SEMIRARA
MINING & POWER
CORPORATION

CREATING SHARED BENEFITS

2016 INTEGRATED ANNUAL REPORT

ABOUT THE COVER

Semirara Mining and Power Corporation (SMPC) has created long-term opportunities for the youth within its host communities. The Company's expansion of operations and investments led to the creation and multiplication of shared benefits for its various stakeholders, more importantly in the communities in which it operates. As financial capacities of families working directly or indirectly with the Company improves, young people have access to better education and skills development. This enables them to aim and achieve for a brighter future outside Semirara Island.

The downstream integration to power generation from coal production has offered new opportunities to the young, as in the case of Engr. Rocky Jay L. Javier, the son of a Mine General Foreman. He grew up and obtained his secondary education in Semirara Island and finished his BS Electrical Engineering course at the University of Batangas. He now works for SMPC's power plant in Calaca, Batangas after undergoing the Company's engineering cadetship program.

Similarly, continued investment in community infrastructure by the Company has allowed for the addition of a 12-classroom building to Divine Word of Semirara Island in 2016. This ensures the school to continue providing quality education under the new K-12 curriculum as in the case of senior high school student, Ma. Theresa A. Obias, the daughter of a Shift Operation Foreman of the Company's power plant in Semirara Island.

Rocky and Theresa represent but a microcosm of the Company's aspirations to cultivate and contribute to nation-building through continual social investment and economic development.

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HIGHLIGHTS

ENERGY GENERATED
4,292 GWh

SCPC and SLPGC produced a combined total of 4,292 GWh in 2016. SCPC's total gross generation went down by 27% from 3,959 to 2,909 last year. This downtrend was offset by SLPGC's power units or 2x150MW CFB power plants.

TRAINING HOURS
68,393

Total training hours for Coal and Power segment. 25,065 hours is related to ESH Training. Total training cost amounted to Php7.3 million.

SAFETY PERFORMANCE
0/5

Zero employee fatality; five fatalities involving contractors' personnel working at auxiliary areas

CONSOLIDATED REVENUES
Php36.58B

Record high coal sales and commercial operation of 2x150MW brought 48% increase in consolidated revenues.

NET INCOME
Php12.05.B

2016 Consolidated Comprehensive Net Income posted record high up by 42% from last year's Php8.49 billion. EPS posted at Php11.28 vs. Php7.94 in 2015.

DIVIDEND PAYOUT RATIO
63%

Strong profitability and high liquidity enables the Company to continue paying generous dividends. Payout ratio is 63%, vis-à-vis the Company's policy of at least 20%.

THRIVING MANGROVE POPULATION
647,687

Survival rate of mangroves planted since 2000 improved to 74% after replanting efforts comprising an area of 196 hectares.

GIANT CLAM POPULATION
155,073

There are seven species of giant clams and inventory as of December 2016 are as follows: 335 broodstocks and reseeded reached 67,000.

NUMBER OF INLAND REFORESTATION AND VEGETATION
4,669,535

Inventory as of 2016 consists of 1,819,045 of 70 species of trees (includes 15 species fruit bearing), 1,776,862 of 8 species of grass and 1,073,628 of 7 species of landscaping plants

GOVERNMENT ROYALTIES
Php2.65B

Royalties due to the national government, province, municipality, and barangay jumped by 47% from 2015.

CORPORATE INCOME TAX
Php640M

Around 50% down from P1.22 B in 2015 due to lower energy generation of 2x300MW.

COAL SALES
12.8 M MT

Coal sales volume registered a new record high, up by 52% to 12.8 million tons from 8.4 million tons last year.

ENERGY SHARED TO HOST COMMUNITIES
5.32M kWH

Energy shared by the Company to its host community in Semirara Island increased by 7% compared to previous year. This excludes employee housing energy usage.

TECHNICAL SCHOOL GRADUATES
1,202

