**
	3.4 DURATION OF THE PREPARATION	**11**
	3.5 MEMBERS OF THE TECHNICAL REPORT PREPARATION TEAM	**12**
4.	**RELIANCE ON OTHER EXPERTS**	**12**
5.	**TENEMENT AND MINERAL RIGHTS**	**12**
	5.1 DESCRIPTION OF MINERAL RIGHTS	**12**
	5.1.1 Type of Permit or Agreement with the Government	**13**
	5.1.2 Number of Hectares Covered by Coal Operating Contract (COC)	**13**
	5.2 LOCATION	**13**
	5.3 COORDINATE LOCATION AS PER DEPARTMENT OF ENERGY (*DOE*)	**13**
	5.4 CURRENT OWNER OF MINERAL RIGHTS	**13**
	5.5 LOCATION OF COAL RESOURCES	**14**
6.	**GEOGRAPHIC FEATURES**	**14**
	6.1 LOCATION AND ACCESSIBILITY	**14**
	6.2 TOPOGRAPHY, PHYSIOGRAPHY, DRAINAGE AND VEGETATION	**14**
	6.3 CLIMATE	**15**
	6.4 LAND USE	**15**
	6.5 POPULATION AND SOCIO ECONOMIC ENVIRONMENT	**15**
	6.6 ENVIRONMENTAL FEATURES	**15**
	6.6.1 Pedology	**15**
	6.6.2 Biological Environment	**16**
	6.6.3 Water Environment	**16**
7.	**PREVIOUS WORK**	**16**
8.	**HISTORY OF PRODUCTION**	**16**

9. REGIONAL AND DISTRICT GEOLOGY 17
9.1 REGIONAL GEOLOGIC SETTING **17**
9.2 STRATIGRAPHY **17**
9.3 STRUCTURAL GEOLOGY **19**
9.4 COAL OCCURRENCES **20**
9.5 COAL QUALITY **22**

10. COAL OPERATING CONTRACT *(COC)* AREA GEOLOGY 24

11. COAL OCCURRENCES IN THE COC AREA 26

12. DEPOSIT TYPES 30
12.1 MINERAL DEPOSIT TYPE **30**
12.2 GEOLOGIC MODELLING **30**

13. MINERALIZATION 31
13.1 DESCRIPTION OF SURROUNDING ROCK TYPES **31**
13.2 MINERAL ZONES **31**
13.3 COAL QUALITIES **31**

14. EXPLORATION 32
14.1 SURFACE GEOLOGIC MAPPING **32**
14.2 DIAMOND DRILLING **32**
14.3 SAMPLING METHOD AND APPROACH **37**
14.3.1 Borehole Drilling Operations **37**
14.3.2 Quality Control Measures **37**
14.3.3 Data Verification Procedures **37**
14.4 SAMPLE PREPARATION, ANALYSES AND SECURITY **38**
14.4.1 Geo-mechanical Logging of Core Samples **38**
14.4.2 Sample Preparation Methods **38**
14.4.3 Security Methods **38**

15. ESTIMATE OF COAL RESOURCE 38
15.1 DATABASE USED **38**
15.2 INTEGRITY OF DATABASE **39**
15.3 DATA VERIFICATION AND VALIDATION **39**
15.4 CUT-OFF GRADES USED IN ESTIMATION **39**
15.5 ESTIMATION METHOD OF COAL RESOURCE **39**
15.5.1 Resource Criteria **40**
15.5.2 Data Resource and Modelling **40**
15.6 ESTIMATE OF COAL RESOURCE **45**

16. INTERPRETATION AND CONCLUSIONS 46

17. RECOMMENDATIONS 47

18. REFERENCES 49

LIST OF TABLES

Table	Description	Page No.
1	COAL MINI BASINS AND COAL SEAMS	**27**
2	ANALYSES OF COAL SEAMS	**29**
3	DRILL HOLE COAL INTERCEPTS AND COAL OUTCROPS OF BACTINAN AREA	**33**
4	DRILL HOLE COAL INTERCEPTS AND COAL OUTCROPS OF MACOPA AREA	**34**
5	RESOURCE BLOCK TABULATION	**44**
6	ESTIMATE OF COAL RESOURCES AT BACTINAN AND MACOPA AREAS	**45**
7	ESTIMATE OF POTENTIAL TONNAGE	**45**
8	PHASES OF EXPLORATION/DEVELOPMENT	**48**

LIST OF FIGURES

Figure	Description	Page No.
1	LOCATION MAP	**7**
2	TENEMENT MAP	**8**
3	REGIONAL STRATIGRAPHIC COLUMN	**19**
4	REGIONAL STRUCTURAL SETTING	**21**
5	GEOLOGIC MAP OF COC AREA	**25**
6	1:10,000 DRILL HOLE LOCATIONS AND OUTCROP MAP OF BACTINAN AREA	**35**
7	1:10,000 DRILL HOLE LOCATIONS AND OUTCROP MAP OF MACOPA AREA	**36**
8	RESOURCE BLOCKS OF BACTINAN AREA	**42**
9	RESOURCE BLOCKSOF MACOPA AREA	**43**

LIST OF ATTACHMENTS

Attachment	Description
1	1:20,000 GEOLOGIC MAP OF THE COC AREA
2	1:20,000 IDEALIZED CROSS SECTION OF THE COC AREA
3	1:2000 GEOLOGY, RESOURCE BLOCK AND LOCATION MAP OF DRILL HOLES AND COAL OUTCROPS OF BACTINAN AREA
4	1:2000 GEOLOGY, RESOURCE BLOCK AND LOCATION MAP OF DRILL HOLES AND COAL OUTCROPS OF MACOPA AREA
5	1:2000 CROSS SECTIONS OF RESOURCE BLOCKS OF BACTINAN AREA
6	1:2000 CROSS SECTIONS OF RESOURCE BLOCKS OF MACOPA AREA
7	CERTIFICATES OF ANALYSIS

1.0 CERTIFICATE AND CONSENT OF COMPETENT PERSON *(CP)*

- I am legally licensed to practice the Profession of Geologist in the Philippines.
- I am a life-member of the Geological Society of the Philippines.
- I am an accredited "Competent Person" *(CP)* by the Geological Society of the Philippines in accordance with the Philippine Mineral Reporting Code *(PMRC)* in regards to reporting of Exploration Results and Mineral Resources.
- I fully understand the PMRC and its Implementing Rules & Regulations *(IRR)* in report preparation of Exploration Results and Mineral Resources.
- I have worked with previous private mining companies for over 40 years in the exploration of metallic deposits *(Copper, Gold, Chromite, Manganese, Nickel, and Iron)* and non-metallic deposits *(Silica, Feldspar, Aggregates, and Coal)*.
- I have supervised the preparation of this report and personally conducted field geologic investigation to verify the integrity of the result of exploration.

ENRIQUE C. PAYAWAL
Registered Geologist
PRC No. 255
December 18, 1968

PTR for Geologist
No. 3303063
April 20, 2012
Makati City

PMRC – CP
June 02, 2009

2.0 SUMMARY

2.1 INTRODUCTION

Titan Mining and Energy Corporation *(TMEC)* commissioned the preparation of the report to consolidate and interpret the result of exploration conducted by *TMEC's* exploration team on its coal project area in Davao Oriental. The report is part of *TMEC's* document pertinent to *TMEC's* rights offering to possible foreign investors.

The technical report preparation team has endeavoured to make this report compliant with the Implementing Rules and Regulations (*IRR)* of the Philippine Mineral Reporting Code *(PMRC)*.

Work on the technical report started on February 15, 2012 up to March 15, 2012 *(gathering of pertinent exploration reports, field visits and verification)*; March 16, 2012 to March 30, 2012 *(collation, interpretation and review*); April 1, 2012 to April 15, 2012 (*writing and submission).*

2.2 PROPERTY DESCRIPTION

The coal project area is covered by Coal Operating Contract No. 159 *(COC #: 159)* which was granted by the Department of Energy *(DOE)* to *TMEC* on September 10, 2009.

The contract covers an exploration phase of two *(2)* years which may be extended for another period of two *(2)* years and a development and operating phase of thirty two *(32)* years.

The exploration phase was extended by the Department of Energy *(DOE)*, upon request by *TMEC*, until September 15, 2013.

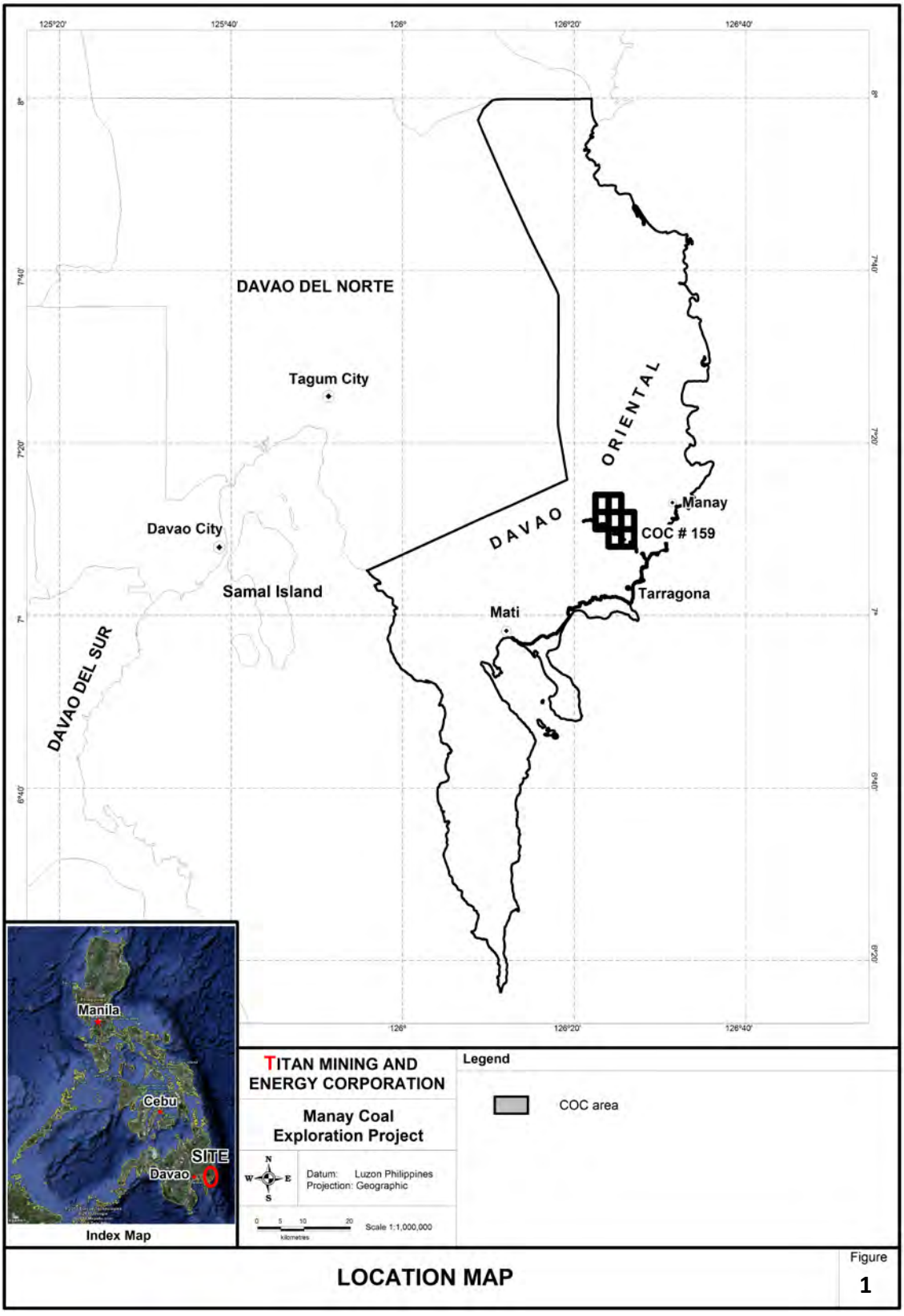
The development and operating phase will commence upon *DOE's* validation of the resource estimate made by *TMEC*.

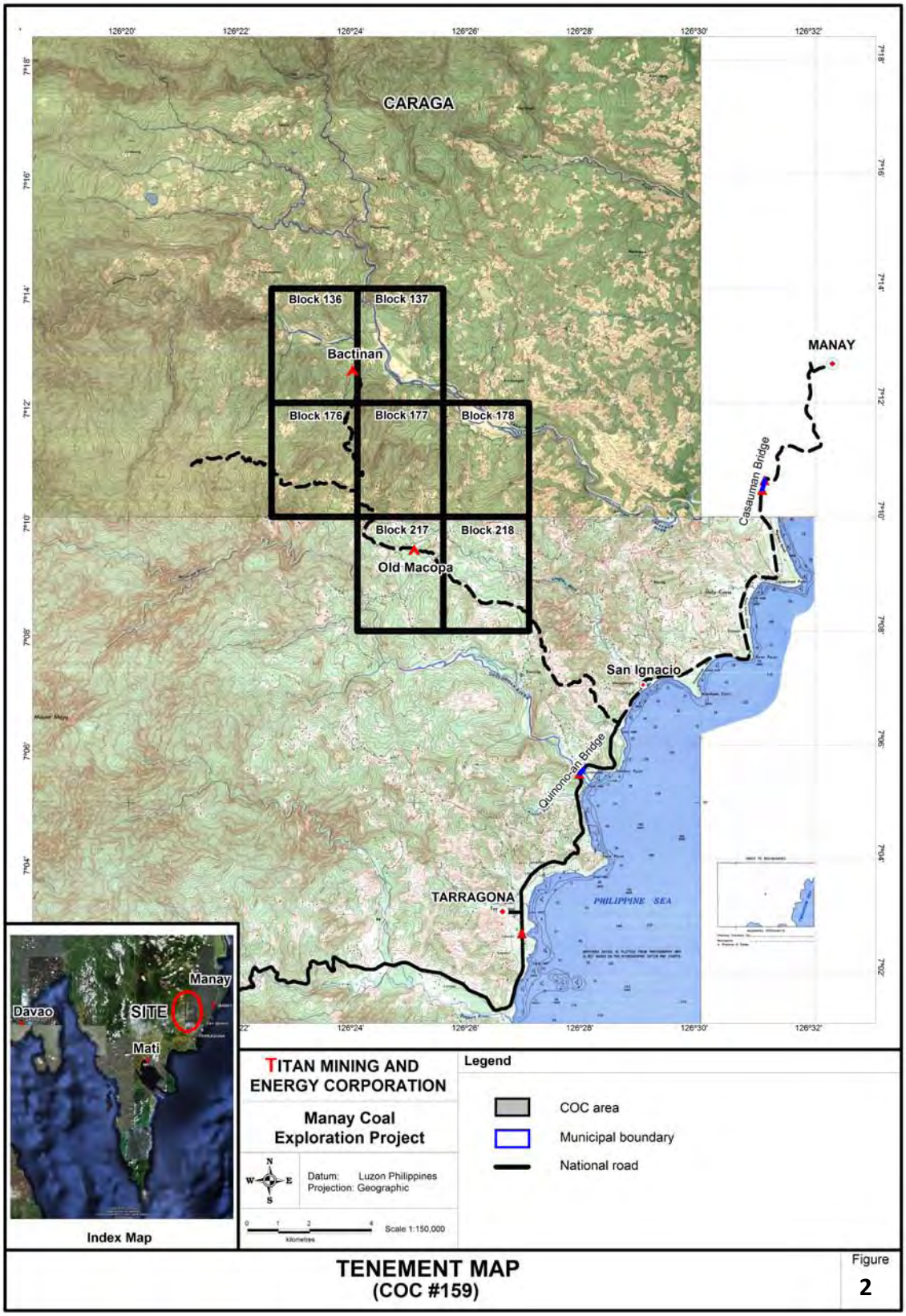
COC #: 159 encompasses seven *(7)* adjoining 1000-hectare Coal Blocks *(CBs)* or a total area of 7,000-hectares as follows:

Coal Operating Contract No.	Coal Block No.	Area (has.)	Location
COC #: 159	**136, 137**	**2,000**	Manay,Davao Oriental
	176, 177, 178	**3,000**	Manay,Davao Oriental
	217, 218	**2,000**	Manay and Tarragona, Davao Oriental
	TOTAL	**7,000**	

2.3 PROPERTY LOCATION

COC #: 159 is situated in Barangays Old Macopa, Holy Cross, San Ignacio, Capasnan, Lambog and Rizal in the Municipality of Manay and Barangay Dadong, in the Municipality of Tarragona, all in the Province of Davao Oriental.


125°20'
125°40'
126°
126°20'
126°40'
8°
7°40'
7°20'
7°
6°40'
DAVAO DEL NORTE
Tagum City
DAVAO ORIENTAL
Manay
COC # 159
Davao City
DAVAO
Samal Island
Tarragona
Mati
DAVAO DEL SUR
Manila
Cebu
SITE
Davao
Index Map
TITAN MINING AND ENERGY CORPORATION
Manay Coal Exploration Project
N
W
E
S
Datum: Luzon Philippines
Projection: Geographic
0 5 10 20
kilometres
Scale 1:1,000,000
Legend
COC area
LOCATION MAP
Figure
1



TENEMENT MAP
(COC #159)

Figure **2**

COC #: 159 is bounded by the following geographic coordinates:

Corner	Latitude	Longitude
1	7°14'00"	126°22'30"
2	7°14'00"	126°25'30"
3	7°12'00"	126°25'30"
4	7°12'00"	126°27'00"
5	7°08'00"	126°27'00"
6	7°08'00"	126°24'00"
7	7°10'00"	126°24'00"
8	7°10'00"	126°22'30"

2.4 OWNERSHIP

TMEC is the current holder of mineral rights over the coal project area by virtue of *COC #: 159* which was granted to *TMEC* by the *DOE* on September 10, 2009.

2.5 GEOLOGY AND MINERALIZATION

The coal seams of the sedimentary basins in the Mindanao Pacific Cordillera occur within the Mangagoy Formation of Late Oligocene to Early Miocene age. They are considered to be part of a paralic belt of sediments that extends from the Mangagoy area along the length of eastern Mindanao.

The coal seams are bounded above and below by clastic sedimentary rocks most commonly mudstones, sandstones and siltstones. Within the seams are inter-seam partings of predominantly mudstones.

2.6 EXPLORATION CONCEPT

Exploration was carried out by identifying on the ground geological paleo-environment of coal deposition through detailed geologic mapping.

Individual coal outcrops located on the ground were trenched to fully expose the seams such that these may be characterized and correlated.

Correlated coal outcrops were projected to identify coal seams that served as diamond drill hole targets at depth.

2.7 STATUS OF EXPLORATION

Detailed surface geologic mapping was conducted on the property and the results are as follows:

Coal seams in the *COC* area are associated with the Carbonaceous Mudstone Member of the Mangagoy Formation. The seams occur as interbeds and thus strike and dip congruently with the mudstone beds.

Thirteen *(13)* individual carbonaceous mudstone "islands" or mini basins containing a total area of 1, 204 *has.*were mapped in the project area.

Ten *(10)* out of the thirteen *(13)* mini basins contain a total of forty *(40)* outcrops of coal beds with thickness ranging from 0.18 meter to 4.57 meters.

Three *(3*) individual coal seams were recognized after correlating the coal outcrops that were mapped in the mini basins at Bactinan (Coal Block 136) and Macopa (Coal Block 217).

Table 1. shows the individual mini basins, their respective aerial extent and coal outcrops.

Diamond core drilling campaign was initiated in two *(2)* of the ten *(10)* identified coal bearing mini basins namely Bactinan (Coal Block 136) and Macopa (Coal Block 217).

A total of twenty two *(22)* holes were drilled to date of which fifteen *(15)* holes intersected coal seams at depth.

Diamond drilling activity is currently on-going to complete the subsurface exploration at Bactinan.

2.8 CONCLUSIONS

Thirteen *(13)* individual mini coal depositional basins are located in the *COC* area. Ten *(10)* of these basins are carbonaceous mudstones with interbeds of coal seams. Within these ten *(10)* mini basins, a total of forty *(40)* coal outcrops with thickness ranging from 0.18 *m* to 4.57 *m* were located.

Correlating the coal outcrops resulted into the identification of at least two *(2)* to three *(3)* coal beds in the ten *(10)* individual mudstone mini basins.

Diamond Drilling Activities (22 holes completed) within Bactinan and Macopa, two *(2)* of the ten *(10)* mini basins, confirmed the continuity of the coal seams at depth.

The estimated Measured and Indicated *(M&I)* coal resource within the drilled mini basins at Bactinan and Macopa totals to 7.1 MMT and an Inferred Resource of 5.6 MMT *(Table 5).* The entire *COC* area however has a remaining "Potential" or "Target" coal deposit of 59 MMT *(Table 6),* that warrants further exploration activity.

2.9 RECOMMENDATIONS

Exploration activities conducted on the project as discussed in Section 12.0 represent Phase I, Phase II and partial Phase III of the Philippines Mineral Reporting Code *(PMRC)* exploration / development phases presented by Dr. PABLITO ONG in the PMRC's accreditation training seminar*. (Table 8)*

The result of exploration conducted on the area clearly indicates that Phase III should be pursued further.

This entails further detailed geologic mapping, more trenching, and core drilling within the remaining eight *(8)* mini basins.

3.0 INTRODUCTION

3.1 REPORT PREPARATION

TMEC commissioned the preparation of the report to consolidate and interpret the Result of Exploration conducted by *TMEC's* exploration team on its coal project area in Davao Oriental. The report is part of *TMEC's* document pertinent to *TMEC's* rights offering to possible foreign investors.

3.2 COMPLIANCE OF REPORT WITH PMRC

The technical report preparation team has endeavoured to make this report compliant with the Implementing Rules and Regulations *(IRR)* of the *PMRC*.

3.3 PURPOSE OF REPORT AND SCOPE OF WORK

The purpose is to present the result of exploration in conformance with the *IRR* of the *PMRC*. The report conforms with TR-Form 01 of the *PMRC*.

3.4 DURATION OF THE PREPARATION

Work started on February 15, 2012 up to March 15, 2012 *(gathering of pertinent exploration reports, field visits and verification)*; March 16, 2012 to March 30, 2012(*collation, interpretation and review*); April 1, 2012 to April 15, 2012 (*writing and submission).*

3.5 MEMBERS OF THE TECHNICAL REPORT PREPARATION TEAM

3.5.1 MR. ENRIQUE C. PAYAWAL
Geologist
VP-Exploration, TMEC

PRC Reg. No. 255
December 18, 1968

Competent Person *(CP)*
Philippine Mineral Reporting Code *(PMRC)*
June 02, 2009

3.5.2 MS. GIZELLA GRETA DJ. GONZALES
Senior Geologist
PRC Reg. No. 1425
August 23, 2000

3.5.3 ENGR. JOEY D. BALDONADE
Geodetic Engineer
PRC Reg. No. 07260
Feb. 17, 2006

4.0 RELIANCE ON OTHER EXPERTS

Mr. Arturo A. Ona, a geologist based at Reno, Nevada, USA and a registered geologist *(No. 14646)* in the State of Arizona, USA, spent one *(1)* week in the Project while gathering field geological data for his National Instrument 43-101 *(NI43-101)* Independent Geological Report on the property.

Mr. Ona visited all the coal outcrops, diamond drill hole locations and some strategically located rock exposures. He likewise checked all the drill core boxes to confirm the integrity of the drill logs.

5.0 TENEMENT AND MINERAL RIGHTS

5.1 DESCRIPTION OF MINERAL RIGHTS

5.1.1 Type of Permit or Agreement with Government

The coal project area is covered by *COC #: 159* which was granted by the *DOE* to *TMEC* on September 10, 2009.

5.1.2 Number of Hectares *(has)* Covered by *COC*

COC #: 159 encompasses seven *(7)* adjoining 1,000-*ha*. *CBs* or a total area of 7,000 *has*. as follows:

Coal Operating Contract No.	Coal Block No.	Area (Has.)	Location
COC #: 159	**136, 137**	**2,000**	Manay, Davao Oriental
	176, 177, 178	**3,000**	Manay, Davao Oriental
	217, 218	**2,000**	Manay and Tarragona, Davao Oriental
	TOTAL	**7,000**	

5.2 LOCATION

COC #: 159 is situated in Barangays Old Macopa, Holy Cross, San Ignacio, Capasnan, Lambog and Rizal in the Municipality of Manay and Barangay Dadong, in the Municipality of Tarragona, all in the Province of Davao Oriental.

5.3 COORDINATE LOCATIONS AS PER DOE

COC #: 159 is bounded by the following geographic coordinates:

Corner	Latitude	Longitude
1	7°14'00"	126°22'30"
2	7°14'00"	126°25'30"
3	7°12'00"	126°25'30"
4	7°12'00"	126°27'00"
5	7°08'00"	126°27'00"
6	7°08'00"	126°24'00"
7	7°10'00"	126°24'00"
8	7°10'00"	126°22'30"

5.4 CURRENT OWNER OF MINERAL RIGHTS

TMEC is the current holder of mineral rights over the coal project area by virtue of *COC #: 159* which was granted to *TMEC* by the *DOE* on September 10, 2009. *COC* # 159 was later renewed by the *DOE* for another period of two *(2)* years *(September 16, 2011 to September 15, 2013)*.

5.5 LOCATION OF COAL RESOURCES

The coal prospects occur in *CBs* 136, 137, 176, 177, 178, 217, and 218 within *COC #: 159*. *(see Figure 2: Tenement Map)*

6.0 GEOGRAPHIC FEATURES

6.1 LOCATION AND ACCESSIBILITY

A major portion of the 7000-*ha. COC* area falls within the Municipality of Manay, Davao Oriental, more specifically in Barangays Old Macopa, San Ignacio, Holy Cross, Lambog and Capasnan. A small fraction *(703 has)* is within Barangay Dadong, in the Municipality of Tarragona.

The exploration base camp of *TMEC* is situated in Barangay Old Macopa.

Barangay Old Macopa is 11 kilometers *(kms.)* via dirt and gravel road from the Provincial Coastal Highway at Barangay San Ignacio. Barangay San Ignacio of the Municipality of Manay is approximately 51 *kms.* via the Provincial Highway from the Capital City of Mati.

The City of Mati is a 4-hour drive from the Davao International Airport.

6.2 TOPOGRAPHY, PHYSIOGRAPHY, DRAINAGE, AND VEGETATION

The project area is characterized by rugged terrain and high relief, manifested by steep cliffs and slopes, sharp ridges, and deeply incised valleys. Elevation within the *COC* area ranges from 100 *m* Above Sea Level *(ASL)* to as high as 700 *m ASL*. Southwest of the *COC* area lies Mount Mayo with summit elevation of 1760 *m ASL*. Mount Kampalili looms in the northwest and towers at 2396 *m ASL*.

The project area is drained by two *(2)* major rivers. The Casauman River on the north, originates from Mount Kampalili and flows south-easterly towards the Philippine Sea. The Quinonoan River on the south, originates from Mount Mayo and flows north-easterly then south-easterly until it also drains to the Philippine Sea.

Vegetation in the area is characterized by coconut and some fruit trees growing along valleys and gentle slopes. A few patches of land are planted to Mangiums and Falcatas. Hardwood trees and other plants typical of a tropical rain forest dominate areas of higher elevations and steep slopes.

6.3 CLIMATE

The province of Davao Oriental falls under Type II of Philippine Atmospheric Geophysical and Astronomical Services Administration's (*PAGASA)* modified Coronas Climate Classification Scheme. Rainy season prevails the whole year-round with pronounced heavy rainfall during December. The monthly mean temperature is 27.2°C and the average annual relative humidity is recorded at 80%. The average annual precipitation varies from 1000 millimeters *(mm)* at the south to 4000 *mm* in the north eastern section of the province.

6.4 LAND USE

Based on the 1997-2007 Comprehensive Municipal Development Plan *(CMDP)* of Manay, Davao Oriental, land use in the municipality is classified into: *(1)* timberland covering 66.03% of the total municipal land area, and *(2)* alienable and disposable, encompassing 33.97% of the total land area.

The *COC* area falls within the second classification.

6.5 POPULATION AND SOCIO ECONOMIC ENVIRONMENT

Population of Manay was observed to be 35,428 in 1995. This was projected to have grown to 39,921 in 2007. In 1995 the urban population represents 63.25% of the total inhabitants. 55.44% is also considered to be economically productive. Majority of the labor force is engaged in agriculture, forestry, and fishing. 16% is in manufacturing, charcoal making, and 3% is in construction, transportation, and trading.

The population of Manay totalled 35,425 in 1995. Among the inhabitants of Manay, majority or 83% speaks Davaweno, 9% Cebuano, 5.4% Mandaya, and the rest speak either Tagalog, Hiligaynon, Ilocano or Pampangeño.

6.6 ENVIRONMENTAL FEATURES

6.6.1 PEDOLOGY

Three *(3)* types of soil are recognized in the municipality. These are as follows:

Camansa Sandy Clay Loam. This soil type is present in ten *(10)* of the seventeen *(17)* barangays and covers 36,952 *has.* or 77.04% of the Municipality.

Bolinao Clay Loam. This soil occupies 9,128 *has.* or 19.03% of Manay.

Matina Clay Loam. 1,884 *has.* or 3.93% of the municipal land area is covered by this type of soil.

All clay types recognized in the area are most suitable for diversified crops as per Municipal Agriculture Office *(MAO)* record.

6.6.2 BIOLOGICAL ENVIRONMENT

The floral assemblage in the area is composed mostly of coconut and some fruit trees. Small patches of Mangiums and Falcata trees cover some slopes dipping more than 20°. Hardwood trees are recognizable in areas of higher elevation.

Faunal assemblage in the area is limited to small wild life such as field rats, birds of prey, lizards, snakes, and insects. Domesticated animals such as chicken, dogs, and carabaos are almost always present near small farms and households.

6.6.3 WATER ENVIRONMENT

No water quality test was conducted in the area. It was observed however that water from selected streams is used for drinking and cooking.

Surface run-off drains to the east by the Casauman River and its tributaries, emptying to the Philippine Sea in the Northern portion of the *COC*. The southern area is drained by the Quinonoan River that also flows eastward to the Philippine Sea.

7.0 PREVIOUS WORK

Although no official record was available, verbal communication with the barangay residents confirms the exploration activities conducted by the Philippine National Oil Company *(PNOC)* in early 1980. Detailed stream traverses were conducted and coal outcrops appeared to have been trenched. *PNOC* drilled a hole in Sitio Bactinan reportedly to intercept three *(3)* coal seams at depth.

8.0 HISTORY OF PRODUCTION

The *COC* area has never been subjected to any mining activity.

9.0 REGIONAL AND DISTRICT GEOLOGY

9.1 REGIONAL GEOLOGIC SETTING

The project area is situated in the Southern Pacific Cordillera in the south eastern corner of the island of Mindanao.

The Pacific Cordillera is predominantly underlain by a sequence of Pre-Tertiary ophiolitic, and metamorphic rocks, basalt flows, agglomerates and indurated clastic rocks. The younger rocks consist of sedimentary and extrusive rocks dated Early Eocene to Middle Miocene to Pleistocene.

9.2 STRATIGRAPHY

The stratigraphic sequence of the Southern Pacific Cordillera is described from the oldest to the youngest as follows:

9.2.1 Pujada Ophiolitic Complex *(Late Cretaceous)*

This basement rock composed of undifferentiated ophiolitic and metamorphic rocks such as amphibolite schists and serpentinites are recognized immediately north of the Calapagan – Marayag Valley. Metasedimentary rocks consist of well-indurated sandstones with bioturbation and slump feature were mapped in the Tarragona area. Cretaceous limestones were recognized in Hijo River and Mati.

9.2.2 Barcelona Formation (*Cretaceous – Paleogene)*

The term Barcelona Formation was introduced by *Aurelio and Peña* to describe the rocks, initially recognized by *Vergara and Spencer (1957)* along the eastern coast from Bislig to Lingig as consisting of basalt flows with intercalated agglomerates, breccias and highly indurated clastic sedimentary rocks. The presence of columnar and pillow structures are described.

9.2.3 Tagabakid Formation *(Late Eocene)*

The term Tagabakid Formation was also introduced by *Aurelio and Peña* to describe the Eocene carbonates recognized by *Quebral (1994)* between Mati and Tarragona.

The Tagabakid Formation consists of a lower flysch member and upper carbonate member. The lower clastic member starts with rhythmic intercalations of thin but well bedded fine sandstones and mudstones. It contains more mudstones and marls towards the top until it passes into the upper member represented by massive reefal limestone. Eocene limestones have also been dated in Bislig and Hijo River.

9.2.4 Cateel Quartz Diorite *(Miocene)*

The intrusive rock of the southern Pacific Cordillera consists mainly of plagioclase, hornblende, biotite and quartz and is generally leucocratic, medium grained and hypidiomorphic granular. Other phases are melanocratic, fine grained and porphyritic. The Cateel Quartz Diorite is best exposed in the upper reaches of the Caraga and Cateel Rivers.

9.2.5 Mangagoy Formation *(Late Oligocene – Early Miocene)*

The Mangagoy Formation consists of a sequence of sandstone, mudstone, shale, coal and conglomerate. *Vergara and Spencer (1957)* named this clastic sedimentary sequence. Sandstones are the dominant lithology. They are dark gray, very poorly sorted and thick bedded to massive with occasional conglomerate lenses. Petrified logs are often embedded within the clastic rocks. The mudstones are black to dark gray to brown when weathered and contain large amounts of carbonized plant remains, mollusk fragments, and coal lenses and beds.

9.2.6 Agtuuganon Limestone *(Early Miocene – Middle Miocene)*

The term Agtuuganon Formation was used by Metal Mining Institute of Japan-Japan International Cooperation Agency (*MMAJ-JICA) (1973)* to refer to an 800-*m*. thick coralline limestone occupying Mt. Agtuuganon in Davao del Norte. This limestone is found throughout the Pacific Cordillera capping the Oligo-Miocene magmatic arc. It consists of a lower bedded portion and an upper massive limestone member.

9.2.7 Tarragona Conglomerate *(Late Pliocene – Early Pleistocene)*

The Tarragona Conglomerate was described by *Quebral (1994)* in reference to massive cliff-forming conglomerates best exposed near the mouth of the Baguan River in Tarragona. These coarse conglomerates are massive. They are heterogeneous in size and composition, consisting of well rounded clasts of ultramafic rocks, gabbros, basalt, diabase, andesite porphyry, diorites, limestone and clastic sedimentary rocks. These conglomerates are unconformable on the underlying Agtuuganon Limestone and are in turn unconformably overlain by the Manay Formation. The formation is estimated to be 200 *m* thick.

9.2.8 Manay Formation *(Early – Late Pleistocene)*

The Manay Formation was introduced by *Quebral (1994)* to refer to a sequence defined by a lower sandstone member and an upper limestone member. Fine sandstones rich in mollusk and echinoderm fragments characterize the lower clastic member. The formation unconformably overlies the Tarragona Conglomerate. The uplifted Quaternary reefal limestone is readily recognized along the Pacific coast from Manay to south of the Cateel River.

9.2.9 Amacan Volcanics *(Holocene)*

The Amacan Volcanics refer to the Quaternary volcanic deposits in the vicinity of Lake Leonard in Davao aside from Maniayao Volcano in Surigao. It is the only area in eastern Mindanao affected by Quaternary volcanism. This volcanic activity is manifested as domes, plugs and flows of pyroclastic rocks of andesitic to dacitic composition.

REGIONAL STRATIGRAPHIC COLUMN
PACIFIC EAST MINDANAO

MAJOR STRATIGRAPHIC HORIZONS	AGE	LITHOLOGY	
MANAY	EARLY-LATE PLEISTOCENE	REEFAL LIMESTONE FINE SANDSTONE, RICH IN MOLLUSK AND ECHINODERMS	
TARAGONA CONGLOMERATES	LATE PLIOCENE - EARLY PLEISTOCENE	CLIFF FORMING MASSIVE COARSE CONGLOMERATE	200 M
AGTU-UGANON LIMESTONE	EARLY - MIDDLE MIOCENE	MASSIVE CORALLINE LIMESTONE UNDERLAIN BY BEDDED FORAMENIFEROUS PEBBLY CALCARENITE	800 M
MANGAGOY	LATE OLIGOCENE - EARLY MIOCENE	THIN BEDDED FOSSILIFEROUS CALCARENITE UNDERLAIN BY OCCASIONAL DARK GRAY HIGHLY INDURATED FINE CONGLOMERATES, UNDERLAIN BY GRAY TO BUFF MUDSTONE, SOMETIMES WITH SILTY COAL BEDS. PETRIFIED WOOD ASSOCIATED WITH MUDSTONE THICK MASSIVE BED OF DARK GRAY INDURATED PEBBLY POORLY SORTED MARINE SANDSTONE DOMINATES THE LOWER STRATIGRAPHIC HORIZON	500 M
TAGABAKID	LATE EOCENE	MASSIVE REEFAL LIMESTONE GRADING DOWNWARDS TO MARL/CALCAREOUS MUDSTONE. UNDERLAIN BY RHYTMIC INTERCALATIONS OF INDURATED THIN WELL BEDDED FINE SANDSTONE AND MUDSTONE	
BARCELONA	CRETACEOUS - PALEOGENE?	BASALT FLOWS WITH INTERCALATED VOLCANIC BRECCIAS AND AGGLOMERATES AND HIGHLY INDURATED CLASTIC SEDIMENTS. COLUMNAR AND PILLOW STRUCTURES PRESENT	
PUJADA OPHIOLITE COMPLEX	LATE CRETACEOUS	SERPENTINIZED ULTRAMIC ROCK AND AMPHIBOLITE SCHISTS IN THE MASARA AREA. SLATES IN THE CALAPAGAN-MARAYAG AREA METASEDIMENTARY ROCKS SUCH AS WELL-INDURATED BIOTURBATED SANDSTONES, CRETACEOUS LIMESTONE IN HIJO RIVER AND MATI	

FIGURE 3

9.3 STRUCTURAL GEOLOGY

Davao Oriental Province is characterized by several major north north west *(NNW)* normal and thrust faults, anticlines and close folds. The southern part of the Philippine Rift Zone is expressed by 75° dipping sediments at Pujada Peninsula, crushed or breccias zones along the

Bitanagan and Sumlog Rivers, steep escarpments fronting the Tagopo Mountain Range and aligned ridges in the Northwestern *(NW)* side of the Tarragona Municipality. An active NW fault line passes Tugupan Point to Jovellan area and intersects the Agusan-Davao tectonic line.

9.4 COAL OCCURRENCES

The coal seams of the sedimentary basins in the Mindanao Pacific Cordillera occur within the Mangagoy Formation of Late Oligocene to Early Miocene age. They are considered to be part of a paralic belt of sediments that extends from the Mangagoy area along the length of Eastern Mindanao.

Velasquez and Llave (1969) first describe the occurrences of coal seams in the Dochony, Tarragona and Manay areas of Davao Oriental during the investigations for an application by Insular Mining Corporation to mine coal.

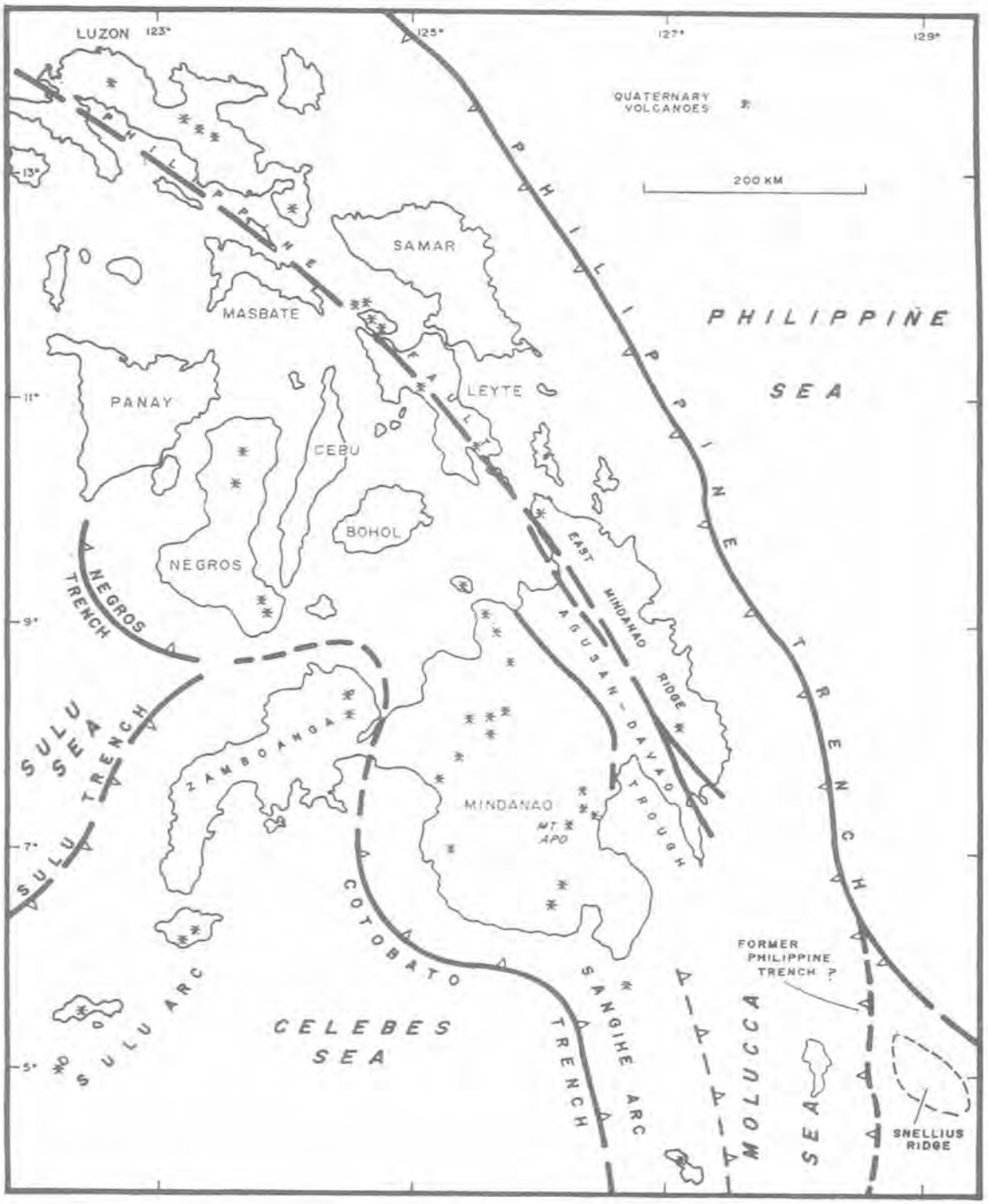
Utah International identified several areas containing lignitic to sub-bituminous C seams, inland from Cateel in the north to Tarragona in the south as follows:'

Bongaga District. Outcrop. Low-ranking with high sulphur content.

Bangkokaan Creek. Three *(3)* seams dipping at 60° were identified, with thicknesses of 0.6 *m*, 0.3 *m*, and 0.3 *m*. The coal contains 5980 BTU/lb and has a high moisture, ash, and sulphur content.

Dapdan Creek. One *(1)* 0.4-*m* seam, dipping at 7° west *(W)*, with high moisture and low ash content.

Banahaw / Mahanun. One *(1)* 0.5-*m* thick seam, dipping at 16° northeast *(NE)*, with high moisture content but with low ash and sulphur content.



TITAN MINING AND ENERGY CORPORATION

REGIONAL STRUCTURAL SETTING

Manay Coal Exploration Project

Figure **4**

Pagloscon Creek. Three *(3)* outcrops of 1.2-*m* thick seam with some waste partings. The coal contains 7,713 BTU/lb, 10% ash, and 21.3% moisture on an air dried basis.

Sambanganay Creek. Two *(2)* seams *(2 m and 1 m thick)* separated by 5 *m* of barren strata. The lower seam has a 0.1 *m* and 0.3 *m* waste parting.

Tumugfa, Baguan River. Two *(2)* seams *(0.15 m and 1.5 m thick)*. The lower seam has 8,300 BTU/lb 16.7% ash and 0.35% sulphur on an air dried basis.

In 1980*, Almendras Mining Corporation* contracted nine *(9) CBs* 216 to 218, 255 to 258, 295, and 355. The area lies immediately south of Philippine National Oil Corporation-Coal Corporation *(PNOCC-CC's)* Manay prospect and 12 *km* from the town of Tarragona.

Twelve *(12)* seam outcrops with thickness varying from 0.7 *m* to 2.5 *m (average 1.7 m)* were found in a coal-bearing horizon some 100 *m* thick. The beds strike generally to the northeast and dip 12° to 40° *(exceptionally at 60°)* to the southeast.

Trenching and limited tunnelling by the company identified one *(1)* potentially workable seam with an average thickness of 2.1 *m (1.6 m to 3.5 m)* containing 3 to 5 partings *(0.15 to 0.02 meters thick).* The seam dips between 22° and 40°. In-situ reserves, suitable for underground mining, were estimated to be 1.6 million tons but the Bureau of Energy Development *(BED)* has downgraded the estimate to 0.2 million tons.

9.5 COAL QUALITY

One analysis, reported by *Almendras Mining Corporation* in 1980, showed the coal to have an ash content of 11.5% and a heating value of some 8,400 BTU/lb, both on air-dried basis, viz:

Total Moisture	17.0%
Air dried Moisture *(105°C)*	14.6%
Ash	11.5%
Volatile Matter	43.8%
Fixed Carbon	30.2%
Sulphur	1.7%
Heating Value	8,624 BTU/lb and air-dried basis

TMEC, based on analytical data gathered from different exploration companies that operated in the area, described the coal quality from the Mangagoy Formation of eastern Mindanao as follows:

Heating values for coals from Eastern Mindanao are generally in the range of 8,000 BTU/lb to 8,600 BTU/lb on an air-dried basis. Ash content is moderately high and varies between 10% to 20%. The sulphur content is high and commonly varies between 1.5% to 3%.

Carbon content of the coal is usually about 75% on air-dried, ash-free basis. Hardgrove Grindability Indices commonly vary between 35 and 65. Limited ash analyses indicate that the ash tends to be of the bituminous type with the percentage Fe2O3 generally greater than the combined percentage of CaO and MgO.

The data source and analytical method conducted on the samples are described below:

1. Some seventy five *(75)* proximate and ultimate analyses carried out on as received, dry, and dry ash free bases, done by *Spencer and Vergara* in 1957 on samples from Surigao del Sur. These are supplemented by a similar number of Hardgrove Grindability Indices and Free Swelling Indices.

2. One air-dried proximate and ultimate analysis done by *Ariate* in 1971, on a sample taken from northeast Surigao del Norte.

3. Proximate and ultimate analyses of thirty two *(32)* samples from eastern Mindanao, done by RRI Energy (*RRI)* in 1977. Some 20 Free Swelling Indices and Hardgrove Grindability Indices were determined.

4. Nineteen *(19)* proximate analyses on an air dried basis done by Montegrin Mining Corporation, on samples collected from Surigao del Sur in 1978. In 1983, an additional sixty seven *(67)* samples were analyzed for proximate and analysis on a dry basis.

5. Air dried proximate analyses carried out by Jabpract Mining and Industrial Corporation in 1979, on twenty-one *(21)* samples from Surigao del Norte.

6. Seven *(7)* proximate analyses on an air dried basis done by Utah Development Company, on samples from Davao Oriental and Surigao del Sur in 1979.

7. Some fifty two *(52)* proximate analyses on an air-dried basis, on samples from Surigao del Sur done by the Philippine Oil Development Company *(PODCO)* in 1981. Fourteen *(14)* samples were also analyzed on an as received basis and four *(4)* used for ultimate analysis, ash analysis, ash fusion temperature and Hardgrove Grindability Index determinations.

8. Fifteen *(15)* proximate analyses on both air-dried and as received basis, on samples from Surigao del Sur done by Andres Soriano Corporation and Atlas Consolidated Mining and Development Corporation *(ANSCOR-ACMDC)* in 1981.

9. One *(1)* sample from Davao Oriental used for proximate analysis on air dried and as received bases, done by Almendras Mining Corporation in 1981.

10. Air-dried proximate analyses on seven samples from Surigao del Sur, done by Piedra Negra Mining Corporation in 1982.

11. Proximate and ultimate analyses, ash analyses, ash fusion temperature and Hardgrove Grindability Indices determinations, done by Pauling Plc on fifteen *(15)* samples from Surigao del Sur in 1982. Nineteen *(19)* additional proximate analyses were done on samples from the same area in 1983.

12. Two *(2)* air-dried proximate analyses carried out on samples from Surigao del Sur, done by Pearl Mines Resources Corporation in 1982.

13. Some *174* proximate analyses on air-dried and as received basis, done by the Benguet Corporation on samples from Surigao del Sur in 1983.

14. Some nine *(9)* proximate analyses on air-dried and as received bases, with two air-dried ultimate analyses, done by Diversified Mining Company on samples from Surigao del Sur in 1983.

15. Air-dried, as received and dry basis proximate analyses, done in 1983 by Atlas Consolidated Mining and Development Company *(ACMDC)* on some 58 samples from Surigao del Sur.

16. Sixteen *(16)* air-dried and as received basis proximate analyses, done by Sabena Mining Corporation in 1983 on samples from Surigao del Sur

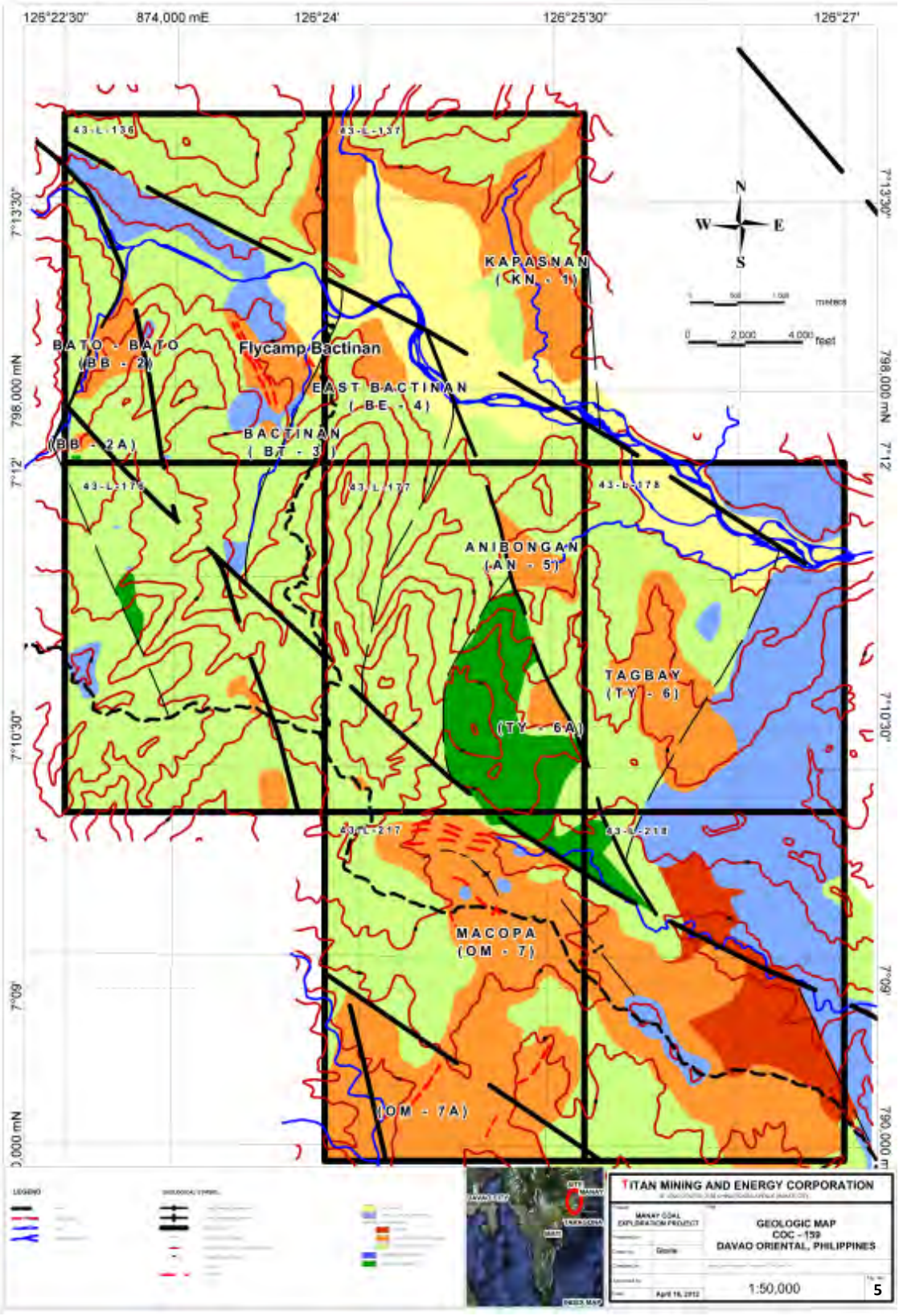
17. Some *101* proximate analyses with some samples also analyzed for ultimate analyses, ash analysis, ash fusion temperatures, and Hardgrove Grindability Indices determinations, done by *PNOC-CC* on samples from all parts of eastern Mindanao in 1984 and 1985.

18. One *(1)* proximate analysis on a dry basis, done by *Wardell Armstrong* in 1985 on samples from Surigao del Sur.

10.0 COAL OPERATING CONTRACT AREA GEOLOGY

The area covered by *COC #: 159* is generally underlain by members of the Mangagoy Formation and minor patches of stratigraphically older Barcelona Basalt, Tagabakid Limestone and younger Agtuuganon Limestone.

The Barcelona Basalt is represented in the area by a porphyritic facies with short stubby phenocrysts of pyroxene minerals. The aphanitic matrix is generally dark gray in color. This volcanic patch is wedged at the intersection of faults and appears to have been thrusted.


126°22'30"
874,000 mE
126°24'
126°25'30"
126°27'
7°13'30"
798,000 mN
7°12'
7°10'30"
7°09'
43-L-136
43-L-137
43-L-176
43-L-177
43-L-178
43-L-216
43-L-217
43-L-218
KAPASNAN
(KN - 1)
BATO - BATO
(BB - 2)
(BB - 2A)
Flycamp Bactinan
EAST BACTINAN
(BE - 4)
BACTINAN
(BT - 3)
ANIBONGAN
(AN - 5)
TAGBAY
(TY - 6)
(TY - 6A)
MACOPA
(OM - 7)
(OM - 7A)
N
W
E
S
meters
feet
LEGEND
TITAN MINING AND ENERGY CORPORATION
MANAY COAL EXPLORATION PROJECT
GEOLOGIC MAP
COC - 159
DAVAO ORIENTAL, PHILIPPINES
1:50,000
5

The Tagabakid Limestone occurs at the southwestern edge of the *COC* area. It is partly marbolized albeit outlines of foraminifera and corals may still be recognized. The Tagabakid Limestone has been dated to be Late Eocene *(Quebral, 1994)*.

The Mangagoy Formation which occupies about 90% of the *COC* area is represented by: (1) massive, thick bedded pebbly sandstone with some petrified wood in the upper horizon. The sandstone member occupies the ridges and steep slopes along deep gulleys and ravines; (2) dark gray to brown mudstone, sometimes carbonaceous with interbeds of coal seams. The mudstone member conformably overlies the older sandstone member and dips with the sandstone at an approximate average angle of 20° to the northeast. The mudstone beds occupy the gentler slopes of cuestas and occur as drapes over the sandstone extending down to the areas of lower elevation; (3) dark brown pebbly mudstone *(wacke)* conformably overlies the coal bearing mudstone and are located on the south eastern fringes of the *COC*. The youngest rock unit in the area is the Agtuuganon Limestone. It overlies the Mangagoy Formation and occurs as capping in the eastern edge of the coal project. The Agtuuganon Limestone is dated as Early to Mid Miocene *(Quebral, 1994)*.

An Idealized Geologic Cross Section of the *COC* Area is presented as *Attachment 2*.

11.0 COAL OCCURRENCES IN THE COC AREA

Coal seams in the *COC* area are associated with the Carbonaceous Mudstone Member of the Mangagoy Formation. The seams occur as interbeds and thus strike and dip congruently with the mudstone beds.

Thirteen *(13)* individual carbonaceous mudstone “islands” or mini basins containing a total area of 1,204 *has.* were mapped in the project area.

Ten *(10)* out of the thirteen *(13)* mini basins contain a total of forty *(40)* outcrops of coal beds with thickness ranging from 0.18 *m* to 4.57 *m*.

Table 1 and Figure 5 show the individual mini basins, their respective aerial extent and coal outcrops.

An earlier report on Coal Resources of the Philippines by Wardell-Armstrong International Ltd., 1985, mentioned three *(3)* coal seams *(Seams A, B and C)* within the Mangagoy Formation in the Bactinan area covered by Coal Blocks 136 and 137.

Seam A has a thickness of 1.43 *m* to 2.26 *m* as identified in one *(1)* borehole and one *(1)* outcrop. Seam B varies from 0.3 *m* to 1.3 *m* and has been located in six *(6)* outcrops and two *(2)* boreholes. Seam C is 0.5 *m* thick as identified in two boreholes.

One sample from Seam A and four samples from Seam B were analyzed. The results are only for clean coal and are reported on air dried basis;

Seam	A	B
Total Moisture	13.5%	18.0%
Ash	9.6%	9.4%
Volatile Matter	37.5%	36.3%
Total Sulphur	0.48%	1.29%
Heating Value	10180 Btu/lb	9649 Btu/lb

Recent drilling activities by *TMEC* encountered two *(2)* coal seams *(Seams A and B)* in the Bactinan area which is covered by Block 136. The coal seams occur in a monocline that strikes Northwest *(NW)* and dips to the Northeast *(NE).*

Seam A has a thickness of 1.28 *m* to 4.57 *m* as identified in five *(5)* cored holes and three *(3)* outcrops. Seam B varies from 0.9 *m* to 7.11 *m* and has been located in two *(2)* outcrops and five *(5)* cored holes. The dip angle of the coal seams vary from 20˚ to 30˚. Average thickness of Seam A, is 2.61 *m*. The average thickness of Seam B is 3.4 *m*.

Table 1. Coal Mini Basin and Coal Seams

No.	Coal Mini Basin	Area in (Sq. M.)	No. of Coal Outcrops	No. of Coal Seams Identified	Sample Code	Thickness of Coal Seam Measured
1	KN - 1	2,755,000	3	2	BCT - 12	0.32
					BCT - 13	0.5
2	BB - 2	500,200	4	2	BCT - 06	0.9
					BCT - 07	0.9
3	BB - 2A	44,000	2	Seamlet	*(N.A.)*	*(N.A.)*
4	BT - 3	600,300	6	2	BCT – 04/02	1.73/1.45
					BCT – 05/01	1.5/3
		350,000		?	BCT - 03	1.39
5	BE - 4		3	2	BCT - 09	3.55
		392,300			BCT - 10	1.7
6	AN - 5	2,755,000	1	1	ABT - 01	0.6

7	TY - 6	2,500,000	3	3	KCT - 01	2.04
					KCT - 02	0.62
					KCT - 03	0.65
8	TY - 6A		4	1	OBT - 01	0.57
9	OM - 7	144,800	13	3	MCO - 09	1.10
		6,500,200			OMO – 01	1.1
					OMT - 03/02	4.27/.88
10	OM - 7A		1	1	MOC - 26	1.37
11	LK - 8	5,600,400	*(N.A.)*	*(N.A.)*	*(N.A.)*	*(N.A.)*
12	LK - 9	70,400	*(N.A.)*	*(N.A.)*	*(N.A.)*	*(N.A.)*
13	LK - 10	122,400	*(N.A.)*	*(N.A.)*	*(N.A.)*	*(N.A.)*
TOTAL		**12,307,400**	21,000			

**N.A. – Not Applicable*

At Macopa area *(Block 217),* three *(3)* coal beds were identified based on coal outcrops and drill intercepts. Seam A ranges in thickness from 0.10 m to 2.7 m. Seam B varies from 0.22 m to 4.57 m. Seam C varies from 0.15 m to 1.47 m. The dip angle of the seams also vary from 20˚ to 30˚. The average thickness of Seam A is 1.05 m, Seam B is 1.94 m and Seam C is 0.71 m. The seams occur in a syncline with axis trending West Northwest *(WNW)* and plunging approximately 1% to the East Southeast *(ESE).*

Analysis of twenty six *(26)* coal samples collected from the ten *(10)* mini basins yielded a range of values from a low of 4,552 BTU/lb to a high of 11,758 BTU/lb. Five *(5)* samples of the twenty six *(26)* coal samples or nineteen percent *(19%)* gave an average heating value of 5,262 BTU/lb. Twenty one *(21)* samples of the twenty six (*26)* coal samples or eighty one percent *(81%)* yielded an average value of 9,263 BTU/lb.

At Bactinan, all the ten *(10)* samples collected in the area gave an average heating value of 9,700 BTU/lb.

In Macopa, a total of nine *(9)* samples were collected. Three *(3)* of the nine *(9)* samples or thirty three percent *(33%)* yielded an average heating value of 4,962 BTU/lb while six *(6)* samples or sixty seven percent *(67%)* gave an average heating value of 8,601 BTU/lb.

Analyses of the coal outcrops and drill intercepts at Macopa and Bactinan are illustrated in *Table 2.*

Table 2. Analyses of Coal Seams											
Hole_ID	OLD Hole_ID	Sample Number	ADL	RM	TM	ASH	VM	FC	BTU_LB	TOTAL SULFUR	Area
BDH-02	BDH-03	533	7.94	6.56	13.98	8.81	41.56	43.07	11,758	1.78	BACTINAN
BDH-02	BDH-03	534	7.08	6.45	13.07	15.47	39.7	38.38	10,707	3.17	BACTINAN
BCT-02		BCT-02		9.48	18.54	10.28	38.84	41.4	10,386	1.46	BACTINAN
BDH-02	BDH-03	536	8.31	8.91	16.48	14.9	34.05	42.14	10,340	0.38	BACTINAN
BCT-04		BCT-04		7.79	20.16	14.84	36.58	40.79	10,276	1.14	BACTINAN
BCT-03		BCT-03		9.96	16.44	10.41	38.94	40.69	10,187	0.85	BACTINAN
43-L-136		43-L-136		12.44	27.12	11.42	36.78	39.36	9,720	0.54	BACTINAN
BDH-03	BDH-04	537	10.06	7.12	16.46	27.96	34.43	30.49	8,334	2.41	BACTINAN
BCT-05		BCT-05		10.24	19.38	25.01	35.32	29.43	8,126	0.79	BACTINAN
BDH-03	BDH-04	535	13.58	5.59	18.41	40.64	24.69	29.08	7,166	2.48	BACTINAN
BCT-06		BCT-06		9.98	18.28	12.03	36.75	41.24	10,116	1.48	BATO-BATO
43-L-137		43-L-137		11.23	32.38	8.71	37.9	42.16	9,968	0.64	E. BACTINAN
BCT-10		BCT-10		10.46	19.11	18.12	35.57	35.85	9,118	0.85	E. BACTINAN
BCT-09		BCT-09		9.42	17.8	27.93	34.88	27.77	8,216	0.47	E. BACTINAN
43-L-217		43-L-217		13.81	28.62	8.22	35.9	42.07	9,758	0.52	MACOPA
43-L-218		43-L-218		10.85	28.52	11.19	36.78	41.18	9,625	0.57	MACOPA
OMT-3		1407	11.43	13.03	22.97	12.41	38.82	35.74	9,056	9.08	MACOPA
MDH-06		1412	11.56	16.1	25.8	15.79	35.92	32.19	8,764	6.82	MACOPA
MDH-06		1409	12.45	13.13	23.95	27.55	34.02	25.3	7,331	2.33	MACOPA
MDH-06		1413	14.87	10.17	23.53	32.41	34.51	22.91	7,073	3.63	MACOPA
MDH-06		1408	15.23	8.72	22.62	41.52	29.09	20.67	5,610	2.78	MACOPA
MDH-06		1411	10.3	10.7	19.42	46.42	26.93	16.48	4,726	0.89	MACOPA
OMT-2		OMT-2		9	26.04	45.21	25.4	20.39	4,552	1.5	MACOPA
43-L-178		43-L-178		11.64	26.77	18.8	33.53	36.03	8,516	0.49	TAGBAY
KCT-1-COM-001/2		KCT-1-COM-001/2		11.69	34.21	36.13	28.08	24.1	5,914	1.77	TAGBAY
KCT-1-COM-001/1		KCT-1-COM-001/1		11.41	33.16	39.07	27.05	22.47	5,508	1.93	TAGBAY

12.0 DEPOSIT TYPES

12.1 MINERAL DEPOSIT TYPE

Coal seams of varying thicknesses occur in paralic sedimentary environments. The coal seams have calorific values in the 4,500 to 11,500 BTU range.

12.2 GEOLOGICAL MODELLING

Coal seams occur definitely within the shale, mudstone, siltstone member of the Mangagoy Formation. The coal seams host rocks is underlain by a sequence of mostly sandstone with minor pyroclastic beds. The top of the coal host lithologies is overlain by very young limestone.

The coal beds appear to be derived from thick accumulations of organic materials deposited in a mud basin of paralic environment. Earlier accumulation of thick beds of sand of shallow marine environment origin underlies the mud basin.

Subsequent marine transgression formed coral reefs and deposited calcareous sand above the paralic basin.

Tectonic movement associated with the Philippine Fault folded and faulted the sedimentary deposits and divided the paralic basin into isolated smaller portions.

The exploration program of *TMEC* is designed to locate the host lithologies and the other lithologies that underlie and overlie the said host rocks.
Field mapping is done. This result is the production of a geologic map that shows the relationships of different lithological formation. Coal outcrops are located, mapped, sampled and measured.

An initial 10-hole drilling program is designed, targeting coal seams strike extensions and down dip extensions. Drill logs are compiled. Coal samples from outcrop and drill holes are analyzed. A program for verification of older and new coal analytical results are prepared.

An additional 10-hole drilling program is implemented to further pursue the seams extensions at depth.

Upon completion of the drilling program, Resource Blocking is prepared and implemented in areas where Indicated and Inferred Resources are identified.

13.0 MINERALIZATION

13.1 DESCRIPTION OF SURROUNDING ROCK TYPES

The coal seams of the sedimentary basins in the Mindanao Pacific Cordillera occur within the Mangagoy Formation of Late Oligocene to Early Miocene age. They are considered to be part of a paralic belt of sediments that extends from the Mangagoy area along the length of eastern Mindanao.

The Mangagoy Formation is composed of two *(2)* distinct sedimentary members typified by older sandstone and a younger mudstone stratum.

The sandstone member is generally dark gray, very poorly sorted and thick bedded to massive with occasional conglomerate lenses.

The mudstone member is black to dark gray and contains large amount of carbonized plant remains and mollusk fragments and interbeds of coal seams.

The coal seams are bounded above and below by clastic sedimentary rock most commonly mudstones, sandstones and siltstones. Within the seams are inter-seam partings of predominantly mudstones.

In some of the mudstone partings, angular coal fragments with very fine grains of pyrite are present along the edges.

13.2 MINERAL ZONES

Three *(3)* coal seams are recognized within the mudstone member of the Mangagoy Formation in the *COC* area. The coal seams are bounded above and below by clastic sedimentary rock most commonly mudstone and siltstone strata. Within the seam are inter seam partings of predominantly buff to buff green mudstones.

13.3 COAL QUALITIES

At Bactinan area, the heating value of the collected coal samples range from 6,500 to 11,758 BTU/lb (a.d.). In Macopa area, five *(5)* samples yielded an average heating value of 6,340 BTU/lb (a.d.) while five *(5)* samples gave an average heating value of 9,758 BTU/lb (a.d.)

14.0 EXPLORATION

14.1 SURFACE GEOLOGIC MAPPING

Phase I of exploration activities commenced on October 28, 2009 and ended on November 23, 2009. This phase of exploration was initiated after the acquisition of mineral rights to obtain initial data on the occurrence and characteristics of a coal depositional basin.

Reconnaissance geologic mapping and random sampling were conducted to cover majority of the 7,000-*ha COC* area. Thirty four *(34)* outcrops of coal beds with thicknesses ranging from 0.45 *m* to 1.06 *m* were located. All coal outcrops were identified to be occurring within the mudstone member of the Mangagoy Formation.

Phase II of the exploration work was implemented from May 4, 2010 to June 10, 2010 to confirm and delineate the occurrence and extent of the coal basin, locate additional coal outcrops and initially delineate the lateral and depth *(strike and dip)* extent of the coal beds and roughly estimate the quantity and grade of a potential coal deposit.

Geologic traverses were conducted along 35 *kms* of creeks, 30 *kms* of trails and 18 *kms* of old logging road using a GARMIN GPS 60CSX *(accuracy +/- 3 m)*. Field data were encoded and overlaid using MapInfo. Four *(4)* coal outcrops were identified in addition to the original thirty four *(34)* outcrops located during Phase I. Thicknesses of the seams vary from 1.28m to 4.57m

Twenty four *(24)* trenches were excavated alongside major outcrops to fully expose the thickness of the coal seam.

14.2 DIAMOND DRILLING

An initial 10-hole drilling campaign to probe the depth extension of the earlier located “mini basins” *(two of the thirteen identified mini basins*), was initiated in late November, 2010.

The holes were positioned 100 meters and/or 200 meters from the surface trace of the coal outcrops following the dip direction of the coal seams.

Geo Rock Incorporated, the drilling contractor provided three *(3)* drill rigs namely long year 38, modified, vintage atlas Copco and Mindrill. The holes were drilled and cored with NQ bits/rods.

A total of thirteen *(13)* holes were drilled but four *(4)* of the holes were earlier abandoned due to technical problems. Of the nine *(9)* completed holes, eight *(8)* intercepted coal seams at depth as follows; five *(5)* holes at Bactinan area and three *(3)* holes at Macopa area.
The drilling contract was terminated in July 2011 due to several operational delays and equipment inefficiency.

In August 2011, a new 10-hole drilling contract was awarded to Primo Asia Mining and Drilling Inc. to further probe the depth extension of the coal seams at Bactinan and Macopa. Primo Asia provided new drill rigs namely Atlas Copco CS1000 and Long year DB Diabort. Both machines drilled the holes with PQ and NQ bits and rods.

In March 2012, the second 10-hole drilling contract was ended with nine (9) holes being completed. Of the nine *(9)* drill holes, seven *(7)* holes intersected coal seams at depth. One *(1)* hole did not penetrate the required target and one *(1)* was abandoned due to technical problem.

The penetration of the drill holes range from a shallow depth of 68 meters to as deep as 230 meters.

In summary, five *(5)* drill holes intersected two *(2)* coal seams at Bactinan and ten *(10)* intercepted three (*3)* coal seams at Macopa*. (See Figures 6 and 7).*

The description of the coal seams intersected by the drill holes are tabulated in Table 3 and 4*.*

TABLE 3. DRILL HOLE COAL INTERCEPTS AND COAL OUTCROPS			
BACTINAN			
Hole_ID	SEAM_ID	SEAM Thickness (m)	Coal thickness (m)
BDH-02	A	4.01	2.70
BDH-04	A	4.00	0.70
BDH-05	A	3.29	2.13
BCT-2	A	1.40	1.50
BCT-4	A	1.28	1.20
BCT-3	A	1.70	1.60
Average Thickness SEAM A		2.61	1.63
Hole_ID	SEAM_ID	SEAM Thickness (m)	Coal thickness (m)
BDH-02	B	4.12	0.81
BDH-03	B	3.77	1.00
BDH-04	B	0.90	0.20
BDH-05	B	7.11	0.43
BCT-1	B	3.00	3.00
BCT-5	B	1.50	1.40
Average Thickness SEAM B		3.40	1.14
Total of Averaged Seam Thicknesses BACTINAN		6.01	2.78

TABLE 4. DRILLHOLE COAL INTERCEPTS AND COAL OUTCROPS			
OLD MACOPA AREA			
Hole_ID	SEAM_ID	SEAM Thickness (m)	Coal thickness (m)
MDH-12	A-North Limb	0.9	0.9
MDH-13	A-North Limb	2.7	1.25
MDH-14	A-North Limb	0.1	0.1
MDH-06	A-North Limb	2.3	0.8
MDH-07B	A-North Limb	0.22	0.22
OMO-01	A-North Limb	1	1
MDH-03	A-South Limb	0.13	0.13
Average Thickness SEAM A		1.05	0.62
Hole_ID	SEAM_ID	SEAM Thickness (m)	Coal thickness (m)
MDH-12	B-North Limb	0.55	0.55
MDH-14	B-North Limb	3.4	3.4
MDH-06	B-North Limb	1.4	1.4
MDH-07B	B-North Limb	0.22	0.22
OMT-2	B-North Limb	0.78	0.6
OMT-3	B-North Limb	4.57	4.47
MDH-03	B-South Limb	2.03	1.01
OMT-4	B-South Limb	2.55	2.15
Average Thickness SEAM B		1.93	1.7
Hole_ID	SEAM_ID	SEAM Thickness (m)	Coal thickness (m)
MDH-07B	C-North Limb	1.47	0.62
MDH-05	C-North Limb	0.2	0.2
MCO-09	C-North Limb	1.1	1.1
OMT-3A	C-North Limb	0.63	0.63
MDH-01	C-South Limb	0.15	0.15
Average Thickness SEAM C		0.71	0.54
Total of Averaged Seam Thicknesses MACOPA		3.69	2.89

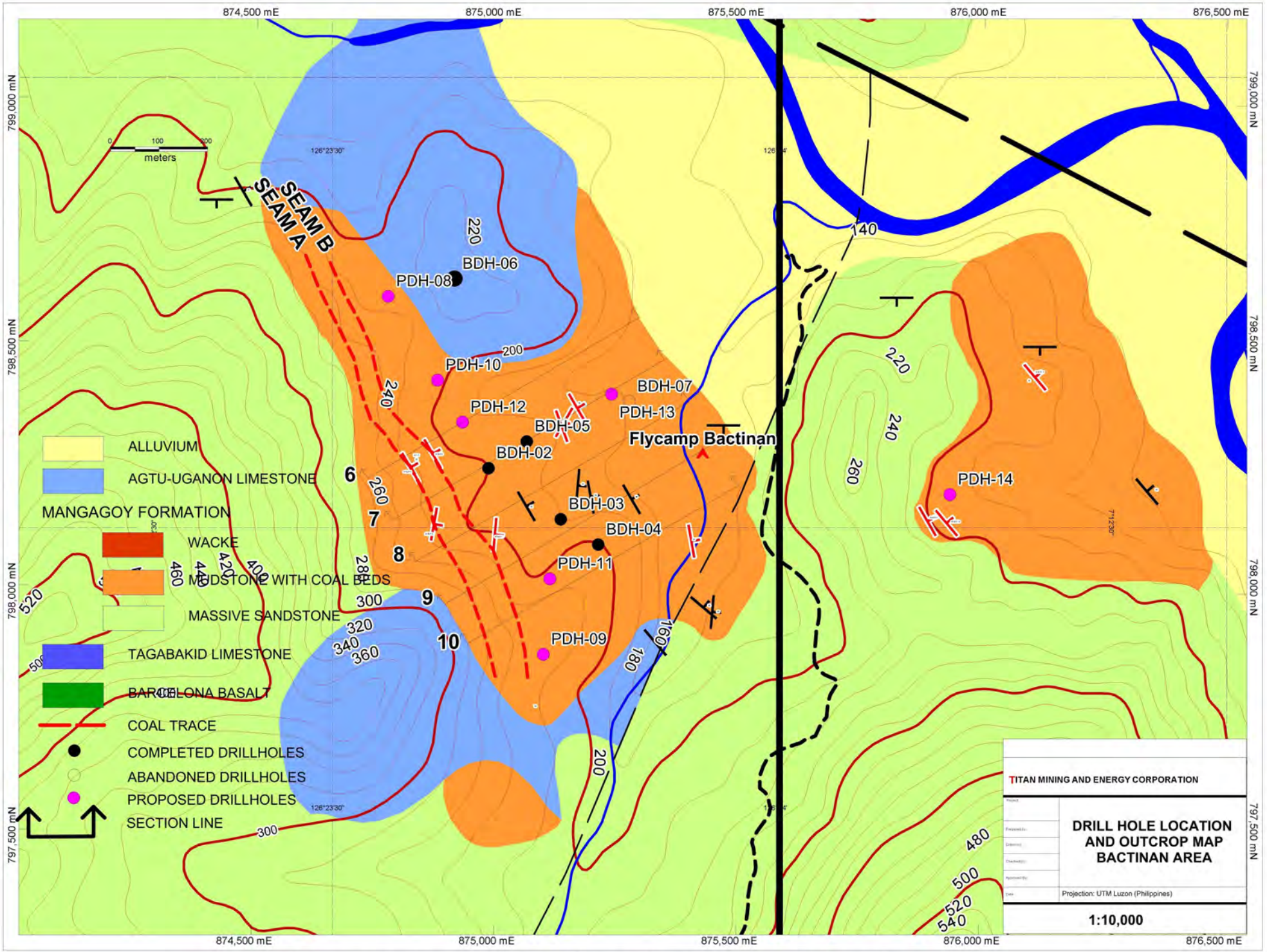


Figure 6. 1:10,000 Drill hole Locations and Outcrop Map of Bactinan Area

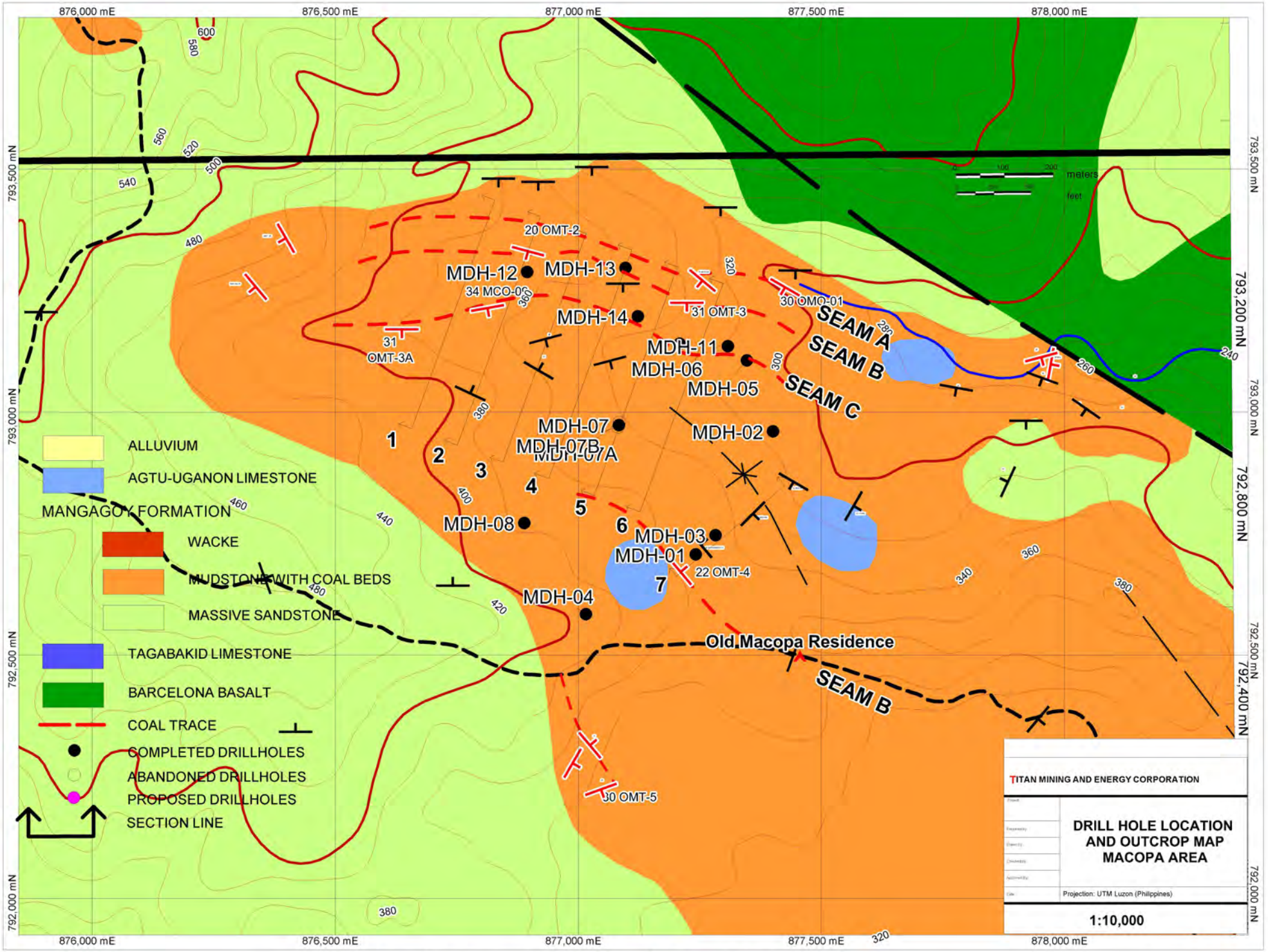


Figure 7. 1:10,000 Drill hole Locations and Outcrop Map of Macopa Area

14.3 SAMPLING METHOD AND APPROACH

14.3.1 Borehole Drilling Operations (Sample Extraction)

14.3.1.1 Contracted drilling company crew is tasked to extract core from borehole locations on the ground to designated core storage area.

14.3.1.2 Required core sample sizes are *HQ* and *NQ*, in the order of decreasing diameter and utilization is of company's preference except for reasons concerning technical matters relating to unfavourable ground formations and rig's capacity.

14.3.1.3 *TMEC* provides/assigns personnel to directly monitor the various drilling activities such as normal down hole coring or advance as shown by each core-block in the core box, casing/reaming, equipment break-down and repairs, tripping of rods/casings, stand-by, etc. and check/confirm the veracity of the drillers' daily shift reports before they are submitted to the *TMEC* project-in-charge.

14.3.1.4 Core recovered from each run *(% recovery and RQD)* are being recorded by core checkers assigned at each rig *(8-hr shift, 24/7).* Core checkers see to it that the recovered samples are in proper order. The samples will be prepared safely and carefully for transport to designated core storage area.

14.3.1.5 Quick and preliminary mineralogical logging conducted on the first shift of each day by geologists or trained/experienced geologic aides and/or core checkers for daily communication of the day's lithology, mineralization, and estimated grade.

14.3.1.6 Coordination and procedures are established among those concerned for the punctual and safe transport of the core boxes samples from the active drill site*(s)* to the designated core storage area.

14.3.1.7 Initiate and coordinate the survey of borehole's collar *(Northing Easting & elevation)* during or immediately after completion.

14.3.2 Quality Control Measures

Collections of samples are always supervised by project geologists. Splitting and sampling of drill cores are personally done by geologist core loggers. All samples collected are recorded on a sample-tracking log book. Analyses results are compiled at the central office.

14.3.3 Data Verification Procedures

Analyses results of samples are initially cross-checked by sending duplicate samples, in every five sample collected to a different laboratory.

Geologists' field data are randomly verified on the field by the senior geologist on site and at times, the Vice President for Exploration. A program to verify coal analyses had been started.

14.4 SAMPLE PREPARATION, ANALYSES AND SECURITY

14.4.1 Geo-Mechanical Logging Of Core Samples

Drill core are brought soonest from drill base to designated core storage areas. At the base camp core house, the cores in each labelled box are inspected, cleaned *(if warranted)* and advance meterage labels *(or wooden core blocks)* checked against the accompanying drilling shift reports. Core boxes and core blocks are clearly labelled. Geo-mechanical logging (using a comprehensive log form) is routinely conducted by our geologist or trained and experienced geologic aides. Routine orderly compilation of original and soft copies of geo-mechanical borehole logs are done and reported to *TMEC* corporate office.

14.4.2 Sample Preparation Methods

To collect samples from the coal seams, channels, a foot wide and a foot deep were cut perpendicular to the thickness of the coal beds. Coal samples were then chiselled out of the channel and collected in 1x2-feet plastic bags, sealed and properly labelled. Each bag weights approximately 2-kilos. Samples from drill cores are collected by manually splitting the cores in half wrapping the collected core in aluminum foil and sealing in plastic zip-locks. The samples are properly labelled and corresponding wood markers were placed in the core box where the samples were taken. The collected samples, drill cores and outcrops were then sent either the Coal Test Center *(CTC),* a division of Toplis Marine Philippines Inc. or the Philippine National Oil Company - Exploration Corporation (*PNOC-EC)* Malangas Laboratory for proximate analysis.

1.4.3. Security Methods

TMEC follows a detailed procedure to have samples labelled, placed in sample bags, electronically logged using Microsoft *(MS)* Excel and dispatched from project site to the laboratory with diligence.

15.0 ESTIMATE OF COAL RESOURCE

15.1 DATABASE USED

Data from *TMEC* were used for this report.

Geologic maps and sections, reports of analyses, and field geologic records were provided by *TMEC's* exploration team. Documents pertaining to mineral rights were also provided by *TMEC*.

15.2 INTEGRITY OF DATABASE

Information pertaining to mineral rights were gathered from the *COC* of *TMEC* with the *DOE.*

Geologic data were gathered from the field employing Garmin GPS 60CSX with accuracy of +/- 3 meters. All field information were plotted through a MapInfo program.

Bore holes were initially located on the ground by Garmin GPS 60CSX then later verified by Gowin TKS total station.

15.3 DATA VERIFICATION AND VALIDATION

The CP spent two *(2)* weeks in the project site with *TMEC's* exploration team.

Trenches were visited to map the major coal beds. Geologic contacts were checked to verify the aerial extent of the individual coal mini basins.

Drill sites and core boxes were inspected. Drill logs were cross checked with the actual drill cores.

15.4 CUT-OFF GRADES USED IN ESTIMATION

Coal outcrops and Drill intercepts with less than 4,500 BTU/lb of Gross Calorific Value were initially not considered in the estimation of potential coal tonnage. However, the samples were categorized and grouped into 4,500 to less than 7,000 BTU/lb and 7,000 to 11,500 BTU/lb range. Likewise, isolated seamlets with thickness less than 0.75 *m* were initially set aside.

15.5 ESTIMATION METHOD OF COAL RESOURCE

Within the drilled areas of Bactinan and Macopa, the coal resources maybe estimated by polygon method. Coal outcrops and drill hole coal intercepts were projected towards the dip direction and along the strike length to 100 meters for measured resource and from 100 meters to 300 meters for indicated resource. These parameters *(metric distance)* were considered based on the observed correlability of outcrops that are located 100 meters apart. Te estimated surface area of the polygon is then projected to the slope area of the coal bed using the measured dip angle of the outcrop.

The potential tonnage of the coal deposit for the whole *COC* area however, is estimated by correlating the coal outcrops into coal beds or seams, then projecting the beds within the aerial extent of each mini basin.

15.5.1 Resource Criteria

The resource criteria used in the estimation are as follows:

1. Occurrence of surface outcrops
2. Drill hole intercept of coal seams
3. Area of host lithology

15.5.2 Data Sources and Modelling

The data sources include:

1. The thickness and length of coal outcrops, including strike and dip directions.
2. Projection of coal seams along strike.
3. Projection of coal seams in the dip direction.

Modelling method used *(Figure 8 and Figure 9):*

Resources are delineated using the following:

Measured Resource:

a) Where outcrops and drill hole intercepts are factored over a maximum distance of 100 meters.

Indicated Resource:

a) Where outcrops and drill hole intercepts are factored beyond 100 m but within 300 meter distance.

Inferred Resource:

a) Where the host lithology exists.
b) Where coal outcrops exist with the host lithology.

The following parameters were considered in the calculation of resource:

1. Macopa and Bactinan Drilled Area

Specific gravity coal	———	1.4
Thickness of coal seams	———	6.01 m for Bactinan
		3.7 m for Macopa *(see Table 3).*

Area of resource block divided by the cosine of the dip angle of the coal bed.

Surface Area ÷ Cosine Dip Angle X Coal Thickness X Specific Gravity

2. Potential deposit for the whole COC area based on detailed geologic mapping where the extent of the coal bearing paralic mudstone deposits were delineated and thickness of coal outcrops were measured.

Total Coal Thickness x Area of Mini Basins x Specific Gravity

The details of computation of the Resource block using the polygon method of estimation is presented in *Table 5.*

The estimation procedure used in the computation of the potential tonnage of the coal deposit in the entire COC area is presented in *Table 7.*

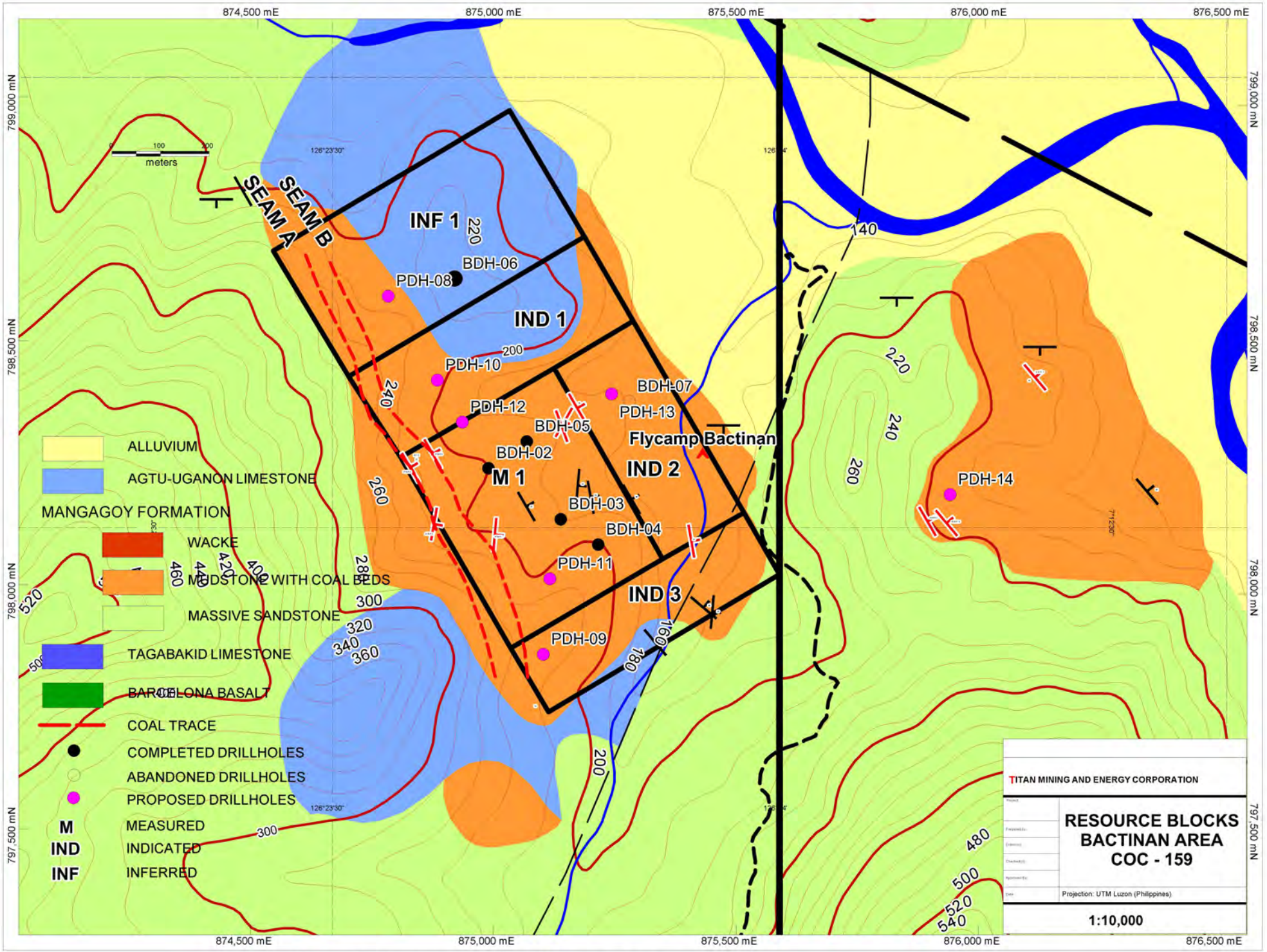


Figure 8. Resource Blocks of Bactinan Area

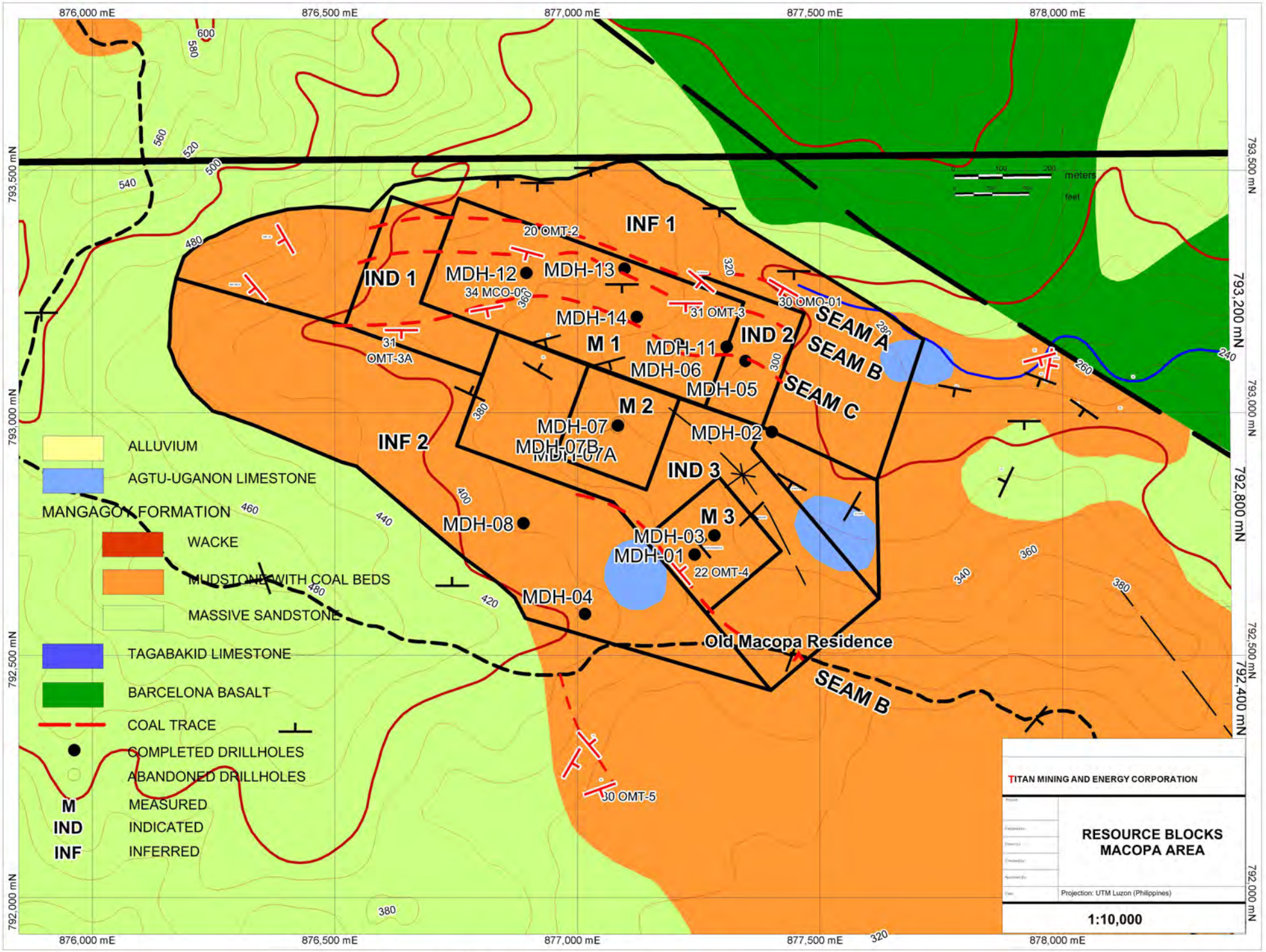


Figure 9. Resource Blocks of Macopa Area

Table 5.Resource Block Tabulation						
COC # 159 MACOPA AREA						
RESOURCE BLOCK NO.	**HORIZONTAL AREA (SQM)**	**DIP ANGLE**	**SLOPE AREA (HORIZONTAL AREA/COS OF DIP ANGLE)**	**THICKNESS (M)**	**S.G.**	**MT**
M1	143,542.02	30	165748.1251	3.70	1.40	858,575.29
IND 1	53,867.99	30	62201.42028	3.70	1.40	322,203.36
IND 2	33,276.66	30	38424.59167	3.70	1.40	199,039.38
INF 1	255,689.07	30	295244.4421	3.70	1.40	1,529,366.21
M2	40,000.49	22	43142.09754	3.70	1.40	223,476.07
M3	39,993.71	22	43134.78828	3.70	1.40	223,438.20
IND 3	172,942.42	22	186525.1807	3.70	1.40	966,200.44
INF 2	424,625.17	22	457974.9056	3.70	1.40	2,372,310.01
MEASURED	**223,536.22**	**30/22**	**252,025.01**	**3.70**	**1.40**	**1,305,489.56**
INDICATED	**260,087.06**	**30/22**	**287,151.19**	**3.70**	**1.40**	**1,487,443.18**
INFERRED	**680,314.24**	**30/22**	**753,219.35**	**3.70**	**1.40**	**3,901,676.22**

COC # 159 BACTINAN AREA						
RESOURCE BLOCK NO.	**HORIZONTAL AREA (SQM)**	**DIP ANGLE**	**SLOPE AREA (HORIZONTAL AREA/COS OF DIP ANGLE)**	**THICKNESS (M)**	**S.G.**	**MT**
M1	164,300.00	30	189717.3869	6.01	1.40	1,596,282.09
IND 1	111,600.00	30	128864.6402	6.01	1.40	1,084,267.08
IND 2	86,500.00	30	99881.64314	6.01	1.40	840,404.15
IND 3	83,230.00	30	96105.77062	6.01	1.40	808,633.95
INF 1	170,100.00	30	196414.6532	6.01	1.40	1,652,632.89
MEASURED	**164,300.00**	**30**	**189,717.39**	**6.01**	**1.40**	**1,596,282.09**
INDICATED	**281,330.00**	**30**	**324,852.05**	**6.01**	**1.40**	**2,733,305.18**
INFERRED	**170,100.00**	**30**	**196,414.65**	**6.01**	**1.40**	**1,652,632.89**

COC # 159 AREA COMBINED MACOPA AND BACTINAN AREAS						
RESOURCE	**HORIZONTAL AREA (SQM)**	**DIP ANGLE**	**SLOPE AREA (HORIZONTAL AREA/COS OF DIP ANGLE)**	**THICKNESS (M)**	**S.G.**	**MT**
MEASURED	**387,836.22**	30/22	**441,742.40**	3.7/6.01	1.40	**2,901,771.65**
INDICATED	**541,417.06**	30/22	**612,003.25**	3.7/6.01	1.40	**4,220,748.36**
INFERRED	**850,414.24**	30/22	**949,634.00**	3.7/6.01	1.40	**5,554,309.11**

15.6 ESTIMATE OF COAL RESOURCE

The Mineral Resource estimate for the drilled mini basins at Macopa *(Blk 217)* and Bactinan *(Blk 136)* are as follows:

TABLE 6. ESTIMATE OF COAL RESOURCES AT BACTINAN AND MACOPA AREA

Resource	Bactinan		Macopa		Total	
	Volume	Calorific Value	Volume	Calorific Value	Volume	Calorific Value
Measured	1.6 M	8,930 BTU/lb	1.3 M	8,050 BTU/lb	2.9 M	8,535 BTU/lb
Indicated	2.7 M	8,930 BTU/lb	1.5 M	8,050 BTU/lb	4.2 M	8,615 BTU/lb
M & I	4.3 M	8,930 BTU/lb	2.8 M	8,050 BTU/lb	7.1 M	8,582 BTU/lb
Inferred	1.6 M	8,930 BTU/lb	4 M	8,050 BTU/lb	5.6 M	8,301 BTU/lb

Note: Range of Calorific Values
Bactinan- 4,500 to 11,758 BTU/lb
Macopa- 6,340 to 9,758 BTU/lb

The "potential" or "target volume of coal deposit for the remaining eight *(8)* mini basins in the whole *COC* area, however is estimated at 59 MMT *(Table 7).*

TABLE 7.ESTIMATE OF POTENTIAL TONNAGE (BASED ON OUTCROPS AND SIZE OF PARALIC BASINS)

No.	Coal Mini Basin	Coal Block No.	Area (Sq. M.)	No. of Coal Outcrops	No. of Coal Seams Identified	Thickness of Coal Seam Measured	Volume (cu.m.)	Potential Coal Resource SG = 1.4 (MT)
1	KN-1	136/137	2,755,000	3	2	0.5	*(N.A.)*	*(N.A.)*
						0.32	*(N.A.)*	*(N.A.)*
2	BB-2	136	500,200	4	2	0.9	450,180	630,252
						0.9	450,180	630,252
3	ABB-2A	136	44,000	2	Seamlet	(N.A)	*(N.A.)*	*(N.A.)*
4	BT-3	136	600,300	6	2	1.73	1,800,900	1,453,927
						3	1,800,900	2,521,260
5	BE-4	137	350,000	3	2	3.55	1,242,500	1,739,500
						1.7	595,000	833,000
6	AN-5	177	292,300	1	1	0.6	*(N.A.)*	*(N.A.)*
7	TY-6	178	2,500,000	3	3	2.04	5,100,000	7,140,000
						0.62	*(N.A.)*	*(N.A.)*
						0.65	*(N.A.)*	*(N.A.)*

8	TY-6A	177	144,800	4	1	0.57	*(N.A.)*	*(N.A.)*
9	OM-7	217	6,500,200	13	3	0.88	5,720,176	*8,008,246*
						0.5	*(N.A.)*	*(N.A.)*
						4.27	27,755,854	*38,858,196*
10	OM-7A	218	5,600,400	1	1	1.37	7,672,548	*10,741,567*
11	LK-8	176	70,400	*(N.A.)*	*(N.A.)*	*(N.A.)*	*(N.A.)*	*(N.A.)*
12	LK-9	176	122,400	*(N.A.)*	*(N.A.)*	*(N.A.)*	*(N.A.)*	*(N.A.)*
13	LK-10	177	21,000	*(N.A.)*	*(N.A.)*	*(N.A.)*	*(N.A.)*	*(N.A.)*
TOTAL			**19,601,000**				51,825,857	72,556,200

*N.A.-Not Applicable **=72 *MMT***

Coal Seam<0.75 m not considered

BACTINAN AND MACOPA
M&I 7.1
Inferred 5.6

Potential deposit in the remaining **59 *MMT***
eight *(8)* basins within the entire COC area

16.0 INTERPRETATION AND CONCLUSIONS

16.1 Thirteen *(13)* individual mini coal depositional basins are located in the *COC* area. Ten *(10)* of these basins are carbonaceous mudstones with interbeds of coal seams. Within these ten *(10)* mini basins, a total of forty *(40*) coal outcrops with thickness ranging from 0.18 *m* to 4.57*m* were located.

Correlating the coal outcrops and drilled intercepts resulted into the identification of at least two *(2)* to three *(3)* Coal Seams in the ten *(10)* individual mudstone mini-basins.

At Bactinan, the coal seams occur in a monocline that trends to the Northwest *(NW)* and dips to Northeast *(NE).*

In Macopa, the seams are within a synclinal basin that trends West Northwest *(WNW)* and plunges by 1% to the East Southeast *(ESE).*

16.2 Two *(2)* coal seams were intersected by fifteen *(15)* diamond drill holes at Bactinan and Macopa areas.

At Bactinan, the bottom seam *(Seam A)* ranges in thickness from 1.28 *m* to 4.57 *m* while the upper seam *(Seam B)* measures from 0.9 *m* to 7.11 *m*. The average thickness of Seam A is 2.61 *m* and Seam B is 3.4 *m*.

At Bactinan, the bottom seam *(Seam A)* ranges in thickness from 1.28 *m* to 4.57 *m* while the upper seam *(Seam B)* measures from 0.9 *m* to 7.11 *m*. The average thickness of Seam A is 2.61 *m* and Seam B is 3.4 *m*.

At Table 1, the bottom seam *(Seam A)* measures 0.10 *m* to 2.7 *m* while Seam B thickens from 0.22 *m* to 4.57 *m*. The upper seam *(Seam C)* varies from 0.15 *m* to 1.47 *m*. The average thickness of Seam A is 1.05 *m*, Seam B is 1.94 *m* and Seam C is 0.71 *m*.

16.3 The drilled areas at Bactinan and Macopa mini basins yielded a Measured Resource of 2.9 MMT and an Indicated Resource of 4.2 MMT or an M&I Resource of 7.1 MMT. The Inferred Resource is 5.6 MMT.

The remaining eight *(8)* mini basins in the entire *COC* area however has a "Potential" or "Target" coal deposit of 59 MMT that warrants further exploration activity.

16.4 The Resource estimated at Bactinan yielded an average heating value of 8,930 BTU/lb, an average ash content of 13.10% and an average sulphur content of 1.38%. The range of heating values of samples start at 6,500 to 11,758 BTU/lb.

The Resource estimated at Macopa gave two *(2)* sets of values. Fifty five percent*(55%)* of the resource gave an average heating value of 9,758 BTU/lb, an average of ash content of 11.80*%* and a sulphur content of 0.5*%. Forty five*percent*(45%)* of the resource yielded an average heating value of 6,340 BTU/lb, an ash content of 39.04*%* and a sulphur content of 2.10 *%.*

17.0 RECOMMENDATIONS

Exploration activities conducted on the project as discussed in Section 11.0, represent Phase I, Phase II and portion of Phase III of the *PMRC* exploration and development phases presented by Dr. PABLITO M. ONG of *PMRC's* accreditation committee.*(Table 8)*. The result of exploration conducted on the area clearly indicates that Phase III should be pursued.

This entails more detailed geologic mapping, further trenching and additional core drilling. These activities should be pursued in all of the identified mini-basins particularly at East Bactinan and Tagbay.

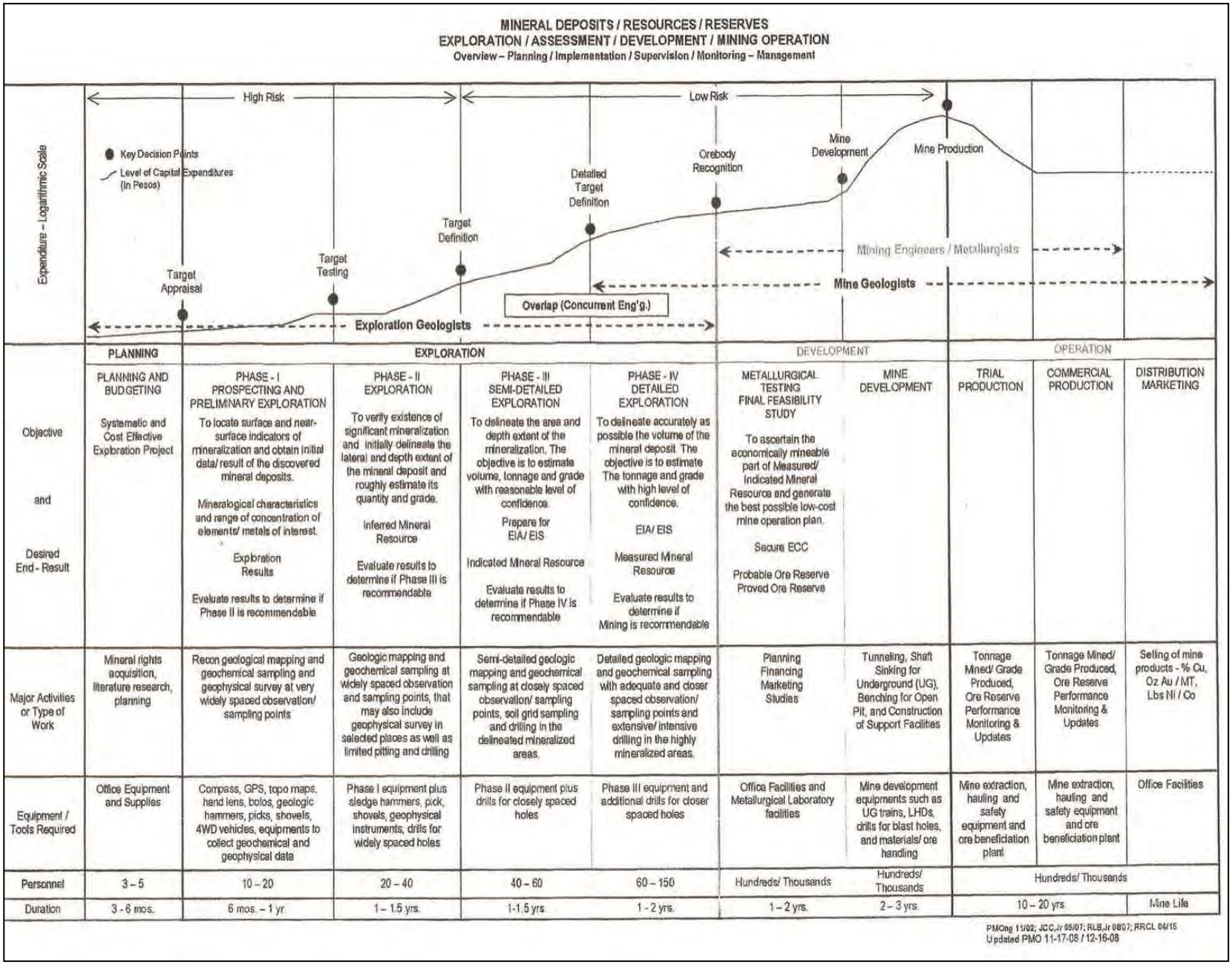


TABLE 8. PHASES OF EXPLORATION/DEVELOPMENT

18.0 REFERENCES

18.1 Technical Committee, *Philippine Mineral Reporting Code. (2009)* Implementing Rules and Regulations of the Philippine Mineral Reporting Code.

18.2 Titan Mining and Energy Corporation. *(2009),* Application for Coal Operating Contract.

18.3 Mines and Geosciences Bureau. *(2002),* Geology and Mineral Resources of the Philippines, Volume I.

18.4 Municipality of Manay, Province of Davao Oriental. *(2002),* Comprehensive Development Plan.

18.5 Ebro, Gaylord P. *(2010),* Initial Geologic Assessment of Manay Coal Area, Davao Oriental.

18.6 Wardell-Armstrong International Ltd. *(1985),* Report on coal resources of the Philippines. Technical report submitted to Ministry of Energy, Philippines.

ENRIQUE C. PAYAWAL
April 04, 2012

INTERNAL GEOLOGIC REPORT
RESULT OF EXPLORATION
DAVAO COAL PROJECT
Municipality of Manay, Davao Oriental

Coal Operating Contract No. 159

of

TITAN MINING AND ENERGY CORPORATION
3/F JFKC Centre, 2155 Don Chino Roces Ave.
Makati City, Philippines

(ATTACHMENTS)

by:

Enrique C. Payawal
Geologist
Vice-President for Exploration

April 04, 2012

872,000 mE | 874,000 mE | 876,000 mE | 878,000 mE | 880,000 mE | 882,000 mE

126°22'12" | 126°22'48" | 126°23'24" | 126°24' | 126°24'36" | 126°25'12" | 126°25'48" | 126°27'

7°15' | 7°14'24" | 7°13'48" | 7°13'12" | 7°12'36" | 7°12' | 7°10'48" | 7°10'12" | 7°09'36" | 7°09' | 7°08'24"

802,000 mN | 800,000 mN | 798,000 mN | 796,000 mN | 794,000 mN | 792,000 mN | 790,000 mN

43 - L 136 | 43 - L - 137 | 43 - L - 176 | 43 - L - 177 | 43 - L - 178 | 43 - L - 217 | 43 - L - 218

BATO - BATO (BB - 2)

(BB - 2A)

BACTINAN (BT - 3)

EAST BACTINAN (BE - 4)

KAPASNAN (KN - 1)

ANIBONGAN (AN - 5)

TAGBAY (TY - 6)

(TY - 6A)

MACOPA (OM - 7)

(OM - 7A)

Flycamp Bactinan

PDH-08 | BDH-06 | PDH-10 | PDH-13 | BDH-07 | PDH-12 | BDH-05 | BDH-02 | PDH-14 | BDH-03 | BDH-04 | PDH-11 | PDH-09

MDH-13 | MDH-12 | MDH-14 | MDH-11 | MDH-05 | MDH-06 | MDH-07A | MDH-07 | MDH-02 | MDH-07B | MDH-08 | MDH-03 | MDH-04 | MDH-01

MDH-09 | MDH-09A

N | W | E | S

0 500 1,000 meters

0 2,000 4,000 feet

LEGEND

- Road
- 100 Index Contour
- River
- Intermittent Stream
- Barangay Location
- Completed
- Proposed
- Abandoned

GEOLOGICAL SYMBOL

- Trace of Inferred Synclinal Axis
- Trace of Inferred Anticlinal Axis
- Inferred Faults
- Strike and Dip of Bedding
- Coal Seam Outcrop, Thickness and Attitude
- Strike and Dip of Joints
- V V Volcanics
- Coal Trace

- ALLUVIUM
- AGTU-UGANON LIMESTONE

MANGAGOY FORMATION

- WACKE
- MUDSTONE WITH COAL BED
- MASSIVE SANDSTONE

- TAGABAKID LIMESTONE
- BARCELONA BASALT



TITAN MINING AND ENERGY CORPORATION

3F JTKC CENTER, 2155 CHINO ROCES AVENUE MAKATI CITY

Project: **MANAY COAL EXPLORATION PROJECT**		Title **GEOLOGIC MAP COC - 159 DAVAO ORIENTAL, PHILIPPINES**
Prepared by		
Drawn by		
Checked by		Datum: Longitude Latitude Luzon for Philippines
Approved by		1:20000 — Fig. No.
Date	April 19, 2012	

874,500 mE
875,000 mE
875,500 mE
876,000 mE
799,500 mN
798,500 mN
797,500 mN

126°23'30"
126°24'
7°12'30"

INF 1
IND 1
IND 2
IND 3
M 1
SEAM A
SEAM B

BDH-01
BDH-02
BDH-03
BDH-04
BDH-05
BDH-06
BDH-07
PDH-08
PDH-09
PDH-10
PDH-11
PDH-12
PDH-13
PDH-14

BCT-1
BCT-2
BCT-3
BCT-4
BCT-5
BCT-9
BCT-10
BCT-11

Flycamp Bactinan

6
7
8
9
10

200
300
400

0 100 200
meters

N
W E
S

ALLUVIUM
AGTU-UGANON LIMESTONE
MANGAGOY FORMATION
WACKE
MUDSTONE WITH COAL BEDS
MASSIVE SANDSTONE
TAGABAKID LIMESTONE
BARCELONA BASALT
COAL TRACE
COMPLETED DRILLHOLES
ABANDONED DRILLHOLES
PROPOSED DRILLHOLES
M MEASURED
IND INDICATED
INF INFERRED
SECTION LINE

TITAN MINING AND ENERGY CORPORATION

3F JTKC CENTER, 2155 CHINO ROCES AVENUE MAKATI CITY

Project:		Title	RESOURCE BLOCKS BACTINAN COC - 159
Prepared by			
Drawn by			
Checked by		Datum: UTM Luzon 51	
Approved by		1:2,000	Fig. No.
Date			

876,000 mE | 876,500 mE | 877,000 mE | 877,500 mE | 878,000 mE

792,500 mN | 792,000 mN

0 100 200 meters

0 250 500 feet

20 OMT-2

OMT-1 26

OMO-002 29

MDH-12 | MDH-13

57 MCO-004

30 OMO-01

IND 1

M 1

34 MCO-09

31 OMT-3

MDH-14

31 OMT-3A

MDH-11

IND 2

SEAM A

SEAM B

SEAM C

MDH-06

MDH-05

INF 2

INF 1

29 LNG-001

M 2

MDH-07 | MDH-07B | MDH-07A

MDH-02

1 | 2 | 3 | 4 | 5 | 6 | 7

IND 3

26 MCO-14

20 MCO-006

20 VD-006

MDH-08

MDH-03

M 3

35 MCO-002/MCO-011

MDH-01

22 OMT-4

MDH-04

SEAM B

30 OMT-5

ALLUVIUM

AGTU-UGANON LIMESTONE

MANGAGOY FORMATION

WACKE

MUDSTONE WITH COAL BEDS

MASSIVE SANDSTONE

TAGABAKID LIMESTONE

BARCELONA BASALT

COAL TRACE

COMPLETED DRILLHOLES

ABANDONED DRILLHOLES

PROPOSED DRILLHOLES

M MEASURED

IND INDICATED

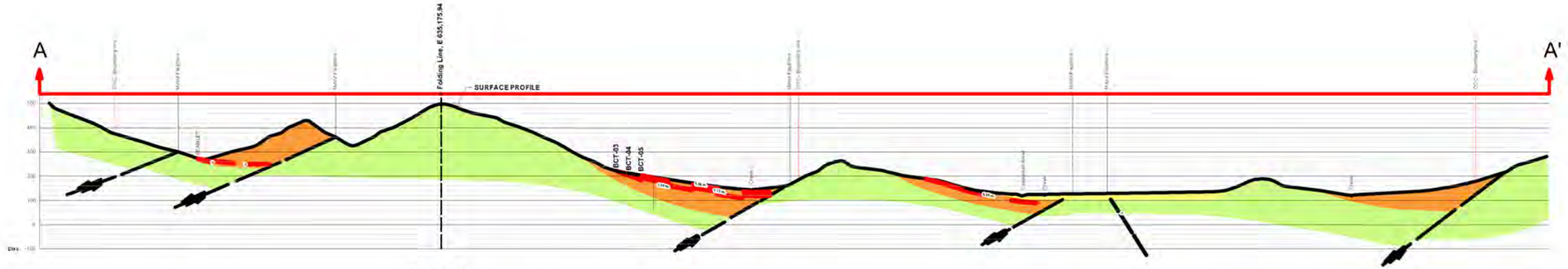
INF INFERRED

SECTION LINE

TITAN MINING AND ENERGY CORPORATION

3F JTKC CENTER, 2155 CHINO ROCES AVENUE MAKATI CITY

Project:	Title: **RESOURCE BLOCKS OLD MACOPA COC - 159**
Prepared by	
Drawn by	
Checked by	Datum: UTM Luzon 51
Approved by	1:2,000
Date	Fig. No.



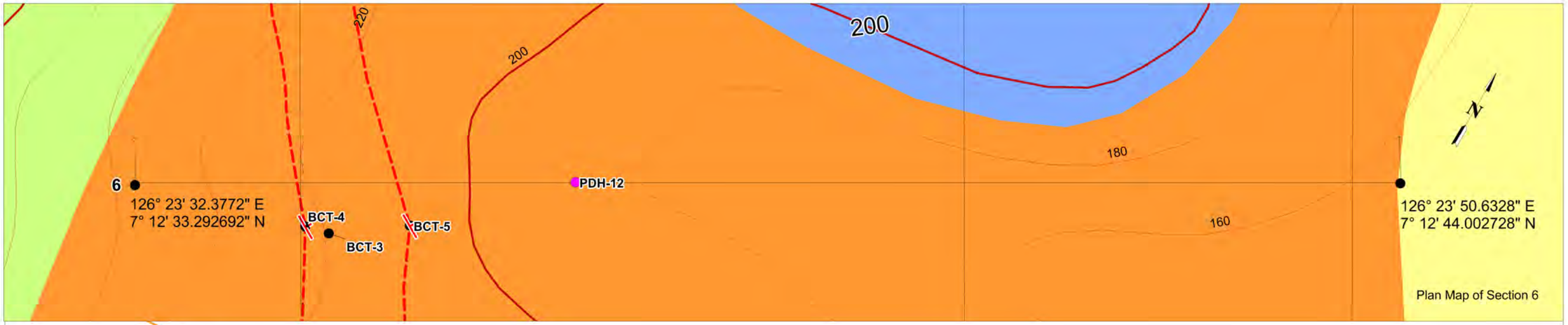
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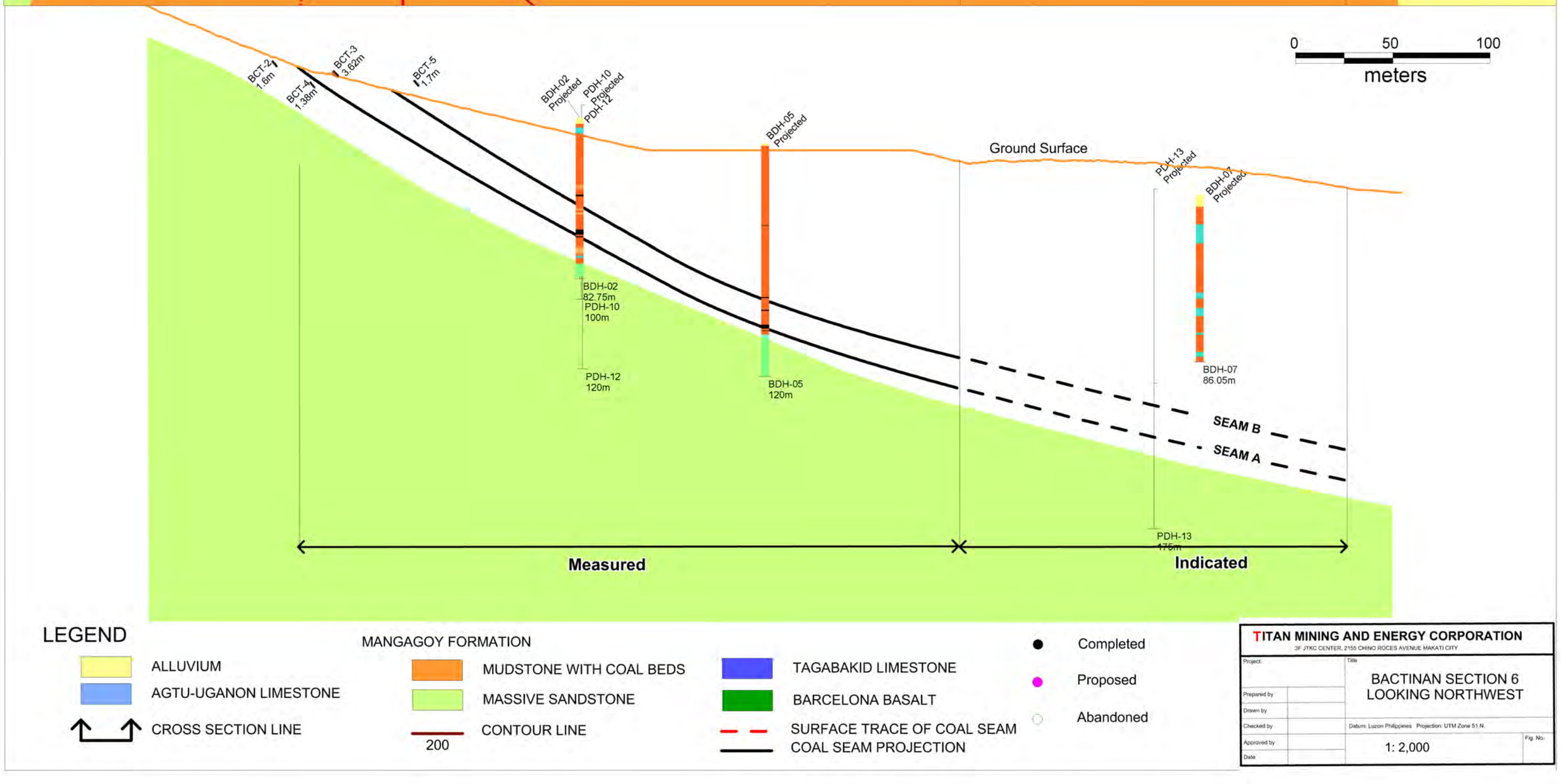
- ALLUVIUM
- AGTU-UGANON LIMESTONE
- MANGAGOY FORMATION
  - WACKE
  - MUDSTONE WITH COAL BEDS
  - MASSIVE SANDSTONE
- INFERRED FAULT
- PROJECTED COAL SEAM

TITAN MINING AND ENERGY CORPORATION

3F JTKC CENTER, 2155 CHINO ROCES AVENUE MAKATI CITY

Project:	Title: IDEALIZED CROSS SECTION SHOWING THE LOCATION OF THE COAL BEARING MUDSTONE MEMBER OF THE MANGAGOY FORMATION
Prepared by:	
Drawn by:	
Checked by:	Datum: Luzon Philippines Projection: UTM Zone 51 N
Approved by:	1: 20,000
Date:	Fig. No.





LEGEND

- ALLUVIUM
- AGTU-UGANON LIMESTONE
- CROSS SECTION LINE

MANGAGOY FORMATION

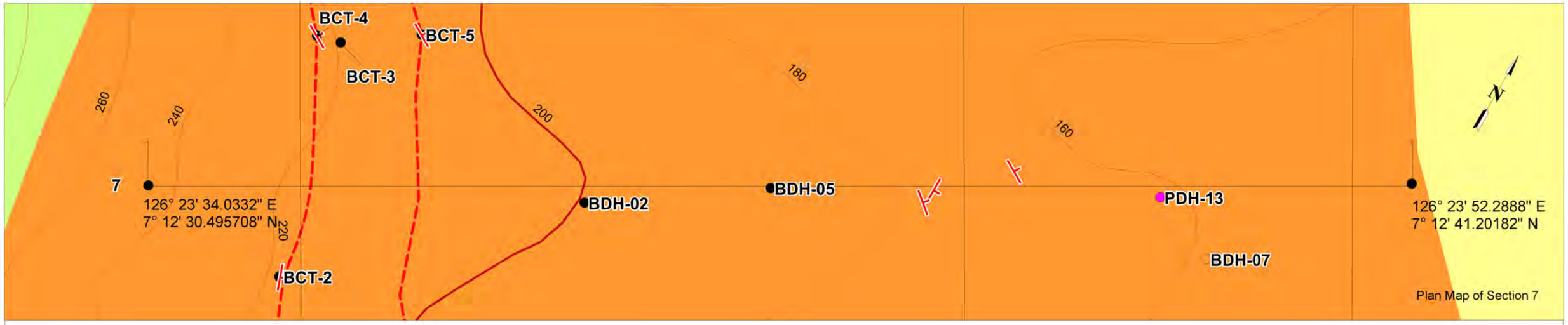
- MUDSTONE WITH COAL BEDS
- MASSIVE SANDSTONE
- CONTOUR LINE (200)

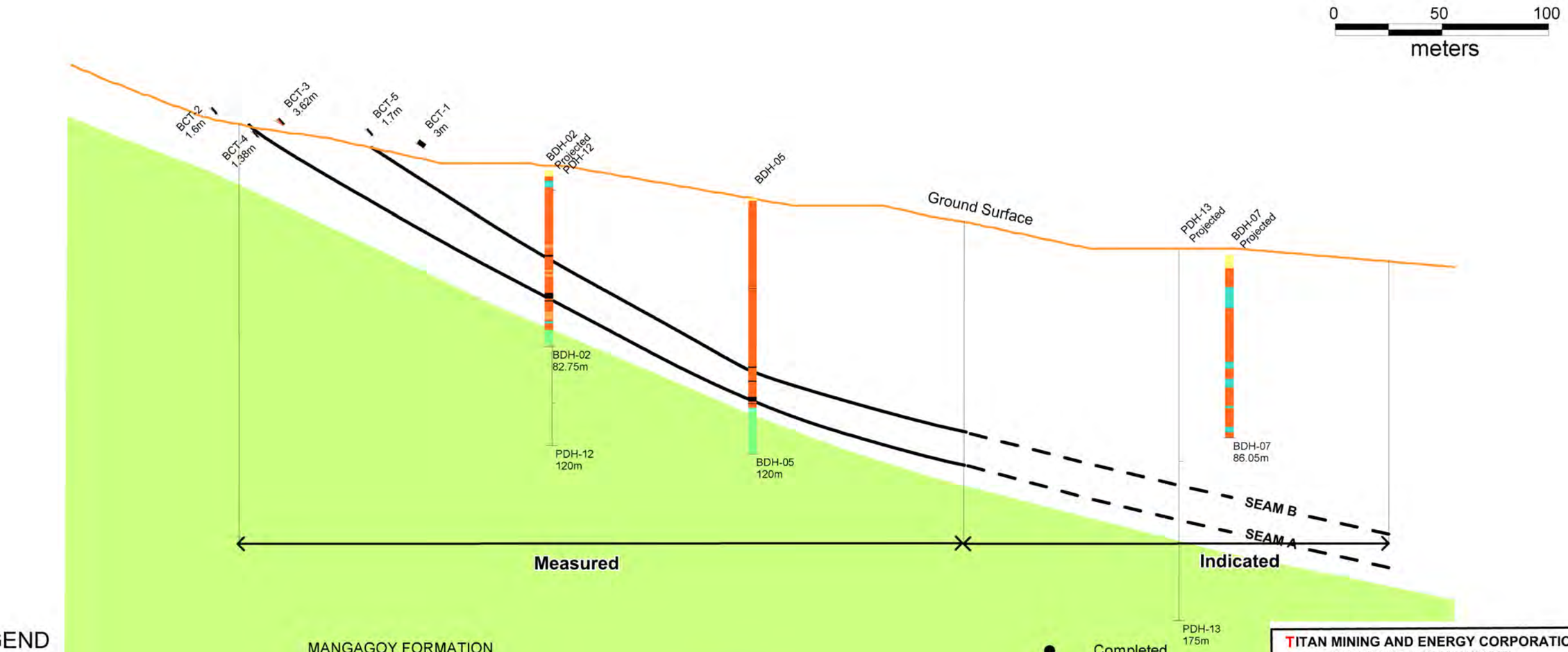
- TAGABAKID LIMESTONE
- BARCELONA BASALT
- SURFACE TRACE OF COAL SEAM
- COAL SEAM PROJECTION

- Completed
- Proposed
- Abandoned

TITAN MINING AND ENERGY CORPORATION
3F JTKC CENTER, 2155 CHINO ROCES AVENUE MAKATI CITY

Project:	Title: BACTINAN SECTION 6 LOOKING NORTHWEST
Prepared by	
Drawn by	
Checked by	Datum: Luzon Philippines Projection: UTM Zone 51 N.
Approved by	1: 2,000
Date	Fig. No.:





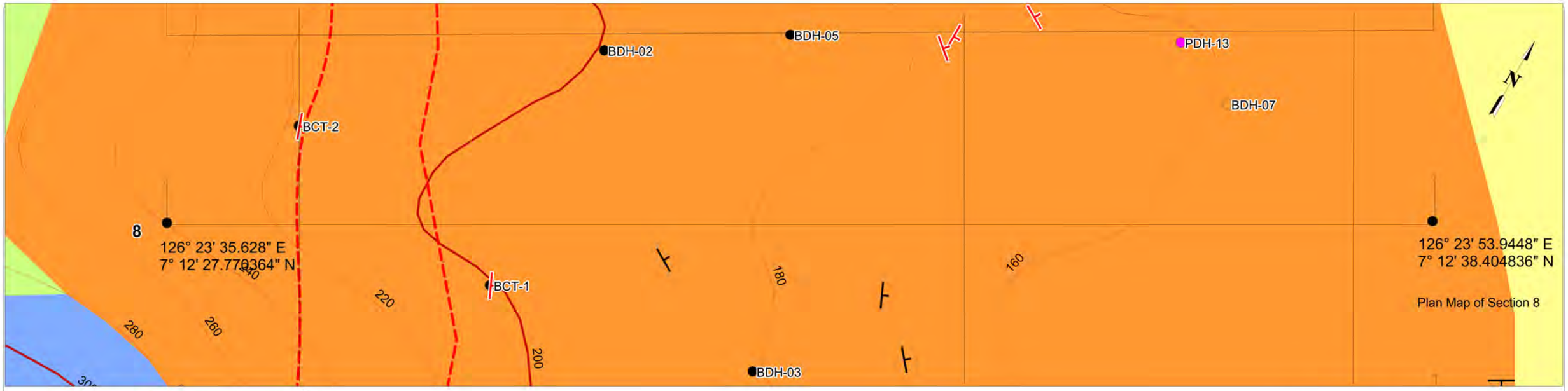
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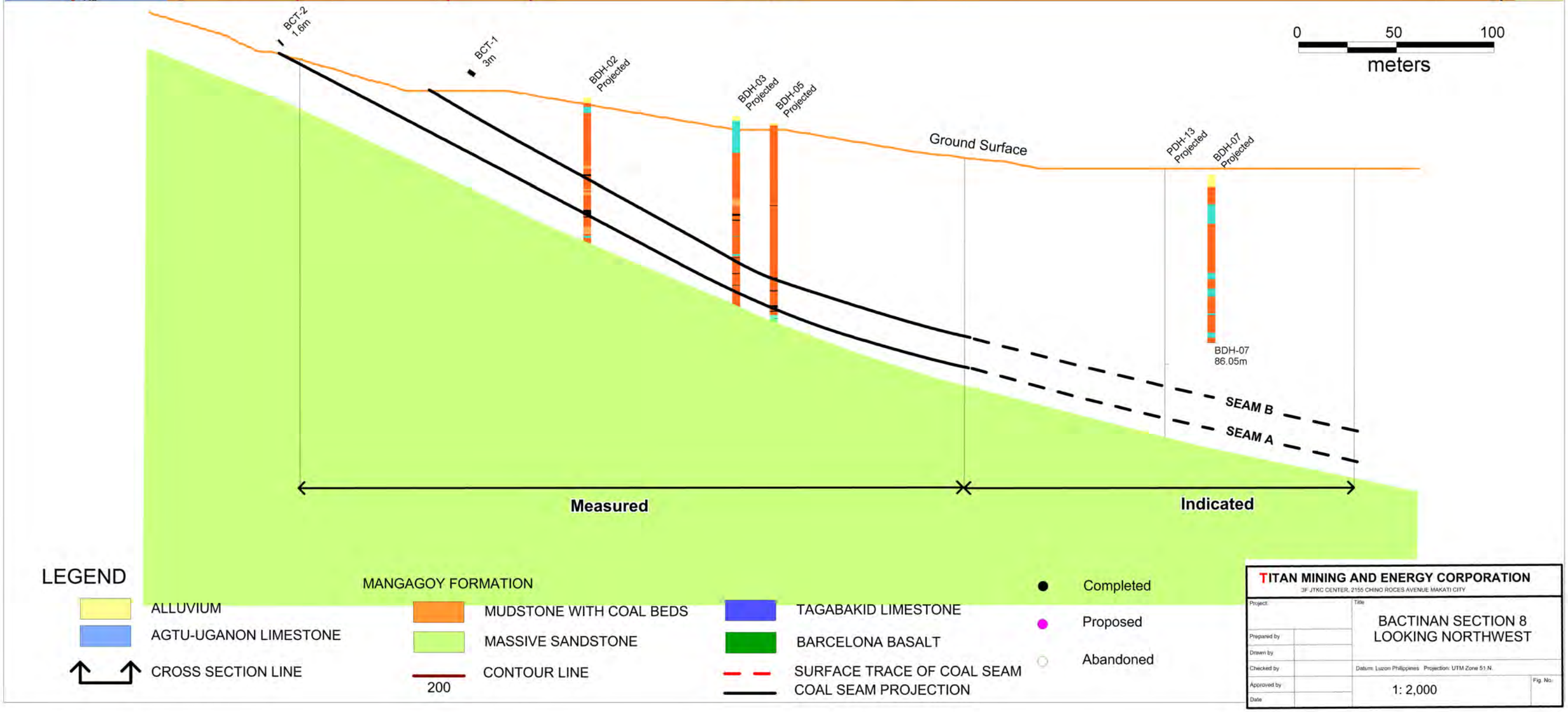
MANGAGOY FORMATION

- ALLUVIUM
- AGTU-UGANON LIMESTONE
- CROSS SECTION LINE
- MUDSTONE WITH COAL BEDS
- MASSIVE SANDSTONE
- CONTOUR LINE (200)
- TAGABAKID LIMESTONE
- BARCELONA BASALT
- SURFACE TRACE OF COAL SEAM
- COAL SEAM PROJECTION
- Completed
- Proposed
- Abandoned

TITAN MINING AND ENERGY CORPORATION
3F JTKC CENTER, 2155 CHINO ROCES AVENUE MAKATI CITY

Project:	Title: BACTINAN SECTION 7 LOOKING NORTHWEST
Prepared by	
Drawn by	
Checked by	Datum: Luzon Philippines Projection: UTM Zone 51 N.
Approved by	1: 2,000
Date	Fig. No.:





LEGEND

ALLUVIUM

AGTU-UGANON LIMESTONE

CROSS SECTION LINE

MANGAGOY FORMATION

MUDSTONE WITH COAL BEDS

MASSIVE SANDSTONE

CONTOUR LINE

200

TAGABAKID LIMESTONE

BARCELONA BASALT

SURFACE TRACE OF COAL SEAM

COAL SEAM PROJECTION

Completed

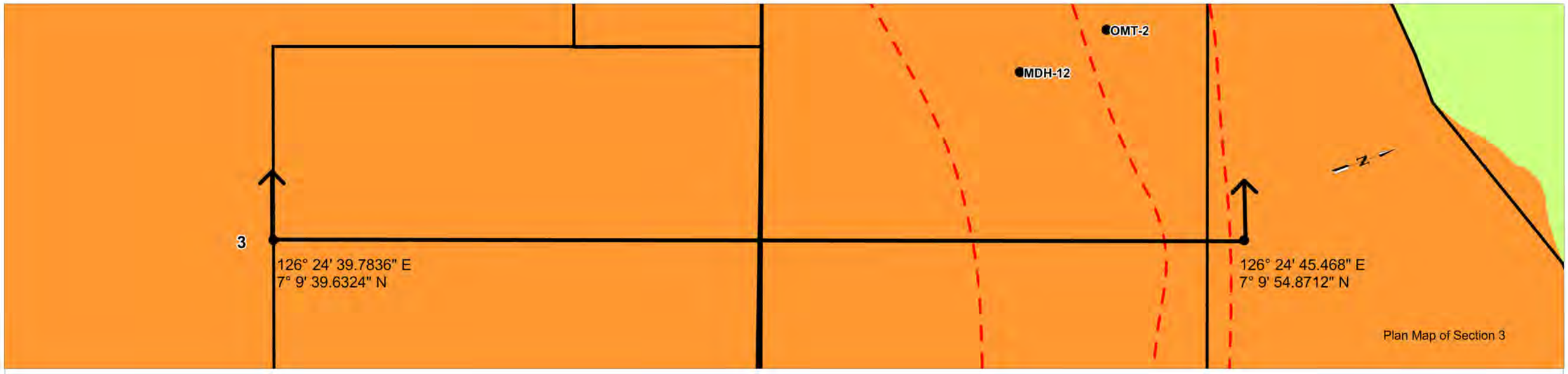
Proposed

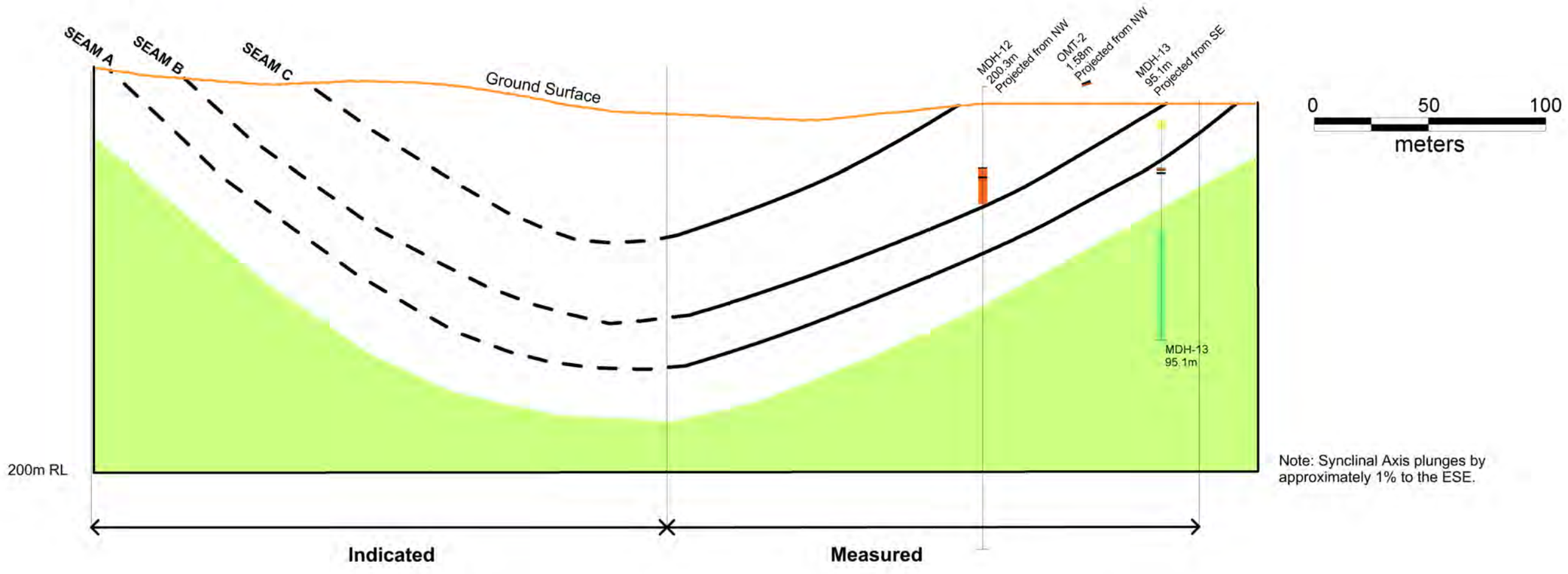
Abandoned

TITAN MINING AND ENERGY CORPORATION

3F JTKC CENTER, 2155 CHINO ROCES AVENUE MAKATI CITY

Project:	Title: BACTINAN SECTION 8 LOOKING NORTHWEST
Prepared by	
Drawn by	
Checked by	Datum: Luzon Philippines Projection: UTM Zone 51 N.
Approved by	1: 2,000
Date	Fig. No.:





LEGEND

- ALLUVIUM
- AGTU-UGANON LIMESTONE
- CROSS SECTION LINE

MANGAGOY FORMATION

- MUDSTONE WITH COAL BEDS
- MASSIVE SANDSTONE
- CONTOUR LINE (200)

- TAGABAKID LIMESTONE
- BARCELONA BASALT
- SURFACE TRACE OF COAL SEAM
- COAL SEAM PROJECTION

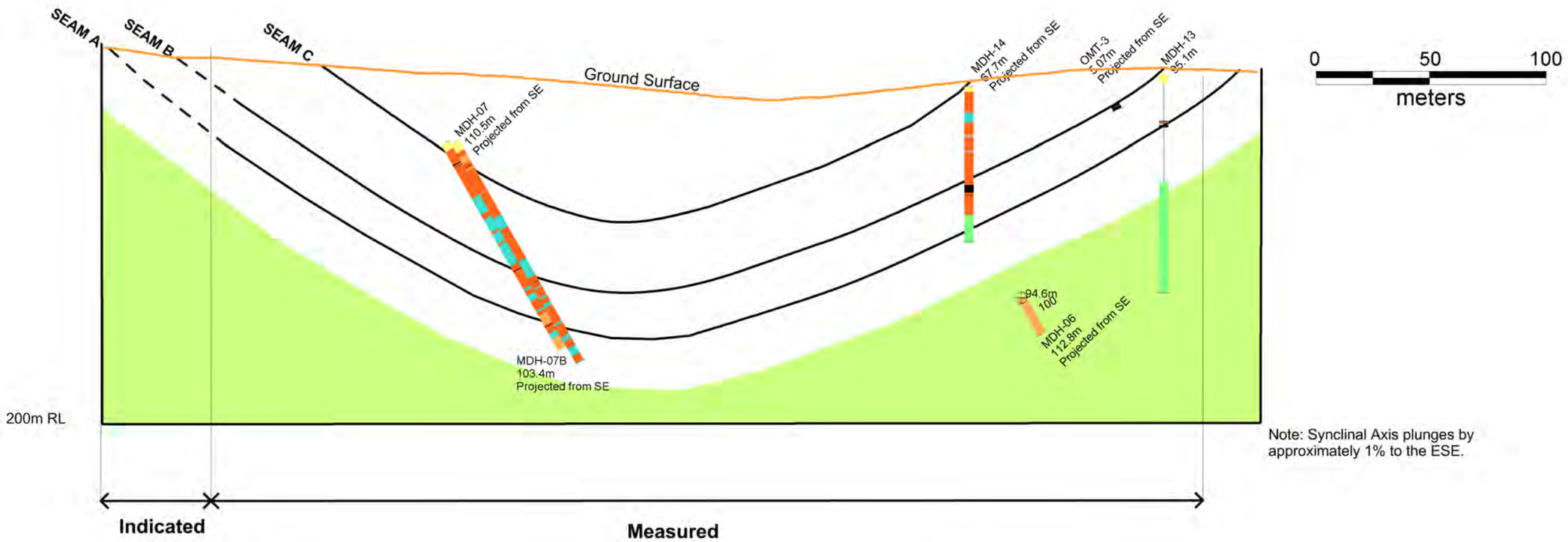
DRILL HOLES

- Completed
- Proposed
- Abandoned

TITAN MINING AND ENERGY CORPORATION
3F JTKC CENTER, 2155 CHINO ROCES AVENUE MAKATI CITY

Project:	Title: MACOPA SECTION 3 LOOKING WESTNORTHWEST
Prepared by:	
Drawn by:	
Checked by:	Datum: Luzon Philippines Projection: UTM Zone 51 N.
Approved by:	1: 2,000
Date:	Fig. No.:





Note: Synclinal Axis plunges by approximately 1% to the ESE.

LEGEND

- ALLUVIUM
- AGTU-UGANON LIMESTONE
- CROSS SECTION LINE

MANGAGOY FORMATION

- MUDSTONE WITH COAL BEDS
- MASSIVE SANDSTONE
- CONTOUR LINE (200)

- TAGABAKID LIMESTONE
- BARCELONA BASALT
- SURFACE TRACE OF COAL SEAM
- COAL SEAM PROJECTION

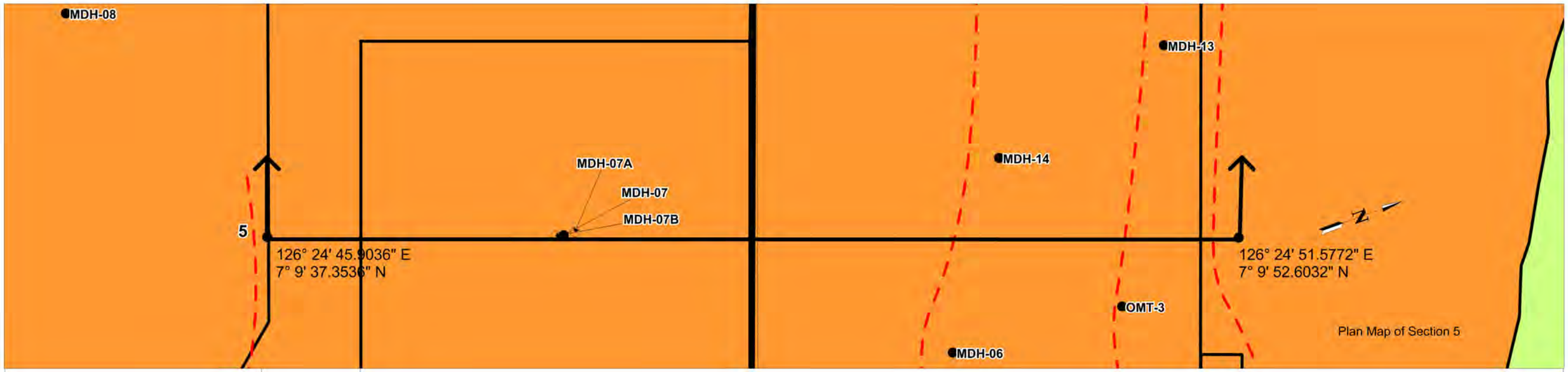
DRILL HOLES

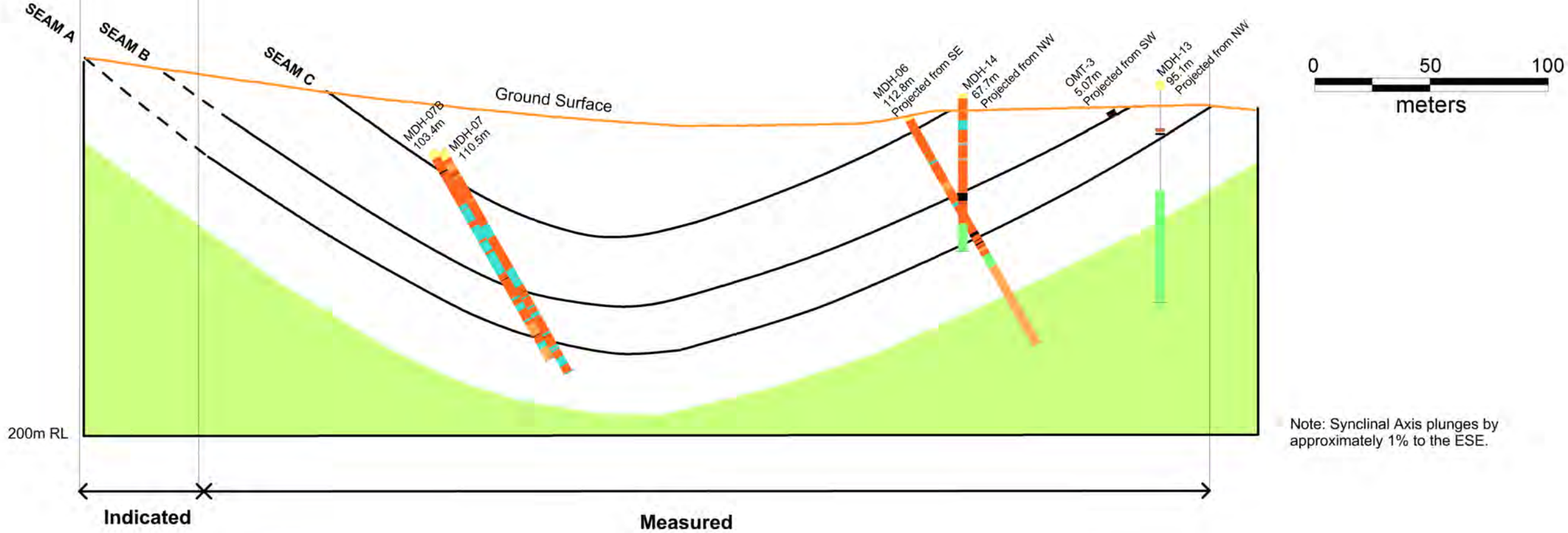
- Completed
- Proposed
- Abandoned

TITAN MINING AND ENERGY CORPORATION

3F JTKC CENTER, 2155 CHINO ROCES AVENUE MAKATI CITY

Project:	Title: MACOPA SECTION 4 LOOKING WEST NORTHWEST
Prepared by:	
Drawn by:	
Checked by:	Datum: Luzon Philippines Projection: UTM Zone 51 N.
Approved by:	1: 2,000
Date:	Fig. No.:





Note: Synclinal Axis plunges by approximately 1% to the ESE.

LEGEND

- ALLUVIUM
- AGTU-UGANON LIMESTONE
- CROSS SECTION LINE

MANGAGOY FORMATION

- MUDSTONE WITH COAL BEDS
- MASSIVE SANDSTONE
- CONTOUR LINE (200)

- TAGABAKID LIMESTONE
- BARCELONA BASALT
- SURFACE TRACE OF COAL SEAM
- COAL SEAM PROJECTION

DRILL HOLES

- Completed
- Proposed
- Abandoned

TITAN MINING AND ENERGY CORPORATION
3F JTKC CENTER, 2155 CHINO ROCES AVENUE MAKATI CITY

Project:	Title: MACOPA SECTION 5 LOOKING WESTNORTHWEST
Prepared by	
Drawn by	
Checked by	Datum: Luzon Philippines Projection: UTM Zone 51 N.
Approved by	1: 2,000
Date	Fig. No.

Attachment
4.4.2*j*

CoalTest Centre
A Division of Toplis Marine Philippines, Inc.

Rm. 318, Velco Centre
R.S. Oca cor. Delgado Sts.
Port Area, Manila

Telefax: (632) 526-7717
Mobile: (0917) 503-7717
E-mail: coal.test.centre@gmail.com

CERTIFICATE OF ANALYSIS

THIS IS TO CERTIFY that CoalTest Centre has performed laboratory sample preparation and test analysis of submitted coal sample as hereunder indicated in accordance with the appropriate ASTM Standard Methods.

Client : **Titan Mining and Energy Corporation**
Address : **3/F JTKC Centre**
2155 Don Chino Roces Avenue
Makati City
Sample Label : **COM-009 (Block 136 – Outcrop #BCT-06)**
Date Submitted : **July 6, 2010**

The following average results were obtained:

TEST PARAMETERS	UNIT	AVERAGE RESULTS		METHOD
		(As-received Basis)	(Air dried Basis)	
TOTAL MOISTURE	PCT	18.28		ASTM D 3302
RESIDUAL MOISTURE	PCT		9.98	ASTM D 3173
ASH	PCT	10.92	12.03	ASTM D 3174
VOLATILE MATTER	PCT	33.36	36.75	ASTM D 3175
FIXED CARBON	PCT	37.44	41.24	By difference
TOTAL SULPHUR	PCT	1.34	1.48	ASTM D 4239
GROSS CALORIFIC VALUE	BTU/LB	9,183	10,116	ASTM D 5865
GROSS CALORIFIC VALUE	KCAL/KG	5,102	5,620	ASTM D 5865

Manila, Philippines
10 July 2010

For and on behalf of
Toplis Marine Philippines, Inc. (Coal Test Centre)

C. B. Berin
CRISTINA B. BERIN
Test Centre Manager

Certificate No. ctc-10-07.607

This certificate refers to analysis of sample submitted to this laboratory and does not certify any other matter.

Attachment
4.4.2*f*

CoalTest Centre
A Division of Toplis Marine Philippines, Inc.

Rm. 318, Velco Centre
R.S. Oca cor. Delgado Sts.
Port Area, Manila

Telefax: (632) 526-7717
Mobile: (0917) 503-7717
E-mail: coal.test.centre@gmail.com

CERTIFICATE OF ANALYSIS

THIS IS TO CERTIFY that CoalTest Centre has performed laboratory sample preparation and test analysis of submitted coal sample as hereunder indicated in accordance with the appropriate ASTM Standard Methods.

Client : **Titan Mining and Energy Corporation**
Address : **3/F JTKC Centre**
2155 Don Chino Roces Avenue
Makati City
Sample Label : **COM-008 (Block 136 – Outcrop #BCT-02)**
Date Submitted : **July 6, 2010**

The following average results were obtained:

TEST PARAMETERS	UNIT	AVERAGE RESULTS		METHOD
		(As-received Basis)	(Air dried Basis)	
TOTAL MOISTURE	PCT	18.54		ASTM D 3302
RESIDUAL MOISTURE	PCT		9.48	ASTM D 3173
ASH	PCT	9.25	10.28	ASTM D 3174
VOLATILE MATTER	PCT	34.95	38.84	ASTM D 3175
FIXED CARBON	PCT	37.26	41.40	By difference
TOTAL SULPHUR	PCT	1.31	1.46	ASTM D 4239
GROSS CALORIFIC VALUE	BTU/LB	9,346	10,386	ASTM D 5865
GROSS CALORIFIC VALUE	KCAL/KG	5,192	5,770	ASTM D 5865

Manila, Philippines
10 July 2010

For and on behalf of
Toplis Marine Philippines, Inc. (Coal Test Centre)

C. B. Berin

CRISTINA B. BERIN
Test Centre Manager

Certificate No. ctc-10-07.606

This certificate refers to analysis of sample submitted to this laboratory and does not certify any other matter.

Attachment
4.4.2*l*

CoalTest Centre
A Division of Toplis Marine Philippines, Inc.

Rm. 318, Velco Centre
R.S. Oca cor. Delgado Sts.
Port Area, Manila

Telefax: (632) 526-7717
Mobile: (0917) 503-7717
E-mail: coal.test.centre@gmail.com

CERTIFICATE OF ANALYSIS

THIS IS TO CERTIFY that CoalTest Centre has performed laboratory sample preparation and test analysis of submitted coal sample as hereunder indicated in accordance with the appropriate ASTM Standard Methods.

Client : **Titan Mining and Energy Corporation**
Address : **3/F JTKC Centre**
2155 Don Chino Roces Avenue
Makati City
Sample Label : **COM-007 (Block 137 – Outcrop #BCT-010)**
Date Submitted : **July 6, 2010**

The following average results were obtained:

TEST PARAMETERS	UNIT	AVERAGE RESULTS		METHOD
		(As-received Basis)	(Air dried Basis)	
TOTAL MOISTURE	PCT	**19.11**		ASTM D 3302
RESIDUAL MOISTURE	PCT		**10.46**	ASTM D 3173
ASH	PCT	**16.37**	**18.12**	ASTM D 3174
VOLATILE MATTER	PCT	**32.13**	**35.57**	ASTM D 3175
FIXED CARBON	PCT	**32.39**	**35.85**	By difference
TOTAL SULPHUR	PCT	**0.77**	**0.85**	ASTM D 4239
GROSS CALORIFIC VALUE	BTU/LB	**8,237**	**9,118**	ASTM D 5865
GROSS CALORIFIC VALUE	KCAL/KG	**4,576**	**5,066**	ASTM D 5865

Manila, Philippines
10 July 2010

For and on behalf of
Toplis Marine Philippines, Inc. (Coal Test Centre)

CRISTINA B. BERIN
Test Centre Manager

Certificate No. ctc-10-07.605

This certificate refers to analysis of sample submitted to this laboratory and does not certify any other matter.

Attachment
4.4.2*h*

CoalTest Centre
A Division of Toplis Marine Philippines, Inc.

Rm. 318, Velco Centre
R.S. Oca cor. Delgado Sts.
Port Area, Manila

Telefax: (632) 526-7717
Mobile: (0917) 503-7717
E-mail: coal.test.centre@gmail.com

CERTIFICATE OF ANALYSIS

THIS IS TO CERTIFY that CoalTest Centre has performed laboratory sample preparation and test analysis of submitted coal sample as hereunder indicated in accordance with the appropriate ASTM Standard Methods.

Client : **Titan Mining and Energy Corporation**
Address : **3/F JTKC Centre**
2155 Don Chino Roces Avenue
Makati City
Sample Label : **COM-006 (Block 136 – Outcrop #BCT-04)**
Date Submitted : **July 6, 2010**

The following average results were obtained:

TEST PARAMETERS	UNIT	AVERAGE RESULTS		METHOD
		(As-received Basis)	(Air dried Basis)	
TOTAL MOISTURE	PCT	**20.16**		ASTM D 3302
RESIDUAL MOISTURE	PCT		**7.79**	ASTM D 3173
ASH	PCT	**12.85**	**14.84**	ASTM D 3174
VOLATILE MATTER	PCT	**31.67**	**36.58**	ASTM D 3175
FIXED CARBON	PCT	**35.32**	**40.79**	By difference
TOTAL SULPHUR	PCT	**0.99**	**1.14**	ASTM D 4239
GROSS CALORIFIC VALUE	BTU/LB	**8,897**	**10,276**	ASTM D 5865
GROSS CALORIFIC VALUE	KCAL/KG	**4,943**	**5,709**	ASTM D 5865

Manila, Philippines
10 July 2010

For and on behalf of
Toplis Marine Philippines, Inc. (Coal Test Centre)

CRISTINA B. BERIN
Test Centre Manager

Certificate No. ctc-10-07.604

This certificate refers to analysis of sample submitted to this laboratory and does not certify any other matter.

Attachment
4.4.2g

CoalTest Centre
A Division of Toplis Marine Philippines, Inc.

Rm. 318, Velco Centre
R.S. Oca cor. Delgado Sts.
Port Area, Manila

Telefax: (632) 526-7717
Mobile: (0917) 503-7717
E-mail: coal.test.centre@gmail.com

CERTIFICATE OF ANALYSIS

THIS IS TO CERTIFY that CoalTest Centre has performed laboratory sample preparation and test analysis of submitted coal sample as hereunder indicated in accordance with the appropriate ASTM Standard Methods.

Client : **Titan Mining and Energy Corporation**
Address : **3/F JTKC Centre**
2155 Don Chino Roces Avenue
Makati City
Sample Label : **COM-005 (Block 136 – Outcrop #BCT-03)**
Date Submitted : **July 6, 2010**

The following average results were obtained:

TEST PARAMETERS	UNIT	AVERAGE RESULTS		METHOD
		(As-received Basis)	(Air dried Basis)	
TOTAL MOISTURE	PCT	16.44		ASTM D 3302
RESIDUAL MOISTURE	PCT		9.96	ASTM D 3173
ASH	PCT	9.66	10.41	ASTM D 3174
VOLATILE MATTER	PCT	36.14	38.94	ASTM D 3175
FIXED CARBON	PCT	37.76	40.69	By difference
TOTAL SULPHUR	PCT	0.79	0.85	ASTM D 4239
GROSS CALORIFIC VALUE	BTU/LB	9,454	10,187	ASTM D 5865
GROSS CALORIFIC VALUE	KCAL/KG	5,252	5,659	ASTM D 5865

Manila, Philippines
10 July 2010

For and on behalf of
Toplis Marine Philippines, Inc. (Coal Test Centre)

C. B. Berin
CRISTINA B. BERIN
Test Centre Manager

Certificate No. ctc-10-07.603

This certificate refers to analysis of sample submitted to this laboratory and does not certify any other matter.

Attachment
4.4.2*i*

CoalTest Centre
A Division of Toplis Marine Philippines, Inc.

Rm. 318, Velco Centre
R.S. Oca cor. Delgado Sts.
Port Area, Manila

Telefax: (632) 526-7717
Mobile: (0917) 503-7717
E-mail: coal.test.centre@gmail.com

CERTIFICATE OF ANALYSIS

THIS IS TO CERTIFY that CoalTest Centre has performed laboratory sample preparation and test analysis of submitted coal sample as hereunder indicated in accordance with the appropriate ASTM Standard Methods.

Client : **Titan Mining and Energy Corporation**
Address : **3/F JTKC Centre**
2155 Don Chino Roces Avenue
Makati City
Sample Label : **COM-004 (Block 136 – Outcrop #BCT-05)**
Date Submitted : **July 6, 2010**

The following average results were obtained:

TEST PARAMETERS	UNIT	AVERAGE RESULTS		METHOD
		(As-received Basis)	(Air dried Basis)	
TOTAL MOISTURE	PCT	**19.38**		ASTM D 3302
RESIDUAL MOISTURE	PCT		**10.24**	ASTM D 3173
ASH	PCT	**22.46**	**25.01**	ASTM D 3174
VOLATILE MATTER	PCT	**31.72**	**35.32**	ASTM D 3175
FIXED CARBON	PCT	**26.44**	**29.43**	By difference
TOTAL SULPHUR	PCT	**0.71**	**0.79**	ASTM D 4239
GROSS CALORIFIC VALUE	BTU/LB	**7,299**	**8,126**	ASTM D 5865
GROSS CALORIFIC VALUE	KCAL/KG	**4,055**	**4,515**	ASTM D 5865

Manila, Philippines
10 July 2010

For and on behalf of
Toplis Marine Philippines, Inc. (Coal Test Centre)

C. B. Berin
CRISTINA B. BERIN
Test Centre Manager

Certificate No. ctc-10-07-602

This certificate refers to analysis of sample submitted to this laboratory and does not certify any other matter.

CoalTest Centre
A Division of Toplis Marine Philippines, Inc.

CERTIFICATE OF ANALYSIS

THIS IS TO CERTIFY that CoalTest Centre has performed laboratory sample preparation and test analysis of submitted coal sample as hereunder indicated in accordance with the appropriate ASTM Standard Methods.

Client	:	**Titan Mining and Energy Corporation**
Address	:	**3/F JTKC Centre** **2155 Don Chino Roces Avenue** **Makati City**
Sample Label	:	**COM-003 (Block 217 – Outcrop #OMT-02)**
Date Submitted	:	**July 6, 2010**

The following average results were obtained:

TEST PARAMETERS	UNIT	AVERAGE RESULTS		METHOD
		(As-received Basis)	(Air dried Basis)	
TOTAL MOISTURE	PCT	26.04		ASTM D 3302
RESIDUAL MOISTURE	PCT		9.00	ASTM D 3173
ASH	PCT	36.74	45.21	ASTM D 3174
VOLATILE MATTER	PCT	20.64	25.40	ASTM D 3175
FIXED CARBON	PCT	16.58	20.39	By difference
TOTAL SULPHUR	PCT	1.22	1.50	ASTM D 4239
GROSS CALORIFIC VALUE	BTU/LB	3,700	4,552	ASTM D 5865
GROSS CALORIFIC VALUE	KCAL/KG	2,055	2,529	ASTM D 5865

Manila, Philippines
10 July 2010

For and on behalf of
Toplis Marine Philippines, Inc. (Coal Test Centre)

C. B. Berin
CRISTINA B. BERIN
Test Centre Manager

Certificate No. ctc-10-07.601

This certificate refers to analysis of sample submitted to this laboratory and does not certify any other matter.

CoalTest Centre
A Division of Toplis Marine Philippines, Inc.

CERTIFICATE OF ANALYSIS

THIS IS TO CERTIFY that CoalTest Centre has performed laboratory sample preparation and test analysis of submitted coal sample as hereunder indicated in accordance with the appropriate ASTM Standard Methods.

Client	:	**Titan Mining and Energy Corporation**
Address	:	**3/F JTKC Centre** **2155 Don Chino Roces Avenue** **Makati City**
Sample Label	:	**COM-001/2 (Block 178 – Outcrop #KCT-01)**
Date Submitted	:	**July 6, 2010**

The following average results were obtained:

TEST PARAMETERS	UNIT	AVERAGE RESULTS		METHOD
		(As-received Basis)	(Air dried Basis)	
TOTAL MOISTURE	PCT	34.21		ASTM D 3302
RESIDUAL MOISTURE	PCT		11.69	ASTM D 3173
ASH	PCT	26.92	36.13	ASTM D 3174
VOLATILE MATTER	PCT	20.92	28.08	ASTM D 3175
FIXED CARBON	PCT	17.95	24.10	By difference
TOTAL SULPHUR	PCT	1.32	1.77	ASTM D 4239
GROSS CALORIFIC VALUE	BTU/LB	4,406	5,914	ASTM D 5865
GROSS CALORIFIC VALUE	KCAL/KG	2,447	3,285	ASTM D 5865

Manila, Philippines
10 July 2010

For and on behalf of
Toplis Marine Philippines, Inc. (Coal Test Centre)

C. B. Berin
CRISTINA B. BERIN
Test Centre Manager

Certificate No. ctc-10-07.600

This certificate refers to analysis of sample submitted to this laboratory and does not certify any other matter.

CoalTest Centre
A Division of Toplis Marine Philippines, Inc.

CERTIFICATE OF ANALYSIS

THIS IS TO CERTIFY that CoalTest Centre has performed laboratory sample preparation and test analysis of submitted coal sample as hereunder indicated in accordance with the appropriate ASTM Standard Methods.

Client : **Titan Mining and Energy Corporation**
Address : **3/F JTKC Centre**
2155 Don Chino Roces Avenue
Makati City
Sample Label : **COM-001/1 (Block 178 – Outcrop #KCT-01)**
Date Submitted : **July 6, 2010**

The following average results were obtained:

TEST PARAMETERS	UNIT	AVERAGE RESULTS		METHOD
		(As-received Basis)	(Air dried Basis)	
TOTAL MOISTURE	PCT	33.16		ASTM D 3302
RESIDUAL MOISTURE	PCT		11.41	ASTM D 3173
ASH	PCT	29.48	39.07	ASTM D 3174
VOLATILE MATTER	PCT	20.41	27.05	ASTM D 3175
FIXED CARBON	PCT	16.95	22.47	By difference
TOTAL SULPHUR	PCT	1.46	1.93	ASTM D 4239
GROSS CALORIFIC VALUE	BTU/LB	4,156	5,508	ASTM D 5865
GROSS CALORIFIC VALUE	KCAL/KG	2,309	3,060	ASTM D 5865

Manila, Philippines
10 July 2010

For and on behalf of
Toplis Marine Philippines, Inc. (Coal Test Centre)

C. B. Berin
CRISTINA B. BERIN
Test Centre Manager

Certificate No. ctc-10-07.599

This certificate refers to analysis of sample submitted to this laboratory and does not certify any other matter.

CoalTest Centre
A Division of Toplis Marine Philippines, Inc.

CERTIFICATE OF ANALYSIS

THIS IS TO CERTIFY that CoalTest Centre has performed laboratory sample preparation and test analysis of the submitted coal sample as hereunder indicated in accordance with the appropriate ASTM Standard Methods.

Client : **Titan Exploration & Dev. Corp.**
Sample Identity : **43-L-218 (Davao Oriental)***
Date Submitted : **September 23, 2009**

The following results were obtained:

Parameter	Basis	Unit	Ave. Result	Standard
Total Moisture	As received	%	28.52	ASTM D 2013-04
Inherent Moisture	Air dried	%	10.85	ASTM D 3173-03
Ash	Air dried	%	11.19	ASTM D 3174-04
Volatile Matter	Air dried	%	36.78	ASTM D 3175-02
Fixed Carbon	Air dried	%	41.18	ASTM D 3172-02
Gross Calorific Value	Air dried	BTU/lb	9,625	ASTM D 5865-04
	Air dried	kcal/kg	5,347	ASTM D 5865-04
Total Sulfur	Air dried	%	0.57	ASTM D 4239-04a

Signed for and on behalf of
COALTEST CENTRE (TMPI)

Manila, Philippines
29 September 2009

C. B. Berin
CRISTINA B. BERIN
Manager

Certificate No. ctc-09034

*OTC in Basin OM-7

This certificate refers to analysis of sample submitted to this laboratory and does not certify any other matter.

Attachment
4.4.2*d*

CoalTest Centre
A Division of Toplis Marine Philippines, Inc.

CERTIFICATE OF ANALYSIS

THIS IS TO CERTIFY that CoalTest Centre has performed laboratory sample preparation and test analysis of the submitted coal sample as hereunder indicated in accordance with the appropriate ASTM Standard Methods.

Client : **Titan Exploration & Dev. Corp.**
Sample Identity : **43-L-217 (Davao Oriental)** *
Date Submitted : **September 23, 2009**

The following results were obtained:

Parameter	Basis	Unit	Ave. Result	Standard
Total Moisture	As received	%	28.62	ASTM D 2013-04
Inherent Moisture	Air dried	%	13.81	ASTM D 3173-03
Ash	Air dried	%	8.22	ASTM D 3174-04
Volatile Matter	Air dried	%	35.90	ASTM D 3175-02
Fixed Carbon	Air dried	%	42.07	ASTM D 3172-02
Gross Calorific Value	Air dried	BTU/lb	9,758	ASTM D 5865-04
	Air dried	kcal/kg	5,421	ASTM D 5865-04
Total Sulfur	Air dried	%	0.52	ASTM D 4239-04a

Signed for and on behalf of
COALTEST CENTRE (TMPI)

Manila, Philippines
29 September 2009

C. B. Berin
CRISTINA B. BERIN
Manager

Certificate No. ctc-09033

*OTC in Basin OM-7

This certificate refers to analysis of sample submitted to this laboratory and does not certify any other matter.

Attachment
4.4.2*c*

CoalTest Centre
A Division of Toplis Marine Philippines, Inc.

CERTIFICATE OF ANALYSIS

THIS IS TO CERTIFY that CoalTest Centre has performed laboratory sample preparation and test analysis of the submitted coal sample as hereunder indicated in accordance with the appropriate ASTM Standard Methods.

Client : **Titan Exploration & Dev. Corp.**
Sample Identity : **43-L-178 (Davao Oriental)***
Date Submitted : **September 23, 2009**

The following results were obtained:

Parameter	Basis	Unit	Ave. Result	Standard
Total Moisture	As received	%	26.77	ASTM D 2013-04
Inherent Moisture	Air dried	%	11.64	ASTM D 3173-03
Ash	Air dried	%	18.80	ASTM D 3174-04
Volatile Matter	Air dried	%	33.53	ASTM D 3175-02
Fixed Carbon	Air dried	%	36.03	ASTM D 3172-02
Gross Calorific Value	Air dried	BTU/lb	8,516	ASTM D 5865-04
	Air dried	kcal/kg	4,731	ASTM D 5865-04
Total Sulfur	Air dried	%	0.49	ASTM D 4239-04a

Signed for and on behalf of
COALTEST CENTRE (TMPI)

Manila, Philippines
29 September 2009

CRISTINA B. BERIN
Manager

Certificate No. ctc-09032

*OTC in Basin TY-6

This certificate refers to analysis of sample submitted to this laboratory and does not certify any other matter.

Attachment
4.4.2b

CoalTest Centre
A Division of Toplis Marine Philippines, Inc.

CERTIFICATE OF ANALYSIS

THIS IS TO CERTIFY that CoalTest Centre has performed laboratory sample preparation and test analysis of the submitted coal sample as hereunder indicated in accordance with the appropriate ASTM Standard Methods.

Client : **Titan Exploration & Dev. Corp.**
Sample Identity : **43-L-137 (Davao Oriental)***
Date Submitted : **September 23, 2009**

The following results were obtained:

Parameter	Basis	Unit	Ave. Result	Standard
Total Moisture	As received	%	32.38	ASTM D 2013-04
Inherent Moisture	Air dried	%	11.23	ASTM D 3173-03
Ash	Air dried	%	8.71	ASTM D 3174-04
Volatile Matter	Air dried	%	37.90	ASTM D 3175-02
Fixed Carbon	Air dried	%	42.16	ASTM D 3172-02
Gross Calorific Value	Air dried	BTU/lb	9,968	ASTM D 5865-04
	Air dried	kcal/kg	5,538	ASTM D 5865-04
Total Sulfur	Air dried	%	0.64	ASTM D 4239-04a

Signed for and on behalf of
COALTEST CENTRE (TMPI)

Manila, Philippines
29 September 2009

C. B. Berin
CRISTINA B. BERIN
Manager

Certificate No. ctc-09031

*OTC in Basin BE-4

This certificate refers to analysis of sample submitted to this laboratory and does not certify any other matter.

Attachment
4.4.2a

CoalTest Centre
A Division of Toplis Marine Philippines, Inc.

CERTIFICATE OF ANALYSIS

THIS IS TO CERTIFY that CoalTest Centre has performed laboratory sample preparation and test analysis of the submitted coal sample as hereunder indicated in accordance with the appropriate ASTM Standard Methods.

Client : **Titan Exploration & Dev. Corp.**
Sample Identity : **43-L-136 (Davao Oriental)***
Date Submitted : **September 23, 2009**

The following results were obtained:

Parameter	Basis	Unit	Avg. Result	Standard
Total Moisture	As received	%	27.12	ASTM D 2013-04
Inherent Moisture	Air dried	%	12.44	ASTM D 3173-03
Ash	Air dried	%	11.42	ASTM D 3174-04
Volatile Matter	Air dried	%	36.78	ASTM D 3175-02
Fixed Carbon	Air dried	%	39.36	ASTM D 3172-02
Gross Calorific Value	Air dried	BTU/lb	9,720	ASTM D 5865-04
	Air dried	kcal/kg	5,400	ASTM D 5865-04
Total Sulfur	Air dried	%	0.54	ASTM D 4239-04a

Signed for and on behalf of
COALTEST CENTRE (TMPI)

Manila, Philippines
29 September 2009

C. B. Berin
CRISTINA B. BERIN
Manager

Certificate No. ctc-09030

*OTC in Basin BT-3

This certificate refers to analysis of sample submitted to this laboratory and does not certify any other matter.

PNOC EXPLORATION CORPORATION
Bldg I Energy Center, Merritt Road, Fort Bonifacio
1634 Taguig City, Philippines • MCPO Box 3279
Tel. No.: (02) 479-9400 • TIN: 000-169-576-000

March 02, 2011

LABORATORY ANALYSIS REPORT

LABORATORY	LAR NO.
Malangas Coal Lab	MCL 11 - 106

CUSTOMER	SOURCE OF SAMPLE: BDH-03 Box-13 (56.12 - 59.72 A)
MODE OF DELIVERY	SAMPLE NO.: 533 / DATE SAMPLED:
TONNAGE	DATE RECEIVED BY LAB: February 25, 2011
DATE(S)DELIVERED	DATE PREPARED: February 26, 2011 / DATE FINISHED: March 02, 2011

ANALYSES	ASTM	AS ~ RECEIVED	AS ~ DETERMINED	STANDARD SPECIFICATION
AIR DRY LOSS, %	D2013	7.94		
RESIDUAL MOISTURE, %	D3173		6.56	
TOTAL MOISTURE, %	D2013	13.98		
ASH, %	D3174	8.11	8.81	
VOLATILE MATTER, %	D3175	38.26	41.56	
FIXED CARBON, %	D3172	39.65	43.07	
CALORIFIC VALUE, Btu/lb	D2015	10,824	11,758	
TOTAL SULFUR, %	D3177	1.64	1.78	

REMARKS

Above results represent analysis of samples submitted by Mr Gonzaga with request letter of Mr Enrique C. Payawal

PREPARED BY (PRINT NAME & SIGN)	APPROVED BY(PRINT NAME & SIGN)
M. C. Villarba	P. P. Pepito Jr. 3/2/11

BILLING

PNOC EXPLORATION CORPORATION
Bldg I Energy Center, Merritt Road, Fort Bonifacio
1634 Taguig City, Philippines • MCPO Box 3279
Tel. No.: (02) 479-9400 • TIN: 000-169-576-000

March 02, 2011

LABORATORY ANALYSIS REPORT

LABORATORY: Malangas Coal Lab	LAR NO.: MCL 11 - 108
CUSTOMER	SOURCE OF SAMPLE: BDH-04 Box-13 (48.7 - 49.31)
MODE OF DELIVERY	SAMPLE NO.: 535 / DATE SAMPLED:
TONNAGE	DATE RECEIVED BY LAB: February 25, 2011
DATE(S)DELIVERED	DATE PREPARED: February 26, 2011 / DATE FINISHED: March 02, 2011

ANALYSES	ASTM	AS ~ RECEIVED	AS ~ DETERMINED	STANDARD SPECIFICATION
AIR DRY LOSS, %	D2013	13.58		
RESIDUAL MOISTURE, %	D3173		5.59	
TOTAL MOISTURE, %	D2013	18.41		
ASH, %	D3174	35.12	40.64	
VOLATILE MATTER, %	D3175	21.34	24.69	
FIXED CARBON, %	D3172	25.13	29.08	
CALORIFIC VALUE, Btu/lb	D2015	6,193	7,166	
TOTAL SULFUR, %	D3177	2.14	2.48	

REMARKS

Above results represent analysis of samples submitted by Mr Gonzaga with request letter of Mr Enrique C. Payawal

PREPARED BY (PRINT NAME & SIGN)	APPROVED BY(PRINT NAME & SIGN)
M. C. Villarba	P. P. Pepito Jr. 3/2/11

BILLING

PNOC EXPLORATION CORPORATION
Bldg. I Energy Center, Merritt Road, Fort Bonifacio
1634 Taguig City, Philippines • MCPO Box 3279
Tel. No.: (02) 479-9400 • TIN: 000-169-576-000

March 02, 2011

LABORATORY ANALYSIS REPORT

LABORATORY	LAR NO.
Malangas Coal Lab	MCL 11 - 107

CUSTOMER	SOURCE OF SAMPLE: BDH-03 Box-13 (56.12 - 59.72 B)
MODE OF DELIVERY	SAMPLE NO.: 534 / DATE SAMPLED:
TONNAGE	DATE RECEIVED BY LAB: February 25, 2011
DATE(S)DELIVERED	DATE PREPARED: February 26, 2011 / DATE FINISHED: March 02, 2011

ANALYSES	ASTM	AS ~ RECEIVED	AS ~ DETERMINED	STANDARD SPECIFICATION
AIR DRY LOSS, %	D2013	7.08		
RESIDUAL MOISTURE, %	D3173		6.45	
TOTAL MOISTURE, %	D2013	13.07		
ASH, %	D3174	14.37	15.47	
VOLATILE MATTER, %	D3175	36.89	39.70	
FIXED CARBON, %	D3172	35.68	38.38	
CALORIFIC VALUE, Btu/lb	D2015	9,949	10,707	
TOTAL SULFUR, %	D3177	2.95	3.17	

REMARKS

Above results represent analysis of samples submitted by Mr Gonzaga, Jr. with request letter of Mr Enrique C. Payawal

PREPARED BY (PRINT NAME & SIGN)	APPROVED BY(PRINT NAME & SIGN)
M. C. Villarba	P. P. Pepito Jr. 3/2/11

BILLING

PNOC EXPLORATION CORPORATION
Bldg I Energy Center, Merritt Road, Fort Bonifacio
1634 Taguig City, Philippines • MCPO Box 3279
Tel. No.: (02) 479-9400 • TIN: 000-169-576-000

March 02, 2011

LABORATORY ANALYSIS REPORT

LABORATORY: Malangas Coal Lab	LAR NO.: MCL 11 - 110
CUSTOMER	SOURCE OF SAMPLE: BDH-04 Box-14 (52.6 - 53.27)
MODE OF DELIVERY	SAMPLE NO.: 537 / DATE SAMPLED:
TONNAGE	DATE RECEIVED BY LAB: February 25, 2011
DATE(S)DELIVERED	DATE PREPARED: February 26, 2011 / DATE FINISHED: March 02, 2011

ANALYSES	ASTM	AS ~ RECEIVED	AS ~ DETERMINED	STANDARD SPECIFICATION
AIR DRY LOSS, %	D2013	10.06		
RESIDUAL MOISTURE, %	D3173		7.12	
TOTAL MOISTURE, %	D2013	16.46		
ASH, %	D3174	25.15	27.96	
VOLATILE MATTER, %	D3175	30.97	34.43	
FIXED CARBON, %	D3172	27.42	30.49	
CALORIFIC VALUE, Btu/lb	D2015	7,496	8,334	
TOTAL SULFUR, %	D3177	2.17	2.41	

REMARKS

Above results represent analysis of samples submitted by Mr Gonzaga with request letter of Mr Enrique C. Payawal

PREPARED BY (PRINT NAME & SIGN)	APPROVED BY(PRINT NAME & SIGN)
M. C. Villarba	P. P. Pepito Jr. 3/2/11

BILLING

PNOC EXPLORATION CORPORATION
Bldg I Energy Center, Merritt Road, Fort Bonifacio
1634 Taguig City, Philippines • MCPO Box 3279
Tel. No.: (02) 479-9400 • TIN: 000-169-576-000

March 02, 2011

LABORATORY ANALYSIS REPORT

LABORATORY: Malangas Coal Lab	LAR NO.: MCL 11 - 109
CUSTOMER	SOURCE OF SAMPLE: BDH-03 Box-14 Coal 23 cm @ 60.25m
MODE OF DELIVERY	SAMPLE NO.: 536 / DATE SAMPLED:
TONNAGE	DATE RECEIVED BY LAB: February 25, 2011
DATE(S)DELIVERED	DATE PREPARED: February 28, 2011 / DATE FINISHED: March 02, 2011

ANALYSES	ASTM	AS ~ RECEIVED	AS ~ DETERMINED	STANDARD SPECIFICATION
AIR DRY LOSS, %	D2013	8.31		
RESIDUAL MOISTURE, %	D3173		8.91	
TOTAL MOISTURE, %	D2013	16.48		
ASH, %	D3174	13.66	14.90	
VOLATILE MATTER, %	D3175	31.22	34.05	
FIXED CARBON, %	D3172	38.64	42.14	
CALORIFIC VALUE, Btu/lb	D2015	9,481	10,340	
TOTAL SULFUR, %	D3177	0.35	0.38	

REMARKS

Above results represent analysis of samples submitted by Mr Gonzaga with request letter of Mr Enrique C. Payawal

PREPARED BY (PRINT NAME & SIGN)	APPROVED BY(PRINT NAME & SIGN)
M.C. Villarba	P. P. Pepito Jr. 3/2/11

BILLING

PNOC EXPLORATION CORPORATION
Bldg. I Energy Center, Merritt Road, Fort Bonifacio
1634 Taguig City, Philippines • MCPO Box 3279
Tel. No.: (02) 479-9400 • TIN: 000-169-576-000

May 30, 2011

LABORATORY ANALYSIS REPORT

LABORATORY: Malangas Coal Lab	LAR NO.: MCL 11 - 316
CUSTOMER	SOURCE OF SAMPLE: TMEC Coal Sample (OMT - 03) Old Macopa
MODE OF DELIVERY	SAMPLE NO.: 1407 / DATE SAMPLED:
TONNAGE	DATE RECEIVED BY LAB: May 27, 2011
DATE(S)DELIVERED	DATE PREPARED: May 28, 2011 / DATE FINISHED: May 30, 2011

ANALYSES	ASTM	AS ~ RECEIVED	AS ~ DETERMINED	STANDARD SPECIFICATION
AIR DRY LOSS, %	D2013	11.43		
RESIDUAL MOISTURE, %	D3173		13.03	
TOTAL MOISTURE, %	D2013	22.97		
ASH, %	D3174	10.99	12.41	
VOLATILE MATTER, %	D3175	34.38	38.82	
FIXED CARBON, %	D3172	31.65	35.74	
CALORIFIC VALUE, Btu/lb	D2015	8,021	9,056	
TOTAL SULFUR, %	D3177	8.04	9.08	

REMARKS

Above results represent analysis of samples submitted by Mr Gonzaga with request letter of Mr Enrique C. Payawal

PREPARED BY (PRINT NAME & SIGN)	APPROVED BY(PRINT NAME & SIGN)
Mary C. Villarba	Prisco P. Pepito Jr.

BILLING

PNOC EXPLORATION CORPORATION
Bldg. I Energy Center, Merritt Road, Fort Bonifacio
1634 Taguig City, Philippines • MCPO Box 3279
Tel. No.: (02) 479-9400 • TIN: 000-169-576-000

May 30, 2011

LABORATORY ANALYSIS REPORT

LABORATORY: Malangas Coal Lab	LAR NO.: MCL 11 - 318
CUSTOMER	SOURCE OF SAMPLE: Coal Sample (MDH-06) .83m from 52.90 - 55.90m)
MODE OF DELIVERY	SAMPLE NO.: 1409 / DATE SAMPLED
TONNAGE	DATE RECEIVED BY LAB: May 27, 2011
DATE(S)DELIVERED	DATE PREPARED: May 28, 2011 / DATE FINISHED: May 30, 2011

ANALYSES	ASTM	AS ~ RECEIVED	AS ~ DETERMINED	STANDARD SPECIFICATION
AIR DRY LOSS, %	D2013	12.45		
RESIDUAL MOISTURE, %	D3173		13.13	
TOTAL MOISTURE, %	D2013	23.95		
ASH, %	D3174	24.12	27.55	
VOLATILE MATTER, %	D3175	29.78	34.02	
FIXED CARBON, %	D3172	22.15	25.30	
CALORIFIC VALUE, Btu/lb	D2015	6,418	7,331	
TOTAL SULFUR, %	D3177	2.04	2.33	

REMARKS

Above results represent analysis of samples submitted by Mr Gonzaga with request letter of Mr Enrique C. Payawal

PREPARED BY (PRINT NAME & SIGN)	APPROVED BY(PRINT NAME & SIGN)
Mary C. Villarba	Prisco P. Pepito Jr.

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1634 Taguig City, Philippines • MCPO Box 3279
Tel. No.: (02) 479-9400 • TIN: 000-169-576-000

May 30, 2011

LABORATORY ANALYSIS REPORT

LABORATORY: Malangas Coal Lab	LAR NO.: MCL 11 - 320
CUSTOMER	SOURCE OF SAMPLE: Coal Sample (MDH-06) .37m from 55.90 - 57.40m)
MODE OF DELIVERY	SAMPLE NO.: 1411 / DATE SAMPLED:
TONNAGE	DATE RECEIVED BY LAB: May 27, 2011
DATE(S)DELIVERED	DATE PREPARED: May 28, 2011 / DATE FINISHED: May 30, 2011

ANALYSES	ASTM	AS ~ RECEIVED	AS ~ DETERMINED	STANDARD SPECIFICATION
AIR DRY LOSS, %	D2013	10.30		
RESIDUAL MOISTURE, %	D3173		10.17	
TOTAL MOISTURE, %	D2013	19.42		
ASH, %	D3174	41.64	46.42	
VOLATILE MATTER, %	D3175	24.16	26.93	
FIXED CARBON, %	D3172	14.78	16.48	
CALORIFIC VALUE, Btu/lb	D2015	4,239	4,726	
TOTAL SULFUR, %	D3177	0.80	0.89	

REMARKS

Above results represent analysis of samples submitted by Mr Gonzaga with request letter of Mr Enrique C. Payawal

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Tel. No.: (02) 479-9400 • TIN: 000-169-576-000

May 30, 2011

LABORATORY ANALYSIS REPORT

LABORATORY: Malangas Coal Lab	LAR NO.: MCL 11 - 321
CUSTOMER	SOURCE OF SAMPLE: Coal Sample (MDH-06) .32m from 57.90 - 58.90m)
MODE OF DELIVERY	SAMPLE NO.: 1412 / DATE SAMPLED:
TONNAGE	DATE RECEIVED BY LAB: May 27, 2011
DATE(S)DELIVERED	DATE PREPARED: May 28, 2011 / DATE FINISHED: May 30, 2011

ANALYSES	ASTM	AS ~ RECEIVED	AS ~ DETERMINED	STANDARD SPECIFICATION
AIR DRY LOSS, %	D2013	11.56		
RESIDUAL MOISTURE, %	D3173		16.10	
TOTAL MOISTURE, %	D2013	25.80		
ASH, %	D3174	13.96	15.79	
VOLATILE MATTER, %	D3175	31.77	35.92	
FIXED CARBON, %	D3172	28.47	32.19	
CALORIFIC VALUE, Btu/lb	D2015	7,751	8,764	
TOTAL SULFUR, %	D3177	6.03	6.82	

REMARKS

Above results represent analysis of samples submitted by Mr Gonzaga with request letter of Mr Enrique C. Payawal

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Mary C. Villarba	Prisco P. Pepito Jr.

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1634 Taguig City, Philippines • MCPO Box 3279
Tel. No.: (02) 479-9400 • TIN: 000-169-576-000

May 30, 2011

LABORATORY ANALYSIS REPORT

LABORATORY: Malangas Coal Lab	LAR NO.: MCL 11 - 322
CUSTOMER	SOURCE OF SAMPLE: Coal Sample (MDH-06) .70m from 50.80 - 52.90m)
MODE OF DELIVERY	SAMPLE NO.: 1413 / DATE SAMPLED:
TONNAGE	DATE RECEIVED BY LAB: May 27, 2011
DATE(S)DELIVERED	DATE PREPARED: May 28, 2011 / DATE FINISHED: May 30, 2011

ANALYSES	ASTM	AS ~ RECEIVED	AS ~ DETERMINED	STANDARD SPECIFICATION
AIR DRY LOSS, %	D2013	14.87		
RESIDUAL MOISTURE, %	D3173		10.17	
TOTAL MOISTURE, %	D2013	23.53		
ASH, %	D3174	27.59	32.41	
VOLATILE MATTER, %	D3175	29.38	34.51	
FIXED CARBON, %	D3172	19.50	22.91	
CALORIFIC VALUE, Btu/lb	D2015	6,021	7,073	
TOTAL SULFUR, %	D3177	3.09	3.63	

REMARKS

Above results represent analysis of samples submitted by Mr Gonzaga with request letter of Mr Enrique C. Payawal

PREPARED BY (PRINT NAME & SIGN)	APPROVED BY(PRINT NAME & SIGN)
Mary C. Villarba	Prisco P. Pepito Jr.

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1634 Taguig City, Philippines • MCPO Box 3279
Tel. No.: (02) 479-9400 • TIN: 000-169-576-000

May 30, 2011

LABORATORY ANALYSIS REPORT

			LABORATORY: Malangas Coal Lab	LAR NO.: MCL 11 - 317
CUSTOMER			SOURCE OF SAMPLE: TMEC Coal Sample (MDH-06) .62m from 58.90-60.40m)	
MODE OF DELIVERY			SAMPLE NO.: 1408	DATE SAMPLED:
TONNAGE			DATE RECEIVED BY LAB: May 27, 2011	
DATE(S)DELIVERED			DATE PREPARED: May 28, 2011	DATE FINISHED: May 30, 2011
ANALYSES	ASTM	AS ~ RECEIVED	AS ~ DETERMINED	STANDARD SPECIFICATION
AIR DRY LOSS, %	D2013	15.23		
RESIDUAL MOISTURE, %	D3173		8.72	
TOTAL MOISTURE, %	D2013	22.62		
ASH, %	D3174	35.20	41.52	
VOLATILE MATTER, %	D3175	24.66	29.09	
FIXED CARBON, %	D3172	17.52	20.67	
CALORIFIC VALUE, Btu/lb	D2015	4,756	5,610	
TOTAL SULFUR, %	D3177	2.36	2.78	

REMARKS

Above results represent analysis of samples submitted by Mr Gonzaga with request letter of Mr Enrique C. Payawal

PREPARED BY (PRINT NAME & SIGN)	APPROVED BY(PRINT NAME & SIGN)
Mary C. Villarba	Prisco P. Pepito Jr.

BILLING

Attachment
4.4.2*k*

CoalTest Centre
A Division of Toplis Marine Philippines, Inc.

Rm. 318, Velco Centre
R.S. Oca cor. Delgado Sts.
Port Area, Manila

Telefax: (632) 526-7717
Mobile: (0917) 503-7717
E-mail: coal.test.centre@gmail.com

CERTIFICATE OF ANALYSIS

THIS IS TO CERTIFY that CoalTest Centre has performed laboratory sample preparation and test analysis of submitted coal sample as hereunder indicated in accordance with the appropriate ASTM Standard Methods.

Client : **Titan Mining and Energy Corporation**
Address : **3/F JTKC Centre**
2155 Don Chino Roces Avenue
Makati City
Sample Label : **COM-010 (Block 137 – Outcrop #BCT-09)**
Date Submitted : **July 6, 2010**

The following average results were obtained:

TEST PARAMETERS	UNIT	AVERAGE RESULTS		METHOD
		(As-received Basis)	(Air dried Basis)	
TOTAL MOISTURE	PCT	**17.80**		ASTM D 3302
RESIDUAL MOISTURE	PCT		**9.42**	ASTM D 3173
ASH	PCT	**25.35**	**27.93**	ASTM D 3174
VOLATILE MATTER	PCT	**31.65**	**34.88**	ASTM D 3175
FIXED CARBON	PCT	**25.20**	**27.77**	By difference
TOTAL SULPHUR	PCT	**0.43**	**0.47**	ASTM D 4239
GROSS CALORIFIC VALUE	BTU/LB	**7,456**	**8,216**	ASTM D 5865
GROSS CALORIFIC VALUE	KCAL/KG	**4,142**	**4,565**	ASTM D 5865

Manila, Philippines
10 July 2010

For and on behalf of
Toplis Marine Philippines, Inc. (Coal Test Centre)

C. B. Berin
CRISTINA B. BERIN
Test Centre Manager

Certificate No. ctc-10-07.608

This certificate refers to analysis of sample submitted to this laboratory and does not certify any other matter.

ANNEX V-B

INTERNAL GEOLOGIC REPORT
RESULT OF EXPLORATION
ZAMBOANGA-SIBUGAY COAL PROJECT

INTERNAL GEOLOGIC REPORT
ON THE ZAMBOANGA-SIBUGAY
COAL PROJECT
Municipalities of Diplahan, Buug, and Siay
Province of Zamboanga-Sibugay, Philippines

Coal Operating Contract No. 166 and 167

of

TITAN MINING AND ENERGY CORPORATION
3/F JFKC Centre, 2155 Don Chino Roces Ave.
Makati City, Philippines

by:

Gizella Greta D. J. Gonzales
Senior Geologist
April 26, 2012

TABLE OF CONTENTS

Section	Description	Page No.
1.	**CERTIFICATE OF QUALIFICATION AND CONSENT**	**5**
2.	**SUMMARY**	**6**
	2.1 INTRODUCTION	**6**
	2.2 PROPERTY DESCRIPTION	**6**
	2.3 PROPERTY LOCATION	**6**
	2.4 OWNERSHIP	**11**
	2.5 GEOLOGY AND MINERALIZATION	**11**
	2.6 EXPLORATION CONCEPT	**11**
	2.7 STATUS OF EXPLORATION	**11**
	2.8 CONCLUSIONS	**12**
	2.9 RECOMMENDATIONS	**13**
3.	**INTRODUCTION**	**13**
	3.1 REPORT PREPARATION	**13**
	3.2 COMPLIANCE OF REPORT WITH PHILIPPINE MINERAL REPORTING CODE *(PMRC)*	**13**
	3.3 PURPOSE OF REPORT AND SCOPE OF WORK	**13**
	3.4 DURATION OF THE PREPARATION	**13**
	3.5 MEMBERS OF THE TECHNICAL REPORT PREPARATION TEAM	**14**
4.	**RELIANCE ON OTHER EXPERTS**	**14**
5.	**TENEMENT AND MINERAL RIGHTS**	**15**
	5.1 DESCRIPTION OF MINERAL RIGHTS	**15**
	5.1.1 Type of Permit or Agreement with the Government	**15**
	5.1.2 Number of Hectares Covered by Coal Operating Contract (COC)	**15**
	5.2 LOCATION	**15**
	5.3 CURRENT OWNER OF MINERAL RIGHTS	**17**
	5.4 LOCATION OF COAL RESOURCES	**17**
6.	**GEOGRAPHIC FEATURES**	**18**
	6.1 LOCATION AND ACCESSIBILITY	**18**
	6.2 TOPOGRAPHY, PHYSIOGRAPHY AND DRAINAGE	**19**
	6.3 VEGETATION	**19**
	6.4 CLIMATE	**19**
	6.5 LAND USE	**19**
	6.6 POPULATION AND SOCIO ECONOMIC ENVIRONMENT	**19**
	6.7 ENVIRONMENTAL FEATURES	**20**
	6.7.1 Pedology	**20**
	6.7.2 Biological Environment	**22**
	6.7.3 Water Environment	**22**

7.	**PREVIOUS WORK**		**22**
8.	**HISTORY OF PRODUCTION**		**22**
9.	**REGIONAL AND DISTRICT GEOLOGY**		**22**
	9.1	REGIONAL GEOLOGIC SETTING	**22**
	9.2	STRATIGRAPHY	**23**
	9.3	STRUCTURAL GEOLOGY	**26**
	9.4	COAL OCCURRENCES	**30**
	9.5	COAL QUALITY	**30**
10.	**COAL OPERATING CONTRACT *(COC)* AREA GEOLOGY**		**32**
11.	**COAL OCCURRENCES IN THE COC AREA**		**32**
12.	**DEPOSIT TYPES**		**34**
	12.1	MINERAL DEPOSIT TYPE	**34**
	12.2	GEOLOGIC MODELLING	**34**
13.	**MINERALIZATION**		**36**
	13.1	DESCRIPTION OF SURROUNDING ROCK TYPES	**36**
	13.2	MINERAL ZONES	**36**
	13.3	COAL QUALITIES	**36**
14.	**EXPLORATION**		**37**
	14.1	SURFACE GEOLOGIC MAPPING	**37**
	14.2	SUB-SURFACE EXPLORATION	**38**
	14.3	SAMPLING AND ANALYSES	**39**
		14.3.1 Quality Control Measures	**39**
		14.3.2 Data Verification Procedures	**39**
	14.4	SAMPLE PREPARATION, ANALYSES AND SECURITY	**39**
		14.4.1 Geo-mechanical Logging of Core Samples	**39**
		14.4.2 Sample Preparation Methods	**40**
		14.4.3 Security Methods	**40**
15.	**ESTIMATE OF COAL RESOURCE**		**40**
	15.1	DATABASE USED	**40**
	15.2	INTEGRITY OF DATABASE	**40**
	15.3	DATA VERIFICATION AND VALIDATION	**40**
	15.4	CUT-OFF GRADES USED IN ESTIMATION	**41**
	15.5	ESTIMATION METHOD OF COAL RESOURCE	**41**
		15.5.1 Resource Criteria	**41**
		15.5.2 Data Resource and Modelling	**41**
	15.6	ESTIMATE OF COAL RESOURCE	**44**
16.	**INTERPRETATION AND CONCLUSIONS**		**45**
17.	**RECOMMENDATIONS**		**46**
18.	**REFERENCES**		**46**

LIST OF FIGURES

Figure	Description	Page No.
1	LOCATION MAP	**9**
2	TENEMENT MAP	**10**
3	REGIONAL GEOLOGIC SETTING	**27**
4	REGIONAL STRATIGRAPHIC COLUMN	**28**
5	GEOLOGIC MAP OF COC AREA	**29**
6	REGIONAL STRATIGRAPHIC COLUMN OF COC 166 AND COC 167	**31**
7	1:10,000 DRILL HOLE LOCATIONS AND OUTCROP MAP OF COC 166	**35**
8	1:10,000 RESOURCE BLOCKS OF COC 166	**43**

LIST OF ATTACHMENTS

Attachments	Description	Page No.
1	1:20,000 GEOLOGIC MAP OF COC 166	
2	1:20,000 GEOLOGIC MAP OF COC 167	
3	1:2000 RESOURCE BLOCK OF COC 166	
4	1:2000 CROSS SECTION OF RESOURCE BLOCK OF COC 166	
5	CERTIFICATE OF ANALYSIS	

1.0 CERTIFICATE OF QUALIFICATION AND CONSENT

- I am a Senior Geologist of Titan Mining and Energy Development Corporation *(TMEC)* with an office at the 3rd Floor JTKC Centre, 2155 Chino Roces Avenue, Makati, Philippines.
- I am a graduate of the University of the Philippines, Diliman *(UPD)* with BSc. Degree in Geology *(1999)*.
- I am legally licensed to practice the Profession of Geologist in the Philippines.
- I am a member of the Geological Society of the Philippines.
- I have worked with previous private mining companies for over 6 years in the exploration of metallic deposits and non-metallic deposits.
- I have authored this report, but with reference to previous reports on the same project area.
- This report was reviewed and verified in the field by Mr. Enrique C. Payawal, PMRC-CP Geologist.

GIZELLA GRETA D.J. GONZALES
Registered Geologist
PRC No. 1425
August 223, 2000

PTR for Geologist
No.

2.0 SUMMARY

2.1 INTRODUCTION

Titan Mining and Energy Corporation *(TMEC)* commissioned the preparation of the report to consolidate, interpret and present the results of the exploration conducted by *TMEC's* exploration team on its coal project area in Zamboanga Sibugay, Philippines. *(See Figure 1)*

The technical report was designed to be compliant with the Implementing Rules and Regulations (*IRR)* of the Philippine Mineral Reporting Code *(PMRC)*.

Work on the technical report started on April 1, 2012 up to April 7, 2012, which included initial review of *TMEC* data on the project. Field visits and work inspections at the project areas were made on April 8, 2012 to April 15, 2012. Data collation, interpretation and report writing followed on April 24, 2012. A final report was completed on April 26, 2012.

2.2 PROPERTY DESCRIPTION

The coal project area was initially covered by four *(4)* separate Coal Operating Contracts *(COCs),* granted by the Department of Energy *(DOE)* to *TMEC* on September 16, 2009 *(COC # 158)* and November 18, 2009 *(COC # 166, 167, 168).* In late 2011, two *(2) COCs,* namely *COC 159* and *168* were dropped *while COC 166* and *COC 167* were retained and renewed.

The remaining *COCs* are described as follows:

Coal Operating Contract No.	Coal Block No.	Area (has.)	Location
COC #: 166	CB – 280	1,000	Diplahan- Buug
	CB – 320	1,000	
	CB – 241	1,000	
	CB – 281	1,000	
COC #: 167	CB – 358	1,000	Diplahan- Siay (Parok)
	CB – 359	1,000	
	TOTAL	6,000	

2.3 PROPERTY LOCATION

The locations of the initial four *(4) COCs* comprising the Zamboanga Sibugay Coal Project are briefly discussed below:

COC #:158 is situated in the Municipality of Payao, Province of Zamboanga Sibugay, Mindanao Island, Philippines.

COC #:166 is situated in the Municipalities of Diplahan and Buug, Province of Zamboanga Sibugay, Mindanao Island, Philippines.

COC #:167 is situated in the Municipalities of Diplahan and Siay, Province of Zamboanga Sibugay, Mindanao Island, Philippines.

COC #:168 is situated in the Municipalities of Kabasalan and Siay, Province of Zamboanga Sibugay, Mindanao Island, Philippines.

The *COC* areas may be accessed via some 70-kilometers *(kms*) of the Maria Clara Lobregat Highway from Pagadian Airport. It is approximately 15-kms from the Malangas Pier which is operated by the Philippines Ports Authority *(PPA).*

All *COC*s are located in the province of Zamboanga-Sibugay, southwestern Mindanao, Philippines.

The coordinate locations of the four (*4) COCs* comprising the Zamboanga Sibugay Coal Project are individually discussed below and shown in Figure 2.

COC #: 158 is bounded by the following geographic coordinates:

COC #: 158 Geographic Coordinates

Corner	Latitude	Longitude
1	7°34’00”	122°49’30”
2	7°34’00”	122°52’30”
3	7°32’00”	122°52’30”
4	7°32’00”	126°49’30”

COC #: 166 is bounded by the following geographic coordinates:

COC #: 166 Geographic Coordinates

Corner	Latitude	Longitude
1	7°48’00”	122°58’30”
2	7°48’00”	123°01’30”
3	7°44’00”	123°01’30”
4	7°44’00”	122°58’30”

COC #: 167 is bounded by the following geographic coordinates:

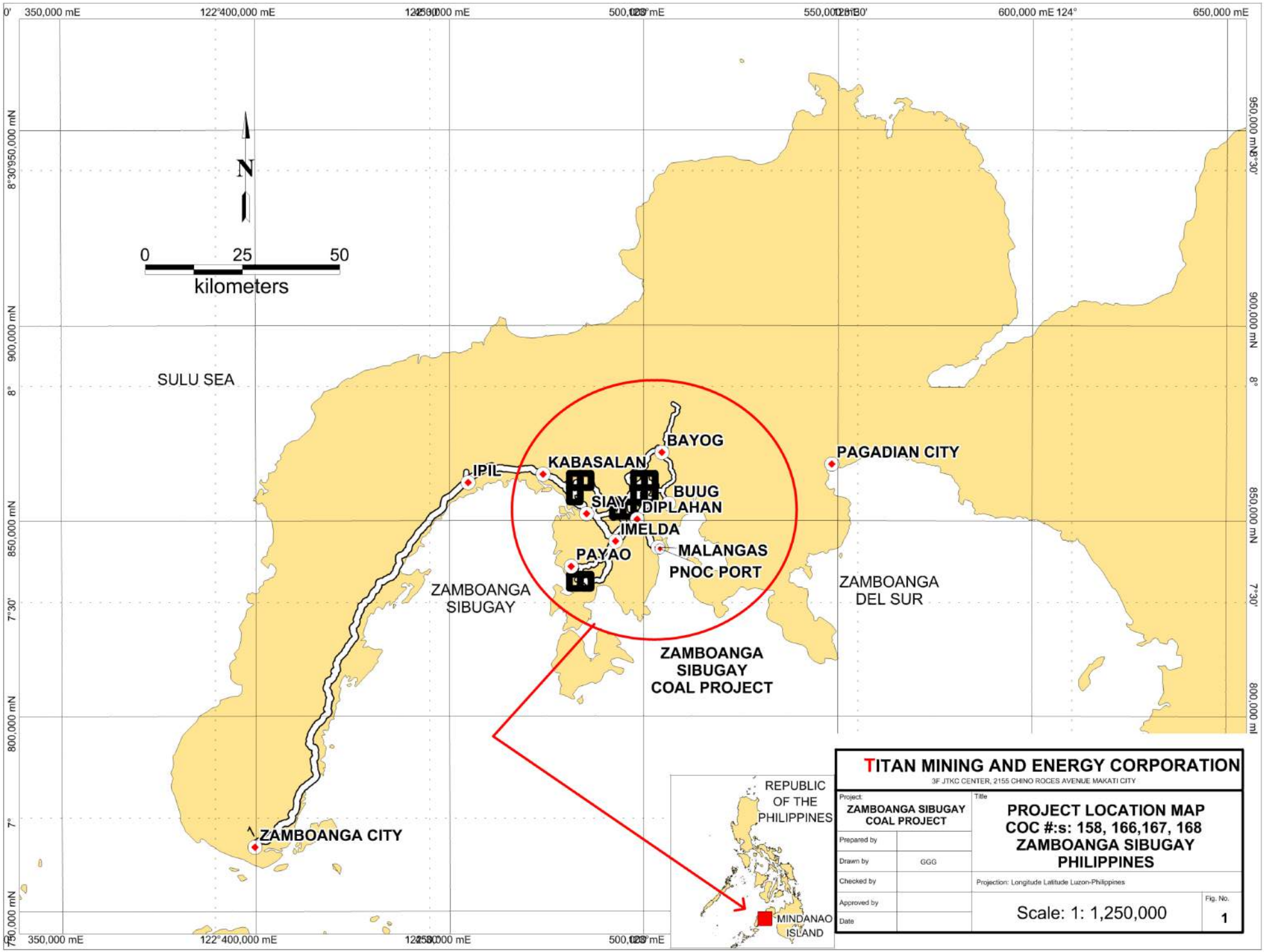
COC #: 167 Geographic Coordinates

Corner	Latitude	Longitude
1	7°44’00”	122°55’30”
2	7°44’00”	122°58’30”
3	7°42’00”	122°58’30”
4	7°42’00”	122°55’30”

COC #: 168 is bounded by the following geographic coordinates:

COC #: 168 Geographic Coordinates

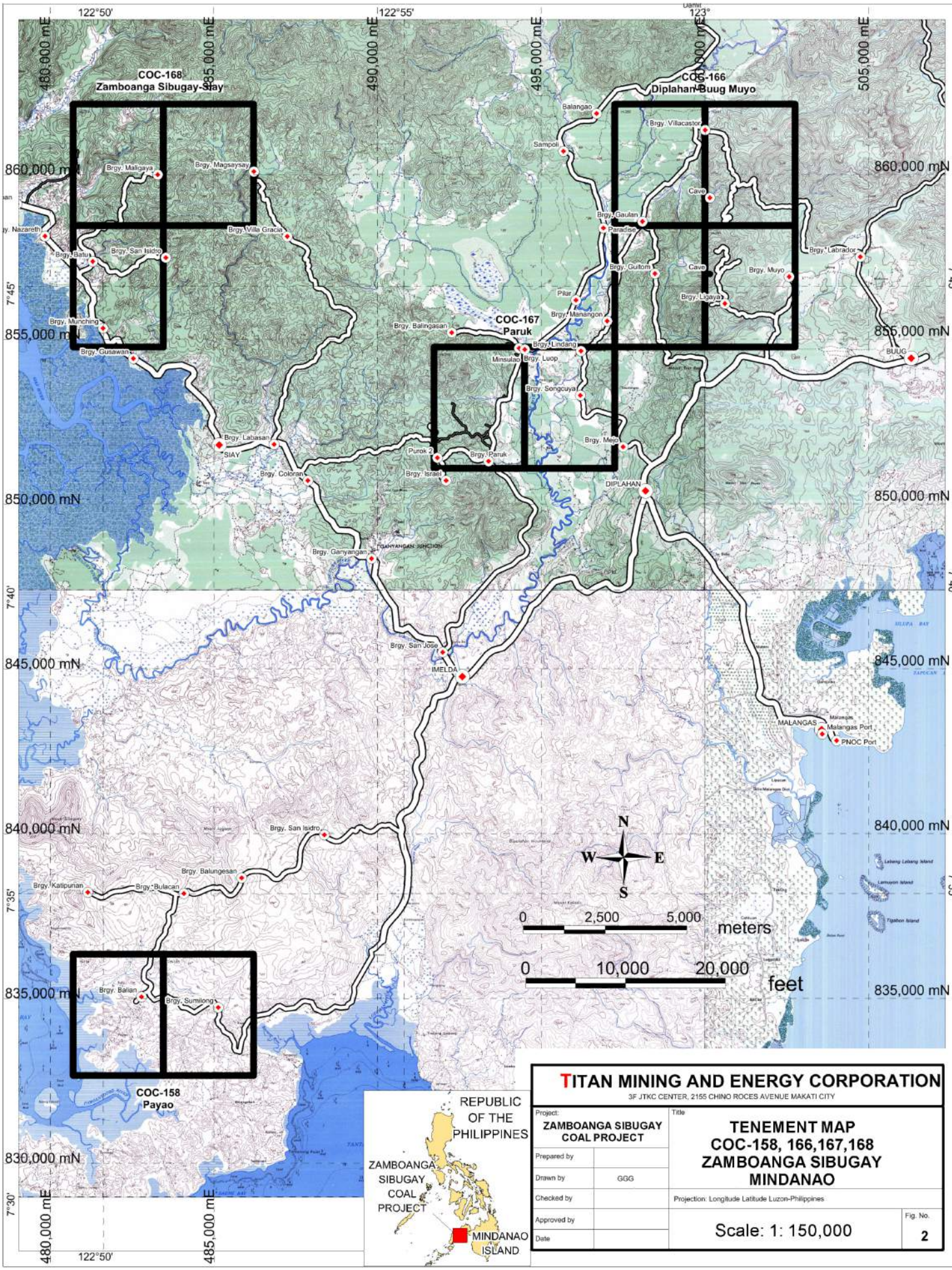
Corner	Latitude	Longitude
1	7°48’00”	122°49’30”
2	7°48’00”	122°52’30”
3	7°46’00”	122°52’30”
4	7°46’00”	122°51’00”
5	7°44’00”	122°51’00”



TITAN MINING AND ENERGY CORPORATION

3F JTKC CENTER, 2155 CHINO ROCES AVENUE MAKATI CITY

Project: ZAMBOANGA SIBUGAY COAL PROJECT	Title: PROJECT LOCATION MAP COC #:s: 158, 166,167, 168 ZAMBOANGA SIBUGAY PHILIPPINES
Prepared by	
Drawn by: GGG	
Checked by	Projection: Longitude Latitude Luzon-Philippines
Approved by	Scale: 1: 1,250,000
Date	Fig. No. 1



TITAN MINING AND ENERGY CORPORATION

3F JTKC CENTER, 2155 CHINO ROCES AVENUE MAKATI CITY

Project: ZAMBOANGA SIBUGAY COAL PROJECT		Title: TENEMENT MAP COC-158, 166,167,168 ZAMBOANGA SIBUGAY MINDANAO
Prepared by		
Drawn by	GGG	
Checked by		Projection: Longitude Latitude Luzon-Philippines
Approved by		Scale: 1: 150,000
Date		Fig. No. 2

2.4 OWNERSHIP

TMEC is the current holder of mineral rights over the coal blocks *CB-280, CB-320 CB–241, CB–281, CB-358* and *CB-359* by virtue of *COC* 166 and *COC* 167 which were granted to *TMEC* by the *DOE* on November 8, 2009. Both *COCs* were renewed on November 2011.

2.5 GEOLOGY AND MINERALIZATION

The coal seams in the Zamboanga Sibugay Coal Area are associated with the predominantly mudstone Lalat Member of the Lumbog Formation. The seams occur as interbeds and thus strike and dip congruently with the mudstone beds.

The Lumbog Formation exposures consist of slightly to completely weathered interbedded dark gray mudstones, light gray fine to medium grained lithic sandstones, pyroclastics and coal seams.

In some of the mudstone partings, angular coal fragments with very fine grains of pyrite are present along the edges.

2.6 EXPLORATION CONCEPT

Exploration was carried out by identifying on the ground geological paleo-environment of coal deposition through detailed geologic mapping.

Individual coal outcrops located on the ground were trenched to fully expose the seams such that these may be characterized and correlated.
Diamond core hole drilling was employed to probe the subsurface extension of previously identified coal beds.

Geologic data generated by both surface and subsurface exploration were collated and interpreted to arrive at a resource estimate.

2.7 STATUS OF EXPLORATION

Initial exploration activities commenced in December 2009 and ended in August 2010. Activities were limited to reconnaissance and semi-detailed surface geologic mapping to identify and delineate paleo-paralic basins.

Subsequent exploration activities to further evaluate the area started in October 2010 until September 2011. These involve detailed geologic mapping such as stream traverses, outcrops trenching and aditting.

Having delineated the areas with good potential for coal, a 10-hole drilling campaign was initiated in October 2011. Diamond drilling is currently in progress at *COC* 167.

2.8 CONCLUSIONS

Coal occurrences are confirmed within the Lumbog Formation, characterized by predominantly mudstone beds.

Coal seams and coal beds appear to be concordant with the regional strike *(NE)* of the mudstone beds.

Two *(2)* individual coal depositional basins, one *(1)* for each *COC* are recognized within the Zamboanga Sibugay coal project. Within these basins a total of eleven *(11)* coal outcrops with thickness ranging from 0.03 *m* to 1.82 *m* were located.

Correlating the coal outcrops and the coal seams encountered in the diamond drill holes resulted into the identification of at least two *(2)* coal seams *(thickness ranging from 0.11 m to 3.94 m)* in the paralic basin at *COC* 166.

The coal resource within the 200-*has* drilled area at *COC* 166 is estimated as follows:

Resource	**Million *MT***
Measured & Indicated	1.2
Inferred	2.3

The total coal potential or prospectivity of *COC* 166 and *COC* 167 as based on the aereal extent of the coal bearing carbonaceous mudstone is presented below:

COC #	Area of Basin *(has)*	Coal Volume *(MMT)*
166	547	30.6
167	420	20.5
TOTAL	967	51.1

The estimated coal potential of the property is derived by measuring the total surface area of the delineated coal bearing paralic basin then multiplied by the average coal thickness as measured from the outcrops then multiplied by the specific gravity of coal.

Coal analysis from surface samples range from 9,056 BTU/lb to 13,976 BTU/lb with an average of 11,516 BTU/lb.

Small scale miners have produced 5,300 *MT* within *COC* 166 and *COC* 167 during the period of September 2010 to March 2011.

There are other large mining entities in the region which has been in operation, i.e. Malangas Coal Corporation and Brixton Energy and Mining Corporation.

2.9 RECOMMENDATIONS

Detailed geologic field mapping are to be pursued to locate other surface coal occurrences, lithological and formation contacts. Structural observation, especially fault movements are to be plotted carefully as to movement directions.

Pursue completion of current drilling program and implement subsequent closely-spaced activity if found necessary.

Collate and interpret exploration results and implement resource blocking for resource computation.

3.0 INTRODUCTION

3.1 REPORT PREPARATION

TMEC commissioned the preparation of the report to consolidate and interpret the result of Exploration conducted by *TMEC's* previous exploration team on its coal prospect area in Zamboanga Sibugay. The report is part of *TMEC's* document pertinent to *TMEC's* rights offering to possible foreign investors.

3.2 COMPLIANCE OF REPORT WITH PMRC

The technical report preparation team has endeavoured to make this report compliant with the Implementing Rules and Regulations *(IRR)* of *PMRC.*

3.3 PURPOSE OF REPORT AND SCOPE OF WORK

The purpose is to present the result of exploration in conformance with the *IRR* of the *PMRC*. The report conforms with TR-Form 01 of the *PMRC*.

3.4 DURATION OF THE PREPARATION

Work on the technical report started on April 1, 2012 up to April 7, 2012, which included initial review of *TMEC* data on the project. Field visits and work inspections at the project areas were

made on April 8, 2012 to April 15, 2012. Data collation, interpretation and report writing followed on April 24, 2012. A final report was completed on April 26, 2012.

3.5 MEMBERS OF THE TECHNICAL REPORT PREPARATION TEAM

3.5.1 MS. GIZELLA GRETA DJ. GONZALES
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Competent Person *(CP)*
Philippine Mineral Reporting Code *(PMRC)*
June 02, 2009

4.0 RELIANCE ON OTHER EXPERTS

Mr. Arturo A. Ona, a geologist based at Reno, Nevada, USA and a registered geologist *(No. 14646)* in the State of Arizona, USA, spent one *(1)* week in the Project while gathering field geological data for his National Instrument 43-101 *(NI43-101)* Independent Geological Report on the property.

Mr. Ona visited all the coal outcrops, diamond drill hole locations and some strategically located rock exposures. He likewise checked all the drill core boxes to confirm the integrity of the drill logs.

A report entitled Coal in the Sibugay Peninsula, Philippines by J.H. Medlin of the United States Geological Survey which was prepared for National Economic Development Authority *(NEDA)* of

the Philippines under the auspices of the United States Agency for International Development *(USAID)* was also used as reference.

No other geologists were involved in the preparation of this report. However, samples collected for the coal prospect area were analyzed by the Coal Test Center - a division of Toplis Marine Philippines, Inc. which is a commercial laboratory, which holds office at Room 318 Valero Center, R.S. Oca cor. Delgado Sts., Port Area, Manila.

5.0 TENEMENT AND MINERAL RIGHTS

5.1 DESCRIPTION OF MINERAL RIGHTS

5.1.1 Type of Permit or Agreement with Government

The coal project area was initially covered by four *(4)* separate Coal Operating Contracts *(COCs),* granted by the Department of Energy *(DOE)* to *TMEC* on September 16, 2009 *(COC # 158)* and November 18, 2009 *(COC # 166, 167, 168).* In late 2011, two *(2) COCs,* namely *COC 159* and *168* were dropped *while COC 166* and *COC 167* were retained and renewed.

5.1.2 Number of Hectares *(has)* Covered by *COC*

The area covered by the *COCs* are described as follows:

Coal Operating Contract No.	Coal Block No.	Area *(has.)*	Location
COC #: 166	CB – 280	1,000	Diplahan- Buug
	CB – 320	1,000	
	CB – 241	1,000	
	CB – 281	1,000	
COC #: 167	CB – 358	1,000	Diplahan- Siay (Parok)
	CB – 359	1,000	
	TOTAL	6,000	

5.2 LOCATION

The locations of the initial four *(4) COCs* comprising the Zamboanga Sibugay Coal Project are briefly discussed below:

COC #:158 is situated in the Municipality of Payao, Province of Zamboanga Sibugay, Mindanao Island, Philippines.

COC #:166 is situated in the Municipalities of Diplahan and Buug, Province of Zamboanga Sibugay, Mindanao Island, Philippines.

COC #:167 is situated in the Municipalities of Diplahan and Siay, Province of Zamboanga Sibugay, Mindanao Island, Philippines.

COC #:168 is situated in the Municipalities of Kabasalan and Siay, Province of Zamboanga Sibugay, Mindanao Island, Philippines.

The *COC* areas may be accessed via some 70-kilometers *(kms*) of the Maria Clara Lobregat Highway from Pagadian Airport. It is approximately 15-kms from the Malangas Pier which is operated by the Philippines Ports Authority *(PPA).*

All *COC*s are located in the province of Zamboanga-Sibugay, southwestern Mindanao, Philippines.

The coordinate locations of the four (*4) COCs* comprising the Zamboanga Sibugay Coal Project are individually discussed below and shown in Figure 2.

COC #: 158 is bounded by the following geographic coordinates:

COC #: 158 Geographic Coordinates

Corner	Latitude	Longitude
1	7°34’00”	122°49’30”
2	7°34’00”	122°52’30”
3	7°32’00”	122°52’30”
4	7°32’00”	126°49’30”

COC #: 166 is bounded by the following geographic coordinates:

COC #: 166 Geographic Coordinates

Corner	Latitude	Longitude
1	7°48’00”	122°58’30”
2	7°48’00”	123°01’30”
3	7°44’00”	123°01’30”
4	7°44’00”	122°58’30”

COC #: 167 is bounded by the following geographic coordinates:

COC #: 167 Geographic Coordinates

Corner	Latitude	Longitude
1	7°44'00"	122°55'30"
2	7°44'00"	122°58'30"
3	7°42'00"	122°58'30"
4	7°42'00"	122°55'30"

COC #: 168 is bounded by the following geographic coordinates:

COC #: 168 Geographic Coordinates

Corner	Latitude	Longitude
1	7°48'00"	122°49'30"
2	7°48'00"	122°52'30"
3	7°46'00"	122°52'30"
4	7°46'00"	122°51'00"
5	7°44'00"	122°51'00"

5.3 CURRENT OWNER OF MINERAL RIGHTS

TMEC is the current holder of mineral rights over the coal blocks *CB-280, CB-320 CB–241, CB–281, CB-358* and *CB-359* by virtue of *COC* 166 and *COC* 167 which were granted to *TMEC* by the *DOE* on November 8, 2009. Both *COCs* were renewed on November 2011.

5.4 LOCATION OF COAL RESOURCES

The coal prospects occur in *CBs* 358 within *COC #: 167 and CBs 280, 241, 320, 281 within COC # 167 CBs 358* within *COC # 166*. *(see Figure 2: Tenement Map)*

6.0 GEOGRAPHIC FEATURES

6.1 LOCATION AND ACCESSIBILITY

The province of Zamboanga Sibugay is located in the Zamboanga Peninsula in Mindanao, Philippines. The provincial capital is Ipil and is landlocked by Zamboanga del Norte, Zamboanga del Sur and Zamboanga City on its north and east, west and southwest borders, while it faces Sibuguey Bay and Dumanquillas Bay on the south.

Zamboanga Sibugay Province is subdivided into sixteen *(16)* municipalities:

- Alicia
- Buug
- Diplahan
- Imelda
- Ipil
- Kabasalan
- Mabuhay
- Malangas
- Naga
- Olutanga
- Payao
- Roseller T. Lim
- Siay
- Talusan
- Titay
- Tungawan

TMEC's COCs are all situated in the following municipalities, all in the province of Zamboanga Sibugay, Mindanao, Philippines.

COC Location

Coal Operating Contract No.	Municipality	Province
❖ 158	Payao	Zamboanga Sibugay
166	Diplahan Buug	
167	Diplahan-Siay (Parok)	
❖ 168	Kabasalan-Siay (Siay-San Isidro)	

❖ Tenement relinquished due to poor prospectivity potential

COC #:s 158, 166, 167, and 168 may be reached using 4WD vehicles from *TMEC's* camp.

TMEC's exploration camp is located in the town proper of Imelda, Zamboanga Sibugay. It may be reached by *2*-hour plane ride from Manila to Pagadian Airport and *60-km* travel via Maria Clara Lobregat Highway.

The COCs is approximately *15*-kms via concrete road to the Malangas Port.

6.2 TOPOGRAPHY, PHYSIOGRAPHY AND DRAINAGE,

The physiography of the prospect area consists mostly of hills and mountains. Verdant valleys, swampy marshes, plateaus are also present.

The topography surrounding the prospect area may be described as mostly hilly (upland) to mountainous. Elevations range from less than *100-m* (low-lying) to > *500-m* Above Sea Level *(MASL)* (mountainous) [Elevation Map, Bureau of Soils and Water Management (*BSWM*)].

The prospect area is drained by four *(4)* rivers. The Sibuguey and Siay Rivers flow towards Sibuguey Bay. Pamoantogbo River and Batu Creek, drain toward Taba Bay. Kawayan River, flows to Tantanang Bay.

6.3 VEGETATION

The main vegetative covers are secondary forest, shrubs, and grasses with scattered patches of corn, coconut, root crops and rubber.

6.4 CLIMATE

The Zamboanga Sibugay Coal prospect area falls under Type IV of the modified Coronas scale (Modified Coronas Climate Map, BSWM). Type IV is characterized by a more or less evenly distributed rainfall throughout the year. It is nearly similar to Type II since Type IV has no dry season. The average annual rainfall is from *1,750-2,450-mm*, and typhoon frequency is once every *12-years*. A temperature regime during growing periods is > *25°C*. The average annual relative humidity is about *82% (Concepcion, 2004).*

6.5 LAND USE

Based on the 2006 Regional Development Agenda for Zamboanga Peninsula by the National Development Authority *(NEDA),* land use in the province of Zamboanga Sibugay is classified into: *(1)* forestland covering *61.92%* of the total provincial land area, and *(2)* alienable and disposable *(i.e. land of Public Domain declared not needed for forest purposes),* encompassing *38.08%* of the total land area.

6.6 POPULATION AND SOCIO ECONOMIC ENVIRONMENT

As of the 2007 census, Zamboanga Sibugay has a population of *546, 186*-people. The population growth rate from 2000-2007 is *1.30*.

The major languages spoken in the province are Subanen, Cebuano, Ilonggo, and Zamboangueño/ Chavacano. Tagalog, Ilocano, and other ethnic tongues are spoken as well, as is English.

The leading industries are rice and corn milling, food processing, rattan and wood furniture production and coal mining. New industries include concrete products, garments, wax and candle factory, and other cottage industries.

Major crops produced include rice, corn, coconuts, rubber, fruits, vegetables, tobacco, coffee, cacao, and root crops. Livestock and poultry productions are predominantly small-scale backyard operations. Coal mining is also present in some areas of the province.

6.7. ENVIRONMENTAL FEATUTRES

6.7.1 Pedology

The Bureau of Solis recorded the presence of the following soil types in the *COC* areas, namely: San Manuel S.H. Loam, Bulaoan Clay Loam and Antipolo Clay Loam. The San Manuel S.H. Loam covers the Sibuguey Valley, while the Bulaon Clay Loam and the Antipolo Clay Loam blanket the fingers of the valley and the steep hills, respectively.

The soil types are described as follows:

Bulaoan Clay Loam

a. Formation and Origin: Residual soil from igneous rocks

b. Profile:

    1. Surface oil – brown to dark grayish brown, loose, friable and fine granular sandy loam. Andesite and basalt boulders are present. Depth is 20 to 30 c*m*.

    2. Sub-soil – brown to reddish brown clay loam with plenty of grovels and iron secretions. In places, boulders are embodied in this horizon. Depth is 30 to 60 *cm* from the surface.

    3. Sub-stratum – brown to strong brown. Massive and friable clay loam. Boulders are also present in these layers.

c. Relief: flat upland to undulating and rolling lands

d. Drainage: External is excessive and internal is embodied

e. Vegetation: Second growth forest, cogon and shrubs cultivated areas are planted to rice, corn and other farm crops.

San Manuel Silt Loam

a. Formation and Origin : Recent alluvial deposits

b. Profile:

1. Surface soil – Grayish brown to pale brown, loose and friable silt loam. Depth is 25 to 40 *cm* from the surface of the soil.

2. Sub-soil – Brownish gray light brown, friable and fine, granular silt loam. Depth is 70 to 110 cm from the surface of the soil.

3. Sub-stratum – Yellowish brown to light reddish brown, fine sandy loam to medium sandy loam.

c. Relief: nearly level and often subjected to flood.

d. Drainage: drainage condition is fair to good.

e. Vegetation: Cultivated to lowland rice, corn and root crops, vegetables and some fruit trees.

f. Capability Class: Class “A”

Antipolo Clay Loam

a. Formation and Origin: Residual soil formed basalt, igneous and other volcanic rocks.

b. Profile:

1. Surface soil – Light reddish brown to almost red, friable and finely granulated clay. Spherical tuffaceous concretions are present. Depth is 20 to 30 cm from the surface of the soil.

2. Sub-soil – Reddish brown, granular and friable clay with fine spherical concretions, loose sub-soil is earthy tuffaceous materials with free concretions. Depth is 50 to 90 *cm* from the surface of the soil.

3. Sub-stratum – reddish brown to light reddish, coarse granular clay with numerous iron concretions.

c. Relief: Rolling to mountainous, some portions are slightly rolling to almost flat.

d. Drainage: Surface drainage is good to excessive. Sub-soil drainage is poor.

e. Vegetation: Cogon, talahib, shrubs and secondary forest covers the hilly and mountainous areas. Rice, corn, fruit trees and papaya are grown or could be grown in the rolling areas.

f. Capability Class: Class "M"

6.7.2. BIOLOGICAL ENVIRONMENT

No baseline biological studies conducted as of yet.

6.7.3 WATER ENVIRONMENT

No water quality test was conducted in the area. It was observed, however that water from the tributaries are used only for agricultural purposes. Surface run-off drains to the south by way of the Sibugay and Siay rivers.

7.0 PREVIOUS WORK

The Sibugay Peninsula has been extensively explored for coal by various organizations notably by the *PNOC-CC* in the 1980s. To date, *PNOC* operates the Malangas Coal Reservation (*in partnership with a Taiwanese company)* as well as the Integrated Little Baguio Colliery. *PNOC's* exploration record covering *TMEC's COCs* are non-available.

8.0 HISTORY OF PRODUCTION

The prospect area has not been subjected to large scale coal mining activity. Small Scale Mining Permits *(SSMPs)* exist in COC #:s 166 and 167. No official records of activities exist.

9.0 REGIONAL AND DISTRICT GEOLOGY

9.1 Regional Geologic Settings

The Sulu-Zamboanga Arc is part of the aseismic Palawan microcontinental block *(Sundaland-Eurasia) (e.g. Rangin et al. 1999a, 1999b; Yumul et al. 2004, Yumul, 2007*), and separates the

Sulu Sea Basin from the Celebes Sea Basin. It is manifested as a group of islands in which some are classified as Quaternary with one active volcano (*Cruz, 1987).* It is a volcanic arc considered to be on its solfataric stage *(Aurelio and Pena, 2002).*

It is predominantly underlain by a sequence of Pre-Tertiary metamorphic rocks, ophiolites, basalt flows and agglomerates. The younger rocks consist of sedimentary and volcanic rocks dated Early Eocene to Late Miocene, Early Pliocene to Pleistocene which were intruded by Late Miocene plutonic rocks.

The Zamboanga Sibugay Coal prospect area is situated in the Zamboanga-Misamis Occidental – Sibuguey Peninsula-Olutanga Island part of the Sulu-Zamboanga Arc which is flanked and formed by the Sulu Trench on the northwest in Western Mindanao.

9.2 Stratigraphy

The exploration target is the Lower Miocene Lumbog Formation coal measures that conformably overly the Upper Oligocene to Lower Miocene Sibuguey Formation. The coal measures are in turn unconformably overlain by the Upper Miocene to Pliocene Coloy Formation and Andesitic Flows, the Pliocene to Pleistocene Flood Plain Basalt Flows and Olutanga Limestones, and Recent Sediments. Upper Miocene to Pliocene andesitic dikes and sills intrude the Lumbog and Sibuguey Formations.

The Pre-Tertiary basement complex consisting of schists, phyllites and ultramafics observed further west; particularly in the Ipil-Siocon area, is not exposed on the Sibugay Peninsula.

For purposes of this report, only the Lumbog Formation *(coal-bearing unit),* the Sibuguey Formation (underlying formation), the Coloy Formation *(overlying formation)* and the Zamboanga Volcanic Complex are discussed below.

9.2.1 Lumbog Formation

Named by Ibanez and others, *(1956),* the Lumbog Formation consists of a sequence of clastic and pyroclastic rocks with coal interbeds in the Malangas-Kabasalan region. It rests conformably over the Sibuguey Formation. It is Early Miocene in age and is estimated to have a maximum thickness of *525-m (Ibañez and others, 1956*). It is divided into three members, namely: lower Lalat, middle Gotas and upper Dumagok.

9.2.1.1 Lalat Member

Originally defined as a separate formation by Brown *(1950),* the *Lalat Member* consists of mudstone, sandy shale, and sandstone with interbeds of pyroclastic rocks, coal and limestone. The mudstone and shale are medium to dark gray, thin to medium bedded, but massive in

places. The sandstone is light to dark gray, generally poorly bedded, and in places shows cross-bedding. It is composed of fine to coarse subangular to subrounded grains of quartz, feldspar, and chloritized lithic fragments. The coal beds attain a thickness of *3*-m. The Lalat is well exposed at the Diplahan-Butog and Lalat areas and is estimated to be *285*-m thick. Fossils in this member reported by Brown *(1950)* include *Vicarya callosa, Ceritheum herklotsi, Cerithium kenkinsi, Cerithium bandongensis* and *Terebra bicinncta*.

9.2.1.2 Gotas Member

The *Gotas Member* is well-exposed along Gotas creek. It consists of mudstones, shale and sandstone. Unlike the Lalat member, Gotas has thick interbeds of coarse pyroclastic rocks and has no coal beds.

9.2.1.3 Dumagok Member

The *Dumagok Member* consists mainly of sandstones, including medium grained arkosic sandstone with few interbeds of mudstone, coal, and pyroclastic rocks.

9.2.2 Sibuguey Formation

The Sibuguey Formation was named by Brown *(1950)* for the fairly uniform and thin-bedded sequence of clastic rocks and coralline limestone along the Sibuguey River Valley. It is conformably overlain by the Lumbog Formation. The Sibuguey covers most of the central Sibuguey area, Dipili-Lake Wood area and most of the northern part of the Zamboanga Peninsula divide.

The lower portion consists of mudstones with interbedded sandstone; the middle portion is characterized by sandstones with interbedded mudstones and sandy shale; the upper portion is composed of sandy shale with interbeds of limestone, calcareous shale and sandstones *(Ibañez and others, 1956).* Antonio *(1972)* adopted the term to include the folded and thermally metamorphosed interbedded sequence of clastic rocks and andesites with lenses of irregular masses of marbleized limestone widely exposed west of Sibuguey River from Siogan in the south to Luanan in the north. An Early Miocene age was assigned by Ibañez and others *(1956)* for the rock unit, although Antonio *(1972)* extends its age down to Oligocene. Brown (*1950)* gave a maximum thickness of *170*-m for the formation, whereas Ibañez and others *(1956)* estimate the thickness to be more than *385*-m.

The limestone of the Sibuguey Formation occurs as white to black, fine to coarsely crystalline rocks. At Mount Mujoh and near the headwaters of Bulacan River, the limestone is reef-like and is at least 30-m thick *(Brown, 1950).* In few localities, the limestone was observed to occur as small lenses in metavolcanic rocks *(Antonio, 1972).*

9.2.3 Coloy Formation

The Coloy Formation was previously named Caloi Formation by Brown *(1950)* and renamed Coloy for the sequence of pyroclastic and clastic rocks along Coloy Creek. This nearly flat sequence lies disconformably over the Lumbog Formation. The Coloy consists of poorly consolidated pyroclastic rocks and tuffaceous conglomerates with associated tuffaceous sandstones and shales. The pyroclastic rocks are light gray fine grained tuff and gray volcanic breccia. The conglomerate contains angular to rounded, pebble to boulder size, clasts of andesite, petrified wood, quartz and basalt. It is considered Pliocene in age and has an estimated thickness of *150*-m.

9.2.4 Zamboanga Volcanic Complex

Antonio *(1972)* gave the formational name Zamboanga Volcanics to the Pliocene-Pleistocene volcanic rocks which include basalt-andesite flows and associated pyroclastic rocks, hornblende andesite plugs, and dacitic plugs and cinder cones in Sibuguey Peninsula. The basalt-andesite flows constitute the most dominant rock unit of the formation. They blanket almost the entire Margosatubig-Malangas volcanic plateau, although smaller bodies are also found sporadically in the area. In general, the basalt is vesicular and amygdaloidal, while the andesite is characterized by well-defined flow bands.

At Mt. Muntay area, the basalt flows cover almost the whole peak and the surrounding slopes. Their textures vary from fine-grained to porphyritic, with some exhibiting vesiculated texture. At Sitio Datagan I near Barrio Midsalip, plagioclase and olivine phenocrysts of the basalt have been altered to clay minerals. Similar exposures can be found at Mt. Sampakang Laboyo, Datagan II and Datagan III.

Associated with the basalts and andesites are glassy flows, flow breccias and agglomerates. Santos-Yñigo *(1953)* previously mapped this basalt-andesite flow unit under his Mio-Pliocene Andesite-Basalt Series. However, field observations showing its relationship with the surrounding rocks led Antonio *(1962)* to assign a younger age to this unit.

Hornblende andesite plugs constitute the conical peaks in the northeastern portion of the region. These volcanic plugs, ranging in elevation from *300-MASl* to *1,563-MASL*, with Mt. Sugar Loaf *(locally called Mt. Pinokis)* as the highest, are disposed along the general fault pattern in the area. In general, the rock is light to dark grey when fresh and pinkish to brick red when weathered.

Also included in the Zamboanga Volcanic Complex are the dacitic plugs along Pagadian-Malangas road and in Dinas-Balungating area, and the cinder cones at Camp VI, along Ozamis-Pagadian Road and farther west of the area. Along the Pagadian-Malangas road, the dacitic plugs may be porphyritic or glassy. The former is dark grey to greenish and massive, while the

latter is light yellowish to grey. The cinder cones are characterized by poorly cemented but fairly sorted thin to medium bedded cinder materials. They are mainly made up of angular, granule- to boulder-sized scoriaceous basalt fragments cemented by finer cinder materials and/or tuffaceous ash.

The Zamboanga Volcanic Complex may be correlated to the Sta. Maria Volcanic Complex in Zamboanga Peninsula *(Pena, 2008).*

9.3 Structural Geology

The Zamboanga Sibugay Coal prospect area consists of steeply dipping normal and reverse faults that are either northwest-southeast or northeast-southwest trending. It is traversed by two *(2)* main faults: the northwest-southeast trending Botongan Fault that stretches from CB 274 and the northeast-southwest trending Guitom Fault that stretches from *CB* 280 that both terminate towards the Diplahan Mountains. Asymmetrical anticlines and synclines that trend east-northeast are also present.



Figure 3. Regional Geologic Setting (Yumul, 2007)

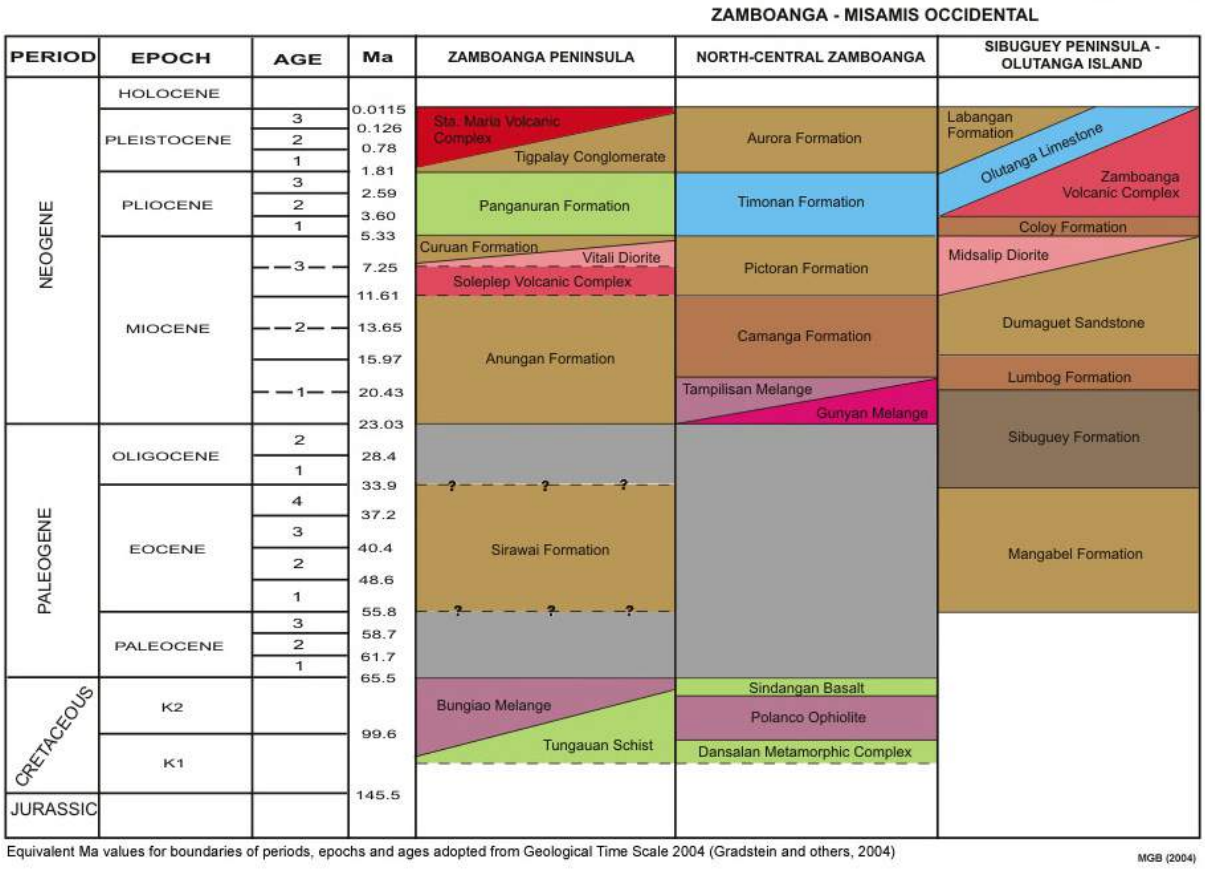
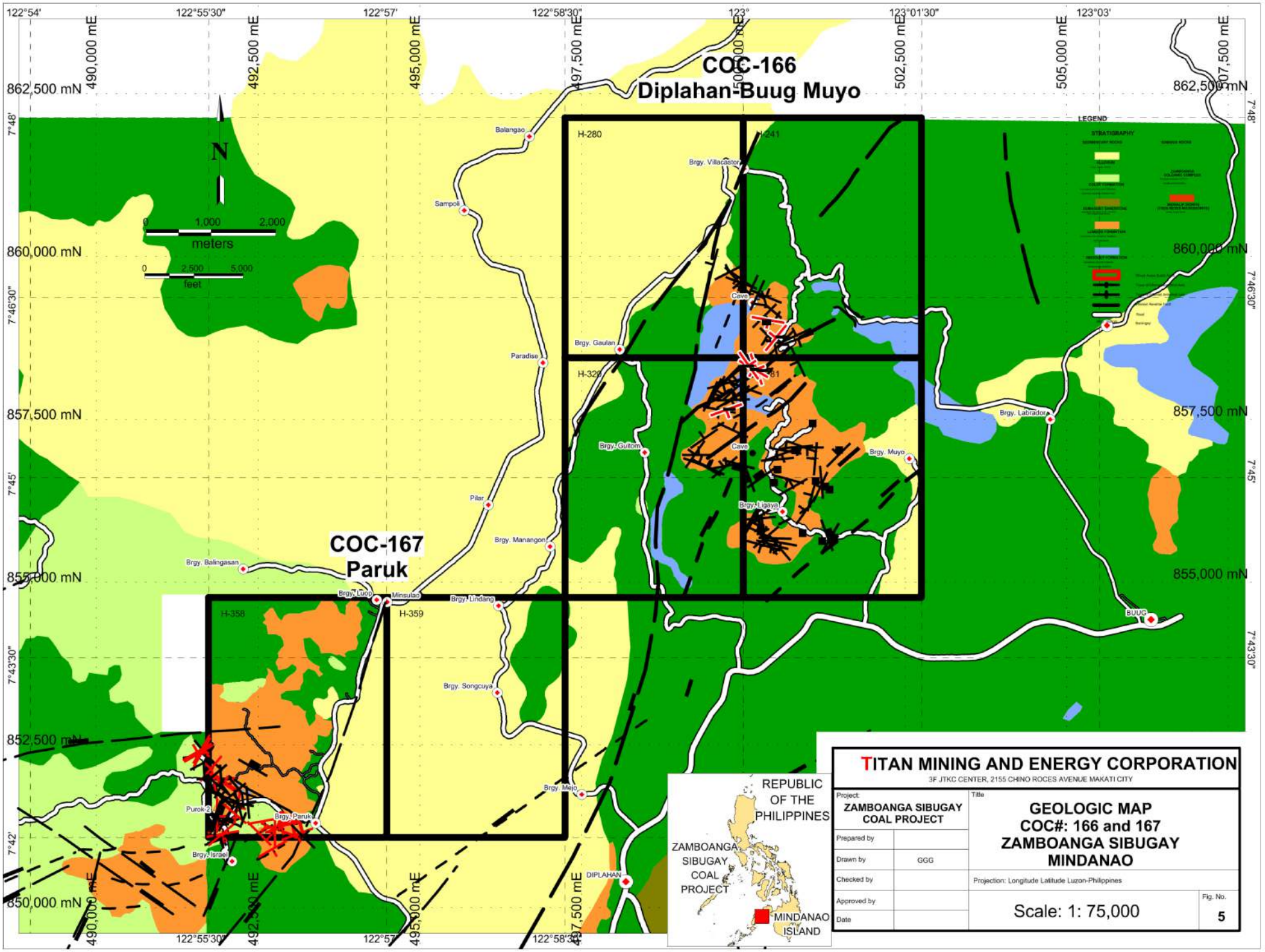


Figure 4. Regional Stratigraphic Column

(MGB, 2004)



TITAN MINING AND ENERGY CORPORATION

3F JTKC CENTER, 2155 CHINO ROCES AVENUE MAKATI CITY

Project: ZAMBOANGA SIBUGAY COAL PROJECT		Title: GEOLOGIC MAP COC#: 166 and 167 ZAMBOANGA SIBUGAY MINDANAO
Prepared by		
Drawn by	GGG	
Checked by		Projection: Longitude Latitude Luzon-Philippines
Approved by		Scale: 1: 75,000
Date		Fig. No. 5

9.4 Coal Occurrences

Two *(2)* members of the Lumbog Formation, specifically Lalat and Dumagok, have coal seams.

The Lalat Member has five *(5)* main seams in descending order (*seams E, D, C, B, and A),* with typical interval thickness ranging from less than *1-m (seams D and C)* and greater than *1-m* (*seams A, B, and E).* Seams A, B, and E appear to be of mineable thickness (*1.0-m or thicker).*

The Dumagok Member contains three *(3)* major coal seams in descending order *(seams H, G, and F*). Of the three coal seams, seam H is considered mineable. (*J.H. Medlin, 1985).*

The Lumbog Formation contains at least thirty *(30)* seams and seamlets of which four *(4)* are considered mineable in the Lalat Area (*Seams H, E, B, and A)* and two *(2)* of these are mineable in the MCC Area *(LC-1 and LA) (PNOC-CC Exploration program results)*. Coal seam B of Lalat Area is in the same stratigraphic position as LC-1 in the Malangas Coal Corporation *(MCC)*-Diplahan Colliery *(J.H. Medlin, 1985).*

Details on coal seam average thickness are as follows:

Lalat Area
Seam H = *1.03-m*
Seam E = *0.88-m*
Seam B = *1.66-m*
Seam A = *1.01-m*

MCC Area
Seam LC-1 = *2.31-m*
Seam LA = *1.62-m*

Based on *PNOC-CC* Exploration Program results the significant coal deposits in the Sibugay Peninsula include:

- MCC Coal Mine
- Lalat Coal Project
- Integrated Little Baguio Coal Project

9.5 Coal Quality

The Sibugay Peninsula contains the only coals of medium volatile bituminous and high rank in the Philippines next to the Eocene coals of Catanduanes.

The Lalat Area contains five *(5)* named seams *(Seams A to E)* and two named *seams (LA and LC1)* in the *PNOC-CC* mining area. LA and LC1 have been thermally affected by igneous intrusions present in the area. The normally sub bituminous rank of the coal has been upgraded to bituminous to semi-anthracite with an average heating value of some 10,300-BTU/lb on air-dried basis *(Wardell-Armstrong International, Ltd. Technical Report, 1985*).

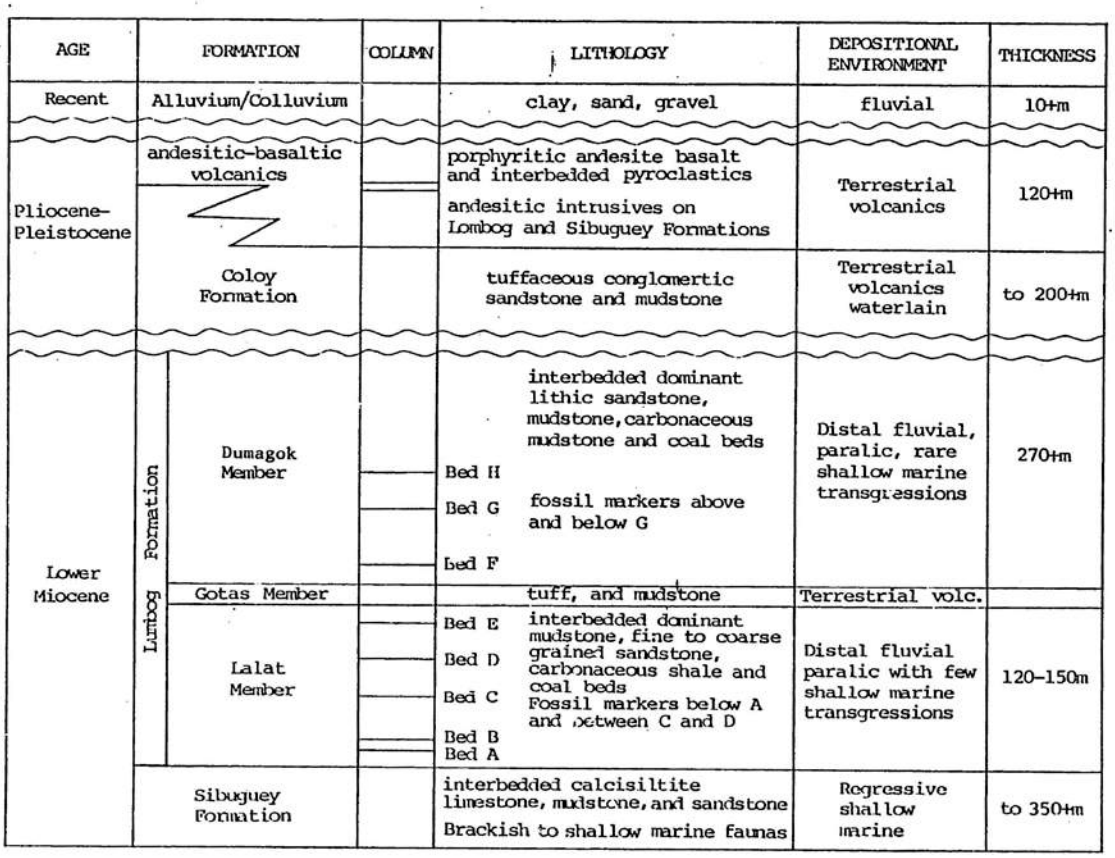


FIGURE 6 STRATIGRAPHIC COLUMN COC#: 166 & 167

10.0 COAL OPERATING CONTRACT AREA GEOLOGY

The Zamboanga Sibugay coal prospect is generally composed of Recent alluvium/colluvium, Andesitic-Basaltic Volcanics, members of the Lumbog Formation and minor patches of Coloy Formation, Sibuguey Formation.

The exploration target is the Lower Miocene Lumbog Formation coal measures that conformably overlie the Upper Oligocene to Lower Miocene Sibuguey Formation. The coal measures are in turn unconformably overlain by the Upper Miocene to Pliocene Coloy Formation and Andesitic-Basaltic Volcanics, the Pliocene to Pleistocene Andesitic-Basaltic Volcanics and Recent alluvium/ colluvium. Upper Miocene to Pliocene andesitic dikes and sills intrude the Lumbog and Sibuguey Formations.

The coal seams are bounded above and below by clastic sedimentary rocks most commonly mudstones indicative of paralic environment. Within the seams are inter-seam partings of predominantly mudstones.

11.0 COAL OCCURRENCES IN THE COC AREA

Coal seams in the Zamboanga Sibugay Coal Area are associated with the predominantly mudstone Lalat Member of the Lumbog Formation. The seams occur as interbeds and thus strike and dip congruently with the mudstone beds.

Two *(2)* individual coal basins containing a total area of 991 *has* were mapped in the project area.

Both basins contain a total of eleven *(11)* outcrops of coal beds with thickness ranging from 0.03 m to 1.82 m.

Drill intercepts at *COC* 166 however encountered two *(2)* coal seams with thickness varying from 0.03 *m* to 3.94 *m*. The coal seams occur in a syncline whose axis strikes North-East *(NE).*

Details on coal seams thickness are as follows:

COC-166

Sta. No.	Latitude	Longitude	Elev. (m)	Seam	Strike (°)	Dip	Thickness (m)	Roof	Floor
Paez SSM	7° 46' 08"	123° 00' 15"	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Tony SSM	7° 45' 32"	122° 59' 53"	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
BM-01	7° 46' 08"	123° 00' 15"	163	Bright coal	N50W	30SW	1	N.A.	N.A.
BM-02	7° 45' 32"	122° 59' 53"	N.A.	Bright coal	N.A.	N.A.	1	N.A.	N.A.

COC-167

Sta. No.	Latitude	Longitude	Elev. (m)	Seam	Strike (°)	Dip	Thickness (m)	No. of Tunnels	Remarks/Roof and Floor
S-01	7° 42' 07"	122° 55' 58"	97	Dull Coal	N32W	N.A.	1.22	N.A.	Stringers
H.M. SSM	7° 42' 35"	122° 55' 31"	N.A.	Dull Coal	N.A.	N.A.	1.22	4	Inactive
D.B. SSM	7° 42' 35"	122° 55' 53"	N.A.	Dull Coal	N.A.	N.A.	1.22	1	Inactive
E.P. SSM	7° 42' 10"	122° 56' 07"	N.A.	Dull Coal	N.A.	N.A.	1.22	4	Inactive
H.L. SSM	7° 42' 02"	122° 56' 17"	N.A.	Dull Coal	N.A.	N.A.	1.22	4	Inactive
G.M. SSM	7° 42' 01"	122° 56' 10"	N.A.	Dull Coal	N.A.	N.A.	1.22	1	Active
S-02	7° 42' 02"	122° 56' 10"	81	Dull Coal	N80W	27SW	1.82	N.A.	Roof is Mudstone and Floor is Siltstone

Laboratory analysis of coal samples from outcrops yielded a heating value range of 9,056 BTU/lb to 11,516 BTU/lb.

12.0 DEPOSIT TYPES

12.1 MINERAL DEPOSIT TYPE

The coal seams occur as interbeds within the mudstone, siltstone layers of the Lalat Member of the Lumbog Formation.

The coal seams are composed of coal beds varying in thickness from 0.03 *m* to 1.98 *m* and mudstone partings.

The sediments and coal beds appear to be deposited in a low energy environment in a paralic basin.

Coal seams of varying thicknesses occur in paralic sedimentary environments. The coal seams have calorific values in the 9,000 to 13,000 BTU range.

Samples of mudstone parting from three *(3)* outcrops were sampled and gave gold values of values of less than 0.005, 0.579 and 2.362 g/t Au.

12.2 GEOLOGICAL MODELLING

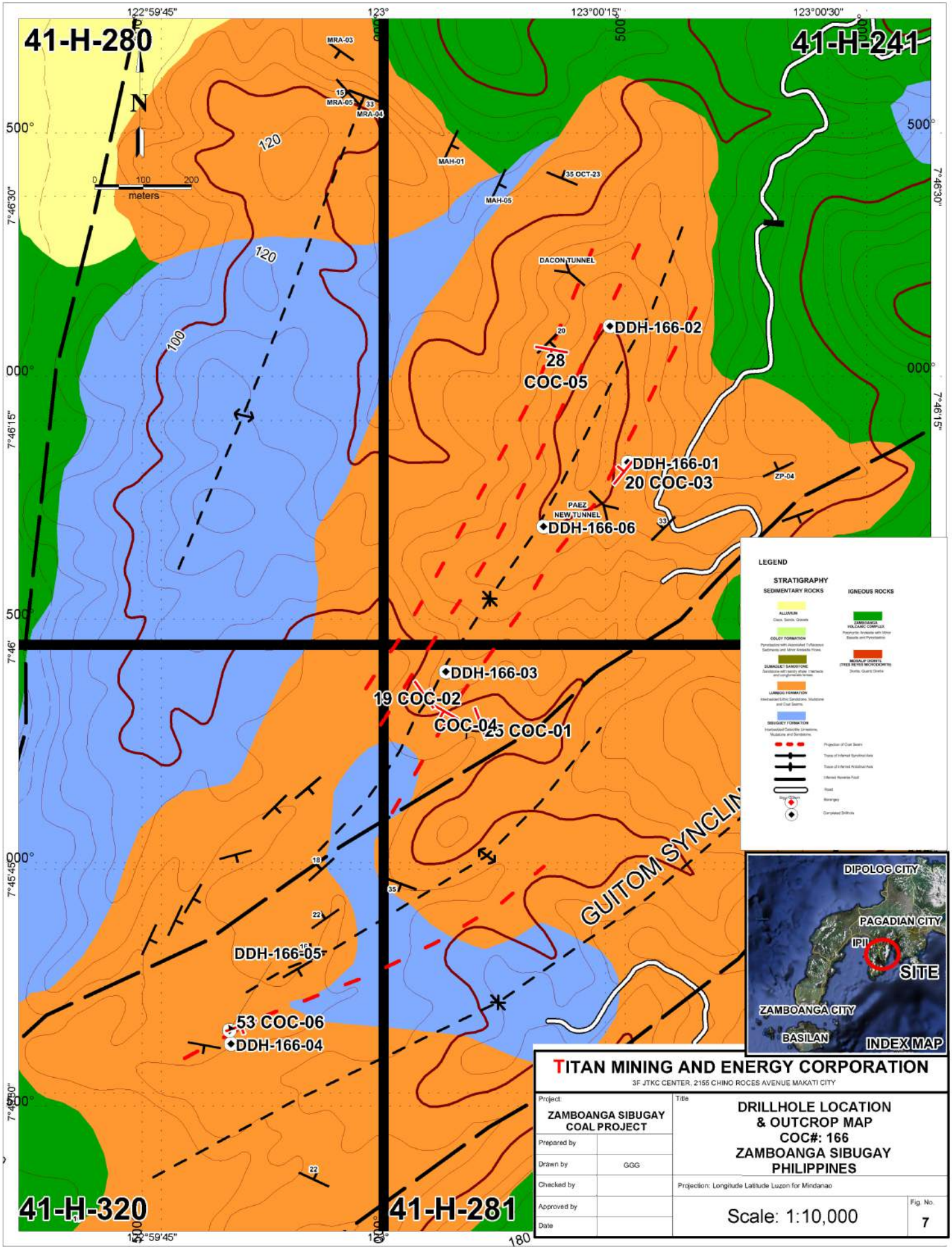
Coal seams occur definitely within the mudstone Lalat and sandstone Dumagok member of the Lumbog Formation. The seams occur as interbeds and thus strike and dip congruently with the mudstone beds.

The coal seams appear to have formed through the accumulation of organic material deposited in a mud and sand rich basin of paralic origin. Earlier shallow marine transgression formed coral reefs and deposited calcareous sediments below the paralic basin.

Three episodes of volcanic activity occurred, depositing terrestrial volcanic over the paralic basin.

The exploration program of *TMEC* is designed to locate the host lithologies and the other litholigies that underlie and overlie the said host rocks.
Field mapping is done. This result is the production of a geologic map that shows the relationships of the different lithological formations. Coal outcrops are located, mapped, sampled and measured.

A drilling program is designed, targeting coal seams strike extensions and down dip extensions.



TITAN MINING AND ENERGY CORPORATION

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Project: ZAMBOANGA SIBUGAY COAL PROJECT	Title: DRILLHOLE LOCATION & OUTCROP MAP COC#: 166 ZAMBOANGA SIBUGAY PHILIPPINES
Prepared by	
Drawn by: GGG	
Checked by	Projection: Longitude Latitude Luzon for Mindanao
Approved by	Scale: 1:10,000
Date	Fig. No. 7

13.0 MINERALIZATION

13.1 DESCRIPTION OF SURROUNDING ROCK TYPES

The coal seams of the sedimentary basins in the Sulu-Zamboanga Arc occur within the Lumbog Formation of Lower Miocene age.

The Lumbog Formation exposures consist of slightly to completely weathered interbedded dark gray mudstones, light gray fine to medium grained lithic sandstones, pyroclastics and coal seams.

It is composed of three *(3)* distinct sedimentary members, namely: Lower Lalat, Middle Gotas and Upper Dumagok.
The Lalat Member is generally composed of mudstone, sanfy shale and sandstone with interbeds of pyroclastic rocks, coal and limestone.

The Gotas Member is made up of mudstone with thick coarse interbeds off pyroclastioc rocks.

The Dumagok Member consists of predominantly sandstone with few interbeds of mudstone, coal and pyroclastic rocks.

The coal seams are bounded above and below by clastic sedimentary rock most commonly mudstones, sandstones and siltstones. Within the seams are inter-seam partings of predominantly mudstones.

In some of the mudstone partings, angular coal fragments with very fine grains of pyrite are present along the edges.

13.2 MINERAL ZONES

Two *(2)* to three *(3)* coal seams are recognized in the paralic basins in both *COCs*. The coal seams are confined within the Lalat member of the Lumbog Formation in the *COC* area. They are bounded above and below by clastic sedimentary rocks most commonly mudstone and siltstone strata. Mudstone occur as inter seam partings within the coal seams.

13.3 COAL QUALITIES

Coal analyses results from surface samples show ggross calorific values that range from 9,056 BTU/lb (53032 Kcal/kg) to 13,976 BTU/lb (7764 kcal/kg) probably averaging 11,516 BTU/lb (6397 kcal/kg).

14.0 EXPLORATION

14.1 SURFACE GEOLOGIC MAPPING

Initial exploration commenced in December 2009 to identify/ delineate/ validate possible target areas for test-drilling and subsequent coal blocking of resources. Field activities were limited to geological mapping/sampling of coal measures with focus on coal seams. Abandoned underground workings of small-scale illegal miners were also checked whenever possible.

Reconnaissance geologic mapping and random sampling were conducted to cover majority of the *11,000-ha* project area of the initial four *(4) COCs.* Seventeen *(17)* outcrops of coal beds with thicknesses ranging from *0.03-* to *1.82-m* were located. All coal outcrops were identified to be occurring within the Lalat member of the Lumbog Formation.
Initial exploration activities were concluded August 2010.

Re-evaluation of the initial exploration results commenced on October 2010. Geologic traverses were conducted along creeks, trails, barangay roads and old logging roads using a GARMIN GPS 60CSX *(accuracy +/- 3 m)*. Field data were encoded and overlaid using MapInfo.

Eleven *(11)* trenches and seven *(7)* test pits were excavated alongside major outcrops to fully expose the thickness of the coal seam. Nineteen *(19)* adits of small scale illegal miners were also checked.

Re-evaluation activities were concluded on January 2011.

A summary of exploration activities are shown in the table below:

Summary of Exploration Activities

COC -166
Activities Undertaken and Highlights ▪ Barangay and Logging Road Traverse ▪ Stream Traverse ▪ Prospecting for coal exposures ▪ Three *(3)* coal outcrops mapped ▪ Total area covered 4000 hectares ▪ Two *(2)* exploratory adits and one *(1)* trench were located ▪ Prepared geologic Map *(1:10,000)* ▪ Six cored holes drilled intercepted two *(2)* coal seams

COC-167

Activities Undertaken and Highlights
- Barangay and Logging Road Traverse
- Stream Traverse
- Prospecting for coal outcrops
- Eight *(8)* coal outcrops mapped
- Total Area covered 2,000-*has.*
- Fifteen *(15)* exploratory adits and ten *(10)* trenches were located
- Drilling initiated as of this writing
- Prepared geologic Map *(1:10,000)*

Field surface mapping resulted to the delineation of two *(2)* coal seams in carbonaceous mudstones basins. At *COC* 166 the basin measures 547 hectares and at *COC* 167, the basin measures 420 hectares.

Re evaluation of the initial exploration results commenced in October 2010. Geologic traverses were conducted along creeks, trails, Barangay, roads and old logging roads using GOWIN GPS 60 CSX *(accuracy H.3m*). Field data were encoded and overlaid using Map info.

Eleven *(11)* trenches and seven *(7)* test pits were excavated along side major outcrops to fully expose the thickness of the coal seam. Nineteen *(19)* pits of small scale miners were also checked.

14.2 SUB SURFACE EXPLORATION

In October 2011, an initial 10-hole drilling program was implemented in *COC* 166 using an Atlas Copco *CS-1000* drill rig with HQ drill rods and bits. Depths of drill holes range from 96.20 *m* to 245.50 *m*.

Five *(5)* holes were drilled in the area *(COC 166).* Four *(4)* holes intercepted two *(2)* coal seams. The thickness of Seam A varies from 0.07 *m* to 1.18 *m* while Seam B ranges from 1.18 *m* to 3.94 *m*.

Hole ID	Seam ID	Seam Thickness	
166-01	B	2.73	
	A	0.19	
166-02	B	3.94	
166-03	A	1.18	
166-05	B	3.55	
	A	0.07	

As of this writing drilling activities is being prepared at *COC* 167.

14.3 SAMPLING AND ANALYSES

To collect samples from the coal seams, channels, a foot wide and a foot deep were cut perpendicular to the thickness of the coal beds. Coal samples were then chiselled out of the channel and collected in 1x2-feet plastic bags, sealed and properly labelled. Each bag weights approximately *2*-kilos. The collected samples were then sent to Coal Test Center, Toplis Marine Philippines, Inc. for proximate analysis.

Each sample was analyzed for: Total Moisture, Inherent Moisture, Ash, Volatile Matter, Fixed Carbon, Gross Calorific Value and Total Sulphur.

Coal samples from drill holes were collected as split samples packed in plastic bags, labelled, sent to either Brixton Energy and Mining Corporation or Philippine National Oil Company-Exploration Corporation *(PNOC-EC)* Malangas Laboratory for analysis.

14.3.1. Quality Control Measures

Collections of samples are always supervised by project geologists. Splitting and sampling of drill cores are personally done by geologist core loggers. All samples collected are recorded on a sample-tracking log book. Analyses results are compiled at the central office.

14.3.2. Data Verification Procedures

Analyses results of samples are initially cross-checked by sending duplicate samples, in every five sample collected to a different laboratory.
Geologists' field data are randomly verified on the field by the senior geologist on site and at times, the Vice President for Exploration. A program to verify coal analyses had been started.

14.4 SAMPLE PREPARATION, ANALYSES AND SECURITY

14.4.1 Geo-Mechanical Logging Of Core Samples

Drill cores are brought soonest from drill base to designated core storage areas. At the base camp core house, the cores in each labelled box are inspected, cleaned *(if needed)* and advance meterage labelled *(wooden core blocks)* checked against the accompanying drilling shift reports. Core boxes and core blocks are clearly labelled. Geo-mechanical logging (using a comprehensive log form) is routinely conducted by our geologist or trained and experienced geologic aides. Routine orderly compilation of original and soft copies of geo-mechanical borehole logs are done and reported to *TMEC* corporate office.

14.4.2 Sample Preparation Methods

To collect samples from the coal seams, channels, a foot wide and a foot deep were cut perpendicular to the thickness of the coal beds. Coal samples were then chiselled out of the channel and collected in 1x2-feet plastic bags, sealed and properly labelled. Each bag weights approximately 2-kilos. Samples from drill cores are collected by manually splitting the cores in half wrapping the collected core in aluminum foil and sealing in plastic zip-locks. The samples are properly labelled and corresponding wood markers were placed in the core box where the samples were taken. The collected samples, drill cores and outcrops were then sent either the Coal Test Center *(CTC),* a division of Toplis Marine Philippines Inc. or the Philippine National Oil Company - Exploration Corporation (*PNOC-EC)* Malangas Laboratory for proximate analysis.

1.4.3. Security Methods

TMEC follows a detailed procedure to have samples labelled, placed in sample bags, electronically logged using Microsoft *(MS)* Excel and dispatched from project site to the laboratory with diligence.

15.0 ESTIMATE OF COAL RESOURCE

15.1 DATABASE USED

Geologic maps and sections, reports of analyses, and field geologic records were provided by *TMEC's* exploration team. Documents pertaining to mineral rights were also provided by *TMEC*.

15.2 INTEGRITY OF DATABASE

Information pertaining to mineral rights were gathered from the *COC* of *TMEC* with the *DOE.*

Geologic data were gathered from the field employing Garmin GPS 60CSX with accuracy of +/- 3 meters. All field information were plotted through a MapInfo program.

Bore holes were initially located on the ground by Garmin GPS 60CSX then later verified by Gowin TKS total station.

15.3 DATA VERIFICATION AND VALIDATION

A PMRC-CP Geologist, Mr. ENRIQUE C. PAYAWAL, spent two *(2)* weeks in the project site with *TMEC's* exploration team.

Trenches were visited to map the major coal beds. Geologic contacts were checked to verify the aerial extent of the individual coal mini basins.

Drill sites and core boxes were inspected. Drill logs were cross checked with the actual drill cores.

15.4 CUT-OFF GRADES USED IN ESTIMATION

No drill core samples has been analyzed as of this writing. However, analyses of eight (8) outcrops samples from *COC* 166 range in heating value from 9,056 BTU/lb to 13,057 BTU/lb. Analyses of three samples from *COC* 167 varies from 12,070 BTU/lb to 13,976 Btu/lb. As such, a cut-off grade of 7,000 BTU/lb is being initially considered.

15.5 ESTIMATION METHOD OF COAL RESOURCE

In the drilled area of COC 166, the coal resources maybe estimated by polygon method. Coal outcrops and drill hole coal intercepts were projected towards the dip direction and along the strike length to 100 meters for measured resource and from 100 meters to 300 meters for indicated resource. These parameters *(metric distance)* were considered based on the observed correlability of outcrops that are located 100 meters apart. The estimated surface area of the polygon is then projected to the slope area of the coal bed using the measured dip angle of the outcrop.

The potential tonnage of the coal deposit for the whole *COC* area however, is estimated by correlating the coal outcrops into coal beds or seams, then projecting the beds within the aerial extent of each mini basin.

15.5.1 Resource Criteria

The resource criteria used in the estimation are as follows:

1. Occurrence of surface outcrops
2. Drill hole intercept of coal seams
3. Area of host lithology

15.5.2 Data Sources and Modelling

The data sources include:

1. The thickness and length of coal outcrops, including strike and dip directions.
2. Projection of coal seams along strike.
3. Projection of coal seams in the dip direction.

Modelling method used *(Figure 8):*

Resources are delineated using the following:

Measured Resource:

a) Where outcrops and drill hole intercepts are factored over a maximum distance of 100 meters.

Indicated Resource:

a) Where outcrops and drill hole intercepts are factored beyond 100 m but within 300 meter distance.

Inferred Resource:

a) Where the host lithology exists.
b) Where coal outcrops exist with the host lithology.

The following parameters were considered in the calculation of resource:

1. COC 166

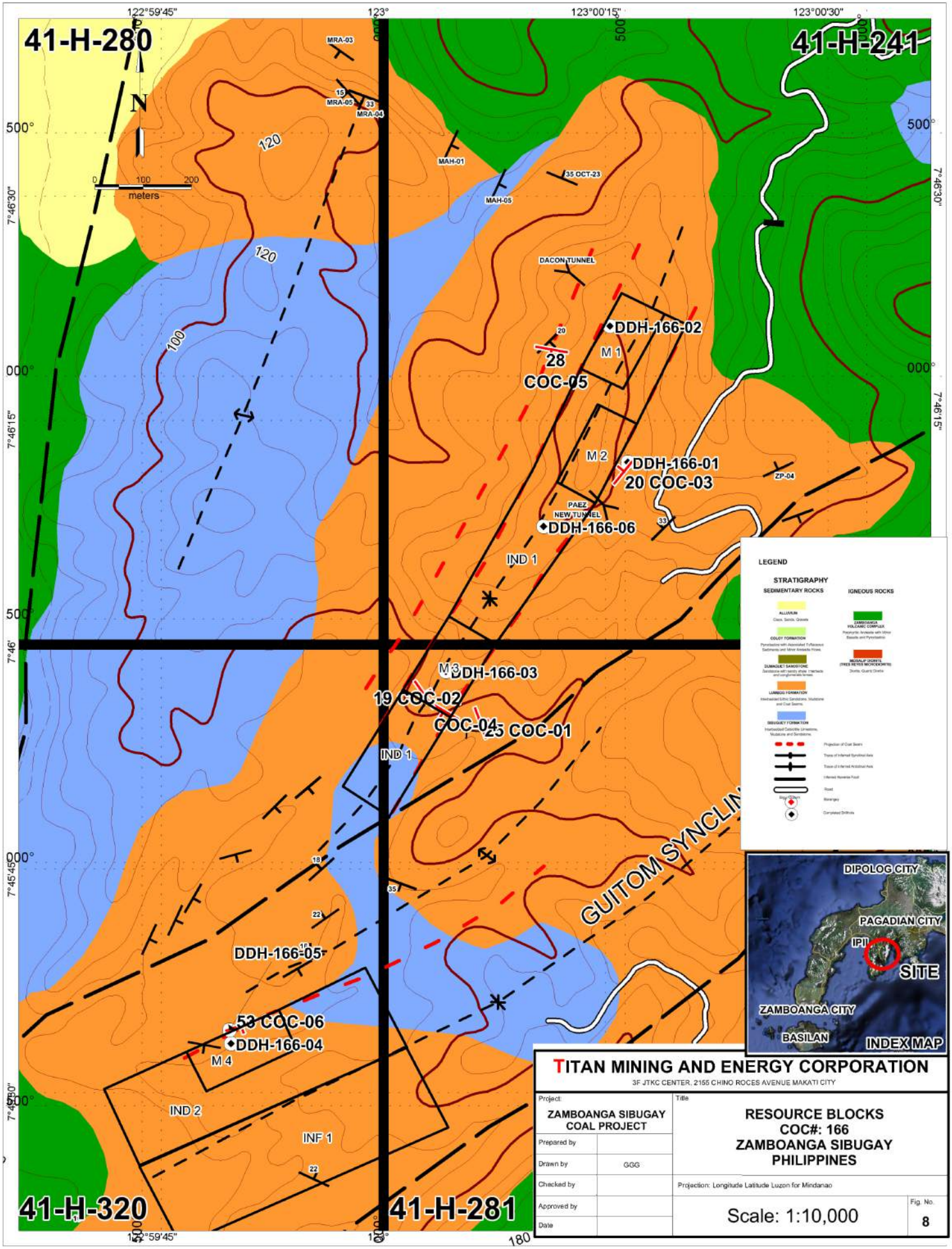
Specific gravity coal ——— 1.4
Thickness of coal seams ——— 3.5 *m*

Area of resource block divided by the cosine of the dip angle of the coal bed.

Surface Area ÷ Cosine Dip Angle X Coal Thickness X Specific Gravity

2. Potential deposit for the whole COC area based on detailed geologic mapping where the extent of the coal bearing paralic mudstone deposits were delineated and thickness of coal outcrops were measured.

Total Coal Thickness x Area of Mini Basins x Specific Gravity



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Project: ZAMBOANGA SIBUGAY COAL PROJECT	Title: RESOURCE BLOCKS COC#: 166 ZAMBOANGA SIBUGAY PHILIPPINES
Prepared by	
Drawn by: GGG	
Checked by	Projection: Longitude Latitude Luzon for Mindanao
Approved by	Scale: 1:10,000
Date	Fig. No. 8

The details of computation of the Resource block using the polygon method of estimation is presented below:

Resource Block Tabulation						
DRILLED AREA (COC # 166)						
RESOURCE BLOCK NO.	**HORIZONTAL AREA (SQM)**	**DIP ANGLE**	**SLOPE AREA (HORIZONTAL AREA/COS OF DIP ANGLE)**	**THICKNESS (M)**	**S.G.**	**MT**
M1	17,300	20°	18,410.33	3.5	1.4	90,210.60
M2	16,600	20°	17,665.40	3.5	1.4	86,560.46
M3	20,000	20°	21,283.61	3.5	1.4	104,289.71
M4	18,200	20°	19,368.09	3.5	1.4	94,903.64
IND1	101,100	20°	107,588.67	3.5	1.4	527,184.50
IND2	89,300	20°	95,031.34	3.5	1.4	465,653.57
INF1	441,080	20°	469,389.06	3.5	1.4	2,300,006.41
MEASURED	53,900	20°	57,359.34	3.5	1.4	281,060.78
INDICATED	190,400	20°	202,620.01	3.5	1.4	992,838.06
INFERRED	441,080	20°	469,389.06	3.5	1.4	2,300,006.41

15.6 ESTIMATE OF COAL RESOURCE

The Mineral Resource estimate for the drilled area of *COC* 166 are as follows:

Resource	**Million *MT***
Measured & Indicated	1.2
Inferred	2.3

The "potential" or "target volume of coal deposit in both Coal Basins in *COC* 166 and *COC* 167 are as follows:

ESTIMATE OF POTENTIAL TONNAGE

COC #	*Area of Basin (has)*	*Coal Volume (MMT)*
166	547	30.6
167	420	20.5
TOTAL	967	51.1

16.0 INTERPRETATION AND CONCLUSIONS

Two *(2)* individual coal depositional basins were located in the project area. The basin in *COC* 166 measures 547 *has* while the other basin in *COC* 167 measures 430 h*as*.

16.1 COC 166

Three *(3)* coal outcrops with thickness varying from 0.18 *m* to 1.1 *m* were observed within the coal basin at *COC* 166.

Diamond drilling *(5 holes)* at COC 166 intercepted two *(2)* coal seams.

The lower seam measures in thickness from 0.19 *m* to 1.18 *m* while the upper seam vary in thickness from 2.73 *m* to 3.94 *m*.

Correlating the coal outcrops and drill hole intercepts resulted into the identification of at least two *(2)* coal seams, Seam A and Seam B. The thickness of Seam A averages .48 *m*, Seam B averages 3.4 *m*.

The average heating value of the coal outcrops in COC 166 is 11,603 BTU/lb, with average total sulphur content of .54% and average ash content of 19.96 %.

The estimated Measured and Indicated (*M&I)* Coal Resources of *COC* 166 is 1.2 *MMT* and the Inferred Resource is 2.3 *MMT.*

Based on the measured area of the carbonaceous mudstone basin, *COC* 166 has a Coal Deposit Potential of 30.6 *MMT.*

16.2 COC 167

Eight *(8)* coal outcrops and one *(1)* adit intercept were observed to have a range of thickness from 1 *m* to 1.22 *m*.

The average heating value of the samples collected from the outcrops and adit intercept is 12, 815 BTU/lb with average total sulphur content of 0.74 %.

Based on the measured area of the carbonaceous mudstone basin, *COC* 167, has a coal deposit potential of 2005 *MMT*.

17.0 RECOMMENDATIONS

Detailed geologic field mapping are to be pursued to locate other surface coal occurrences, lithological and formation contacts. Structural observation, especially fault movements are to be plotted carefully as to movement directions.

Pursue completion of current drilling program and implement subsequent closely-spaced drilling activity if found necessary.

Collate and interpret exploration results and implement resource blocking for resource computation.

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18.12 Municipality of Diplahan, Province of Zamboanga Sibugay. *(2011-2013),* Executive and Legislative Agenda.

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GIZELLA GRETA D.J. GONZALES
April 26, 2012

INTERNAL GEOLOGIC REPORT
ON THE ZAMBOANGA-SIBUGAY
COAL PROJECT
Municipalities of Diplahan, Buug, and Siay
Province of Zamboanga-Sibugay, Philippines

Coal Operating Contract No. 166 and 167

of

TITAN MINING AND ENERGY CORPORATION
3/F JFKC Centre, 2155 Don Chino Roces Ave.
Makati City, Philippines

(ATTACHMENTS)

by:

Gizella Greta D. J. Gonzales
Senior Geologist
April 26, 2012

41-H-280

41-H-241

41-H-320

41-H-281

Balangao

Brgy. Villacastor

Brgy. Gaulan

Paradise

Brgy. Guitom

Brgy. Manangon

Brgy. Muyo

Brgy. Ligaya

DDH-166-01

DDH-166-02

DDH-166-03

DDH-166-04

DDH-166-05

DDH-166-06

GUITOM SYNCLINE

LIGAYA ANTICLINE

N

0 250 500 meters

0 1,000 2,000 feet

497,000 mE 498,000 mE 499,000 mE 500,000 mE 501,000 mE 502,000 mE 503,000 mE

122°58'30" 122°59' 122°59'30" 123° 123°00'30" 123°01' 123°01'30" 123°02'

862,000 mN 861,000 mN 860,000 mN 859,000 mN 858,000 mN 857,000 mN 856,000 mN 855,000 mN 854,000 mN

7°48' 7°47'30" 7°47' 7°46'30" 7°46' 7°45'30" 7°45' 7°44'30" 7°44'

STRATIGRAPHY

SEDIMENTARY ROCKS

ALLUVIUM
Clays, Sands, Gravels

COLOY FORMATION
Pyroclastics with Associated Tuffaceous Sediments and Minor Andesite Flows.

DUMAGUET SANDSTONE
Sandstone with sandy shale interbeds and conglomerate lenses

LUMBOG FORMATION
Interbedded Lithic Sandstone, Mudstone and Coal Seams.

SIBUGUEY FORMATION
Interbedded Calsicitite Limestone, Mudstone and Sandstone.

IGNEOUS ROCKS

ZAMBOANGA VOLCANIC COMPLEX
Porphyritic Andesite with Minor Basalts and Pyroclastics

MIDSALIP DIORITE (TRES REYES MICRODIORITE)
Diorite, Quartz Diorite

Projection of Coal Seam

Trace of Inferred Synclinal Axis

Trace of Inferred Anticlinal Axis

Inferred Reverse Fault

Road

Brgy. Guitom Barangay

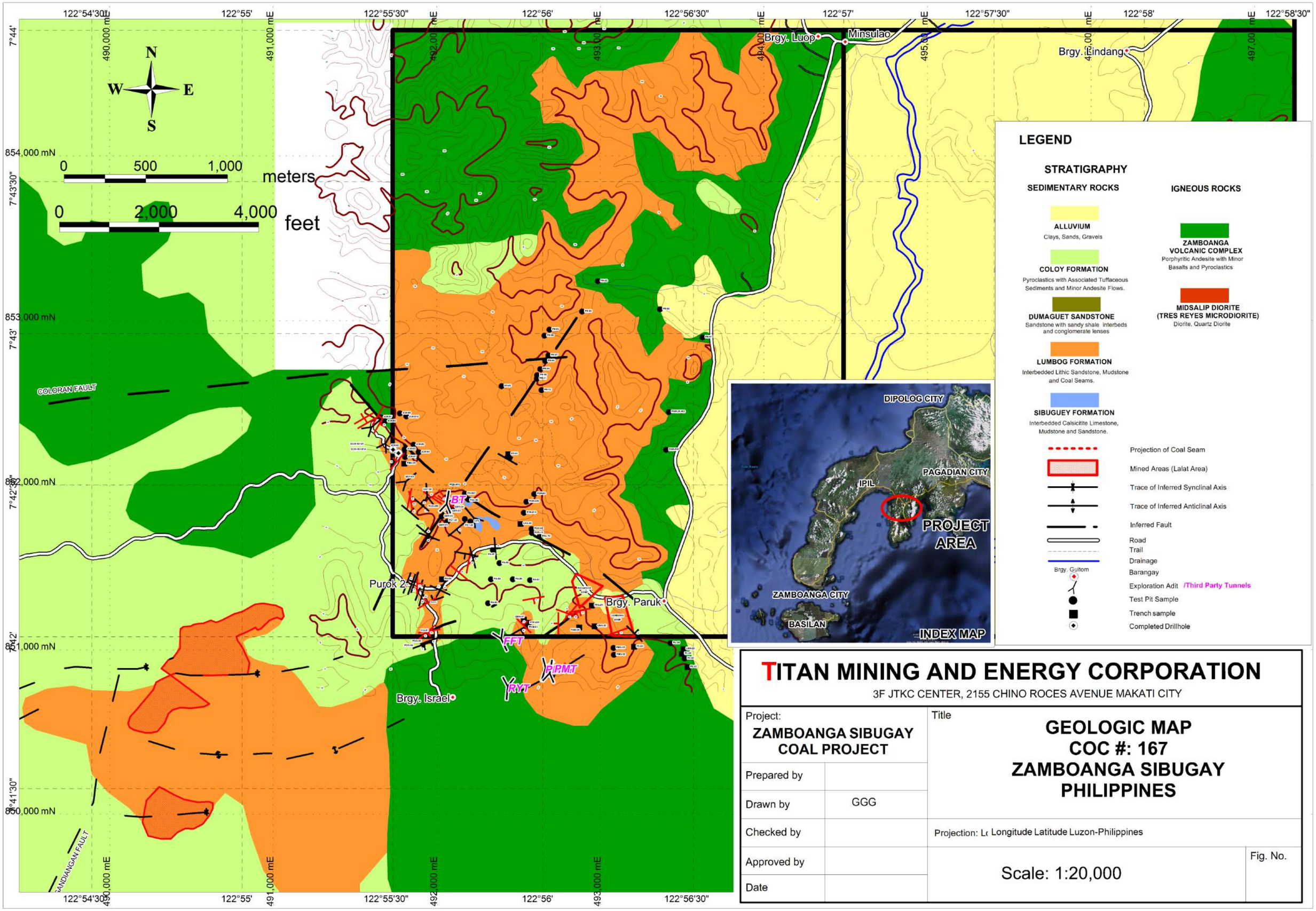
Completed Drillhole



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Project: ZAMBOANGA SIBUGAY COAL PROJECT		Title: GEOLOGIC MAP COC#: 166 ZAMBOANGA SIBUGAY PHILIPPINES
Prepared by		
Drawn by	GGG	
Checked by		Projection: Longitude Latitude Luzon (Philippines)
Approved by		Fig. No.
Date		Scale: 1:20,000



LEGEND

STRATIGRAPHY

SEDIMENTARY ROCKS

- **ALLUVIUM** — Clays, Sands, Gravels
- **COLOY FORMATION** — Pyroclastics with Associated Tuffaceous Sediments and Minor Andesite Flows.
- **DUMAGUET SANDSTONE** — Sandstone with sandy shale interbeds and conglomerate lenses
- **LUMBOG FORMATION** — Interbedded Lithic Sandstone, Mudstone and Coal Seams.
- **SIBUGUEY FORMATION** — Interbedded Calsicitite Limestone, Mudstone and Sandstone.

IGNEOUS ROCKS

- **ZAMBOANGA VOLCANIC COMPLEX** — Porphyritic Andesite with Minor Basalts and Pyroclastics
- **MIDSALIP DIORITE (TRES REYES MICRODIORITE)** — Diorite, Quartz Diorite

- Projection of Coal Seam
- Mined Areas (Lalat Area)
- Trace of Inferred Synclinal Axis
- Trace of Inferred Anticlinal Axis
- Inferred Fault
- Road
- Trail
- Drainage
- Barangay
- Exploration Adit /Third Party Tunnels
- Test Pit Sample
- Trench sample
- Completed Drillhole

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Project: **ZAMBOANGA SIBUGAY COAL PROJECT**	Title: **GEOLOGIC MAP COC #: 167 ZAMBOANGA SIBUGAY PHILIPPINES**
Prepared by	
Drawn by	GGG
Checked by	Projection: Lc Longitude Latitude Luzon-Philippines
Approved by	Scale: 1:20,000 — Fig. No.
Date	

41-H-280

41-H-241

41-H-320

41-H-281

Balangao

Brgy. Villacastor

Brgy. Gaulan

Paradise

Brgy. Guitom

Brgy. Muyo

Brgy. Ligaya

Brgy. Manangon

DDH-166-01

DDH-166-02

DDH-166-03

DDH-166-04

DDH-166-05

DDH-166-06

GUITOM SYNCLINE

LIGAYA ANTICLINE

GUITOM FAULT

N

0 250 500 meters

0 1,000 2,000 feet

LEGEND

STRATIGRAPHY

SEDIMENTARY ROCKS

- ALLUVIUM — Clays, Sands, Gravels
- COLOY FORMATION — Pyroclastics with Associated Tuffaceous Sediments and Minor Andesite Flows.
- DUMAGUET SANDSTONE — Sandstone with sandy shale interbeds and conglomerate lenses
- LUMBOG FORMATION — Interbedded Lithic Sandstone, Mudstone and Coal Seams.
- SIBUGUEY FORMATION — Interbedded Calsicitite Limestone, Mudstone and Sandstone.

IGNEOUS ROCKS

- ZAMBOANGA VOLCANIC COMPLEX — Porphyritic Andesite with Minor Basalts and Pyroclastics
- MIDSALIP DIORITE (TRES REYES MICRODIORITE) — Diorite, Quartz Diorite

- Projection of Coal Seam
- Trace of Inferred Syncinal Axis
- Inferred Reverse Fault
- Road
- Brgy. Guitom — Barangay
- Completed Drillhole



TITAN MINING AND ENERGY CORPORATION

3F JTKC CENTER, 2155 CHINO ROCES AVENUE MAKATI CITY

Project: ZAMBOANGA SIBUGAY COAL PROJECT		Title: RESOURCE BLOCKS COC#: 166 ZAMBOANGA SIBUGAY PHILIPPINES
Prepared by		
Drawn by	GGG	
Checked by		Projection: Longitude Latitude Luzon (Philippines)
Approved by		Fig. No.
Date		Scale: 1:20,000

CoalTest Centre
A Division of Toplis Marine Philippines, Inc.

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Port Area, Manila

Telefax: (632) 526-7717
Mobile: (0917) 503-7717
E-mail: coal.test.centre@gmail.com

CERTIFICATE OF ANALYSIS

THIS IS TO CERTIFY that CoalTest Centre has performed laboratory sample preparation and test analysis of the submitted coal sample as hereunder indicated in accordance with the appropriate ASTM Standard Methods.

Client : **Titan Exploration & Development Corp.**
Sample Identity : **Buug, Zamboanga, Sibugay – Area 12**
41-H-241
Date Submitted : **September 30, 2009**

The following results were obtained:

Parameter	Basis	Unit	Ave. Result	Standard
Total Moisture	As received	%	2.87	ASTM D 2013-04
Inherent Moisture	Air dried	%	1.79	ASTM D 3173-03
Ash	Air dried	%	36.52	ASTM D 3174-04
Volatile Matter	Air dried	%	28.13	ASTM D 3175-02
Fixed Carbon	Air dried	%	33.56	ASTM D 3172-02
Gross Calorific Value	Air dried	BTU/lb	9,395	ASTM D 5865-04
	Air dried	kcal/kg	5,219	ASTM D 5865-04
Total Sulfur	Air dried	%	0.33	ASTM D 4239-04a

Signed for and on behalf of
COALTEST CENTRE (TMPI)

Manila, Philippines
06 October 2009

C. B. Berin
CRISTINA B. BERIN
Manager

Certificate No. ctc-10010

This certificate refers to analysis of sample submitted to this laboratory and does not certify any other matter.

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CERTIFICATE OF ANALYSIS

THIS IS TO CERTIFY that CoalTest Centre has performed laboratory sample preparation and test analysis of the submitted coal sample as hereunder indicated in accordance with the appropriate ASTM Standard Methods.

Client : **Titan Exploration & Development Corp.**
Sample Identity : **Buug, Zamboanga, Sibugay – Area 12**
41-H-280
Date Submitted : **September 30, 2009**

The following results were obtained:

Parameter	Basis	Unit	Ave. Result	Standard
Total Moisture	As received	%	3.72	ASTM D 2013-04
Inherent Moisture	Air dried	%	2.57	ASTM D 3173-03
Ash	Air dried	%	17.00	ASTM D 3174-04
Volatile Matter	Air dried	%	36.61	ASTM D 3175-02
Fixed Carbon	Air dried	%	43.82	ASTM D 3172-02
Gross Calorific Value	Air dried	BTU/lb	12,087	ASTM D 5865-04
	Air dried	kcal/kg	6,715	ASTM D 5865-04
Total Sulfur	Air dried	%	0.61	ASTM D 4239-04a

Signed for and on behalf of
COALTEST CENTRE (TMPI)

Manila, Philippines
06 October 2009

C. B. Berin
CRISTINA B. BERIN
Manager

Certificate No. ctc-10011

This certificate refers to analysis of sample submitted to this laboratory and does not certify any other matter.

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E-mail: coal.test.centre@gmail.com

CERTIFICATE OF ANALYSIS

THIS IS TO CERTIFY that CoalTest Centre has performed laboratory sample preparation and test analysis of the submitted coal sample as hereunder indicated in accordance with the appropriate ASTM Standard Methods.

Client : **Titan Exploration & Development Corp.**
Sample Identity : **Buug, Zamboanga, Sibugay – Area 12**
41-H-281
Date Submitted : **September 30, 2009**

The following results were obtained:

Parameter	Basis	Unit	Ave. Result	Standard
Total Moisture	As received	%	2.97	ASTM D 2013-04
Inherent Moisture	Air dried	%	2.40	ASTM D 3173-03
Ash	Air dried	%	14.82	ASTM D 3174-04
Volatile Matter	Air dried	%	37.56	ASTM D 3175-02
Fixed Carbon	Air dried	%	45.22	ASTM D 3172-02
Gross Calorific Value	Air dried	BTU/lb	12,584	ASTM D 5865-04
	Air dried	kcal/kg	6,991	ASTM D 5865-04
Total Sulfur	Air dried	%	0.44	ASTM D 4239-04a

Signed for and on behalf of
COALTEST CENTRE (TMPI)

Manila, Philippines
06 October 2009

C. B. Berin
CRISTINA B. BERIN
Manager

Certificate No. ctc-10012

This certificate refers to analysis of sample submitted to this laboratory and does not certify any other matter.

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E-mail: coal.test.centre@gmail.com

CERTIFICATE OF ANALYSIS

THIS IS TO CERTIFY that CoalTest Centre has performed laboratory sample preparation and test analysis of the submitted coal sample as hereunder indicated in accordance with the appropriate ASTM Standard Methods.

Client : **Titan Exploration & Development Corp.**
Sample Identity : **Buug, Zamboanga, Sibugay – Area 12**
41-H-320
Date Submitted : **September 30, 2009**

The following results were obtained:

Parameter	Basis	Unit	Ave. Result	Standard
Total Moisture	As received	%	4.38	ASTM D 2013-04
Inherent Moisture	Air dried	%	2.96	ASTM D 3173-03
Ash	Air dried	%	19.04	ASTM D 3174-04
Volatile Matter	Air dried	%	34.33	ASTM D 3175-02
Fixed Carbon	Air dried	%	43.67	ASTM D 3172-02
Gross Calorific Value	Air dried	BTU/lb	11,594	ASTM D 5865-04
	Air dried	kcal/kg	6,441	ASTM D 5865-04
Total Sulfur	Air dried	%	0.44	ASTM D 4239-04a

Signed for and on behalf of
COALTEST CENTRE (TMPI)

Manila, Philippines
06 October 2009

C. B. Berin

CRISTINA B. BERIN
Manager

Certificate No. ctc-10014

This certificate refers to analysis of sample submitted to this laboratory and does not certify any other matter.

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CERTIFICATE OF ANALYSIS

THIS IS TO CERTIFY that CoalTest Centre has performed laboratory sample preparation and test analysis of the submitted coal sample as hereunder indicated in accordance with the appropriate ASTM Standard Methods.

Client : **TITAN EXPLORATION and DEVELOPMENT CORPORATION**
Sample Label : **Buug, Zamboanga Sibugay-Area 12**
41-H-241
Date Submitted : **October 15, 2009**

The following results were obtained:

Parameter	Basis	Unit	Ave. Result	Standards
Total Moisture	As received	%	4.85	ASTM D 2013-04
Inherent Moisture	Air dried	%	2.51	ASTM D 3173-03
Ash	Air dried	%	10.67	ASTM D 3174-04
Volatile Matter	Air dried	%	39.49	ASTM D 3175-02
Fixed Carbon	Air dried	%	47.33	ASTM D 3172-02
Gross Calorific Value	Air dried	BTU/lb	13,057	ASTM D 5865-04
	Air dried	kcal/kg	7,254	ASTM D 5865-04
Total Sulfur	Air dried	%	1.13	ASTM D 4239-04a

Manila, Philippines
19 October 2009

Signed for and on behalf of
COALTEST CENTRE (TMPI)

C. B. Berin
CRISTINA B. BERIN
Manager

Certificate No. ctc-10031

This certificate refers to analysis of sample submitted to this laboratory and does not certify any other matter.

Republic of the Philippines
DEPARTMENT OF ENERGY
ENERGY RESEARCH & TESTING LABORATORY SERVICES

Date of Issue: Aug. 2008
Revision #: 0
Approved By: QM

30 October 2009
RLS No. R091000134

Mr. Vincent Rodriguez
Titan Exploration & Development Corp.
3/F JTKC Centre
2155 Don Chino Roces Avenue
Makati City
Phone Number: 810-3536
Fax Number :

LABORATORY ANALYSIS / TEST REPORT

Sample Label	Analysis	Method	Result/s
Coal Abaquita 41-H-281	Air Drying Loss, %ADL*	ISO 5068	Not detected
	Residual Moisture, %RM	ISO 5068	3.22
	Volatile Combustible Matter, %VCM	ISO 562	35.19
	Ash, %A	ISO 1171	18.74
	Fixed Carbon, %FC	By Difference	42.85
	Calorific Value, CV cal/g	Isoperibol	6,457
	BTU/lb		11,622
	Sulfur, %S	By IR	0.45

This report relates specifically to the sample/s tested and shall not be reproduced except in full, without written approval of the laboratory.

Remarks/Attachments:
Basis : Air-dried
* ADL is in the as-received basis

Raquel S. Hulganga
Director

Republic of the Philippines
DEPARTMENT OF ENERGY
ENERGY RESEARCH & TESTING LABORATORY SERVICES

Date of Issue: Aug. 2008
Revision #: 0
Approved by: QM

30 October 2009
RLS No. R091000136

Mr. Vincent Rodriguez
Titan Exploration & Development Corp.
3/F JTKC Centre
2155 Don Chino Roces Avenue
Makati City
Phone Number: 810-3536
Fax Number :

LABORATORY ANALYSIS / TEST REPORT

Sample Label	Analysis	Method	Result/s
Coal Abaquita 41-H-320	Air Drying Loss, %ADL*	ISO 5068	Not detected
	Residual Moisture, %RM	ISO 5068	3.29
	Volatile Combustible Matter, %VCM	ISO 562	33.41
	Ash, %A	ISO 1171	22.95
	Fixed Carbon, %FC	By Difference	40.35
	Calorific Value, CV cal/g	Isoperibol	6,048
	BTU/lb		10,886
	Sulfur, %S	By IR	0.42

This report relates specifically to the sample/s tested and shall not be reproduced except in full, without written approval of the laboratory.

Remarks/Attachments:
Basis : Air-dried
*** ADL is in the as-received basis**

Raquel S. Huliganga
Director

PNOC EXPLORATION CORPORATION
Bldg. I Energy Center, Merritt Road, Fort Bonifacio
1634 Taguig City, Philippines • MCPO Box 3279
Tel. No.: (02) 479-9400 • TIN: 000-169-576-000

May 30, 2011

LABORATORY ANALYSIS REPORT

LABORATORY: Malangas Coal Lab	LAR NO.: MCL 11 - 323
CUSTOMER	SOURCE OF SAMPLE: Coal Sample (IEA - 01, COC 187)
MODE OF DELIVERY	SAMPLE NO.: 1414 / DATE SAMPLED
TONNAGE	DATE RECEIVED BY LAB: May 27, 2011
DATE(S)DELIVERED	DATE PREPARED: May 28, 2011 / DATE FINISHED: May 30, 2011

ANALYSES	ASTM	AS ~ RECEIVED	AS ~ DETERMINED	STANDARD SPECIFICATION
AIR DRY LOSS, %	D2013	5.56		
RESIDUAL MOISTURE, %	D3173		1.73	
TOTAL MOISTURE, %	D2013	7.19		
ASH, %	D3174	5.97	6.32	
VOLATILE MATTER, %	D3175	9.65	10.22	
FIXED CARBON, %	D3172	77.19	81.73	
CALORIFIC VALUE, Btu/lb	D2015	13,199	13,976	
TOTAL SULFUR, %	D3177	1.32	1.40	

REMARKS

Above results represent analysis of samples submitted by Mr Gonzaga with request letter of Mr Enrique C. Payawal

PREPARED BY (PRINT NAME & SIGN)	APPROVED BY(PRINT NAME & SIGN)
Mary C. Villarba	Prisco P. Pepito Jr.

BILLING

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CERTIFICATE OF ANALYSIS

THIS IS TO CERTIFY that CoalTest Centre has performed laboratory sample preparation and test analysis of the submitted coal sample as hereunder indicated in accordance with the appropriate ASTM Standard Methods.

Client : **Titan Exploration & Development Corp.**
Sample Identity : **Diplahan, Zamboanga, Sibugay – Area 13 41-H-358**
Date Submitted : **September 30, 2009**

The following results were obtained:

Parameter	Basis	Unit	Ave. Result	Standard
Total Moisture	As received	%	3.76	ASTM D 2013-04
Inherent Moisture	Air dried	%	2.63	ASTM D 3173-03
Ash	Air dried	%	15.16	ASTM D 3174-04
Volatile Matter	Air dried	%	37.28	ASTM D 3175-02
Fixed Carbon	Air dried	%	44.93	ASTM D 3172-02
Gross Calorific Value	Air dried	BTU/lb	12,401	ASTM D 5865-04
	Air dried	kcal/kg	6,890	ASTM D 5865-04
Total Sulfur	Air dried	%	0.42	ASTM D 4239-04a

Signed for and on behalf of
COALTEST CENTRE (TMPI)

Manila, Philippines
06 October 2009

CRISTINA B. BERIN
Manager

Certificate No. ctc-10015

This certificate refers to analysis of sample submitted to this laboratory and does not certify any other matter.

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Client : **Titan Exploration & Development Corp.**
Sample Identity : **Diplahan, Zamboanga, Sibugay – Area 13**
41-H-359
Date Submitted : **September 30, 2009**

The following results were obtained:

Parameter	Basis	Unit	Ave. Result	Standard
Total Moisture	As received	%	4.03	ASTM D 2013-04
Inherent Moisture	Air dried	%	2.83	ASTM D 3173-03
Ash	Air dried	%	17.04	ASTM D 3174-04
Volatile Matter	Air dried	%	36.49	ASTM D 3175-02
Fixed Carbon	Air dried	%	43.64	ASTM D 3172-02
Gross Calorific Value	Air dried	BTU/lb	12,070	ASTM D 5865-04
	Air dried	kcal/kg	6,705	ASTM D 5865-04
Total Sulfur	Air dried	%	0.41	ASTM D 4239-04a

Signed for and on behalf of
COALTEST CENTRE (TMPI)

Manila, Philippines
06 October 2009

C. B. Berin
CRISTINA B. BERIN
Manager

Certificate No. ctc-10016

This certificate refers to analysis of sample submitted to this laboratory and does not certify any other matter.

ANNEX VI

BREAKDOWN OF MINE EQUIPMENT TO BE ACQUIRED FOR THE DAVAO ORIENTAL PROJECT

Equipment	No. of Units	Estimated Cost	Total
PRODUCTION UNIT OPERATIONS			
Major Mine Equipment:			
DOZER: *Crawler Tractor, Diesel, 300 HP, w/ wide tooth straight blade, w/ ripper attachment*	4 units	₱68,800,000	
DOZER: *Crawler Tractor, Diesel, 200 HP, w/ wide angle blade*	2 units	₱32,250,000	
HYDRAULIC SHOVEL EXCAVATOR: *Crawler, Diesel, 270 HP, 3½ to 4 cubic yard bucketblade, w/ ripper attachment*	1 unit	₱9,718,000	
FE WHEEL BUCKET LOADER: *Wheel, 200HP, 4 cubic yard bucket*	3 units	₱26,187,000	
HAUL TRUCK ADT 20T: *Diesel, 300 HP*	4 units	₱60,028,000	₱196,983,000
Minor Mine Equipment:			
DOZER: *Crawler Tractor, Diesel, 200 HP (Recondition)*	1 unit	₱9,000,000	
EXCAVATOR	1 unit	₱4,000,000	
FE WHEEL LOADER: *Diesel, 2 cubic yard bucket (Recondition)*	1 unit	₱4,000,000	
DUMPTRUCK: *Diesel, 10 T (Recondition)*	3 units	₱6,000,000	
GRADER: *Diesel (Recondition)*	1 unit	₱2,000,000	
ALL TERRAIN CRANE: *10T, Telescopic, (Recondition)*	1 unit	₱3,000,000	
ROLLER/COMPACTOR: *Diesel, 3 Wheel 2 Axle (Recondition)*	1 unit	₱2,000,000	
FUEL/LUBE TRUCKS: *Diesel (Recondition)*	1 unit	₱2,000,000	
WATER TRUCK: *Diesel, (Recondition)*	1 unit	₱2,000,000	
TIRE REPAIR TRUCK: *Diesel, (Recondition)*	1 unit	₱2,000,000	
SERVICE TRUCK: *4WD, Diesel, 5T*	3 units	₱2,100,000	
RESCUE AMBULANCE VEHICLE: *Diesel*	1 unit	₱2,500,000	
SERVICE PICK-UP: *4WD, Diesel*	6 units	₱7,800,000	
SHUTTLE BUS: *Diesel (Recondition)*	1 unit	₱2,000,000	
SHEEP'S FOOT ROLLER: *Tractor Pulled, (Used)*	1 unit	₱200,000	
RAMMER, PORTABLE: *Manually operated, Gas*	1 unit	₱100,000	₱50,700,000
Subtotal - Production Unit Operations			**₱247,683,000**
Add: Freight, Insurance, and Transportation to Site			₱24,368,000
TOTAL PRODUCTION UNIT OPERATIONS			**₱272,051,000**
SUPPLEMENTAL/AUXILIARY EQUIPMENT, TOOLS, IMPLEMENTS, AND PARAPHERNALIA			
SHOP EQUIPMENT TOOLS AND IMPLEMENTS *(With Overhead Hoist)*	1 lot	₱2,000,000	
TRUCK LOAD SCALE	2 units	₱800,000	
LABORATORY EQUIPMENT, IMPLEMENTS AND FURNISHINGS	1 lot	₱3,000,000	
POWER GEN SETS AND DISTRIBUTION *[Trailer 100KVA-₱1.2 M, Portable 6.7 KW-₱150,000]*	2 units	₱1,400,000	
TOWER LIGHTS (WORK SITE)	10 units	₱1,600,000	
SURVEY EQUIPMENT, TOTAL STATION + GPS	1 lot	₱1,000,000	
OFFICE EQUIPMENT AND FURNISHINGS	1 lot	₱3,000,000	
QUARTERS, MESS AND CHANGE HOUSE FACILITIES WITH FURNISHINGS	1 lot	₱500,000	
SAFETY EQUIPMENT AND PARAPHERNALIA *[₱1,000 per Head]*	1 lot	₱200,000	
CAMPSITE WATER STORAGE AND DISTRIBUTION	1 lot	₱100,000	
COMMUNICATION EQUIPMENT, RADIO COMM. EQUIP/OFFICE INTERCOM	1 lot	₱1,000,000	
MEDICAL EQUIPMENT AND PARAPHERNALIA	1 lot	₱500,000	
Subtotal - Supplemental/Auxiliary Equipment, Tools, Implements, and Paraphernalia			**₱15,100,000**
Add: Freight, Insurance, and Transportation to Site			₱1,510,000
TOTAL SUPPLEMENTAL/AUXILIARY EQUIPMENT, TOOLS, IMPLEMENTS, AND PARAPHERNALIA			**₱16,610,000**
TOTAL MINE DEVELOPMENT EQUIPMENT			**₱288,661,000**
CONTINGENCY			**₱1,339,000**
TOTAL MINE DEVELOPMENT EQUIPMENT			**₱290,000,000**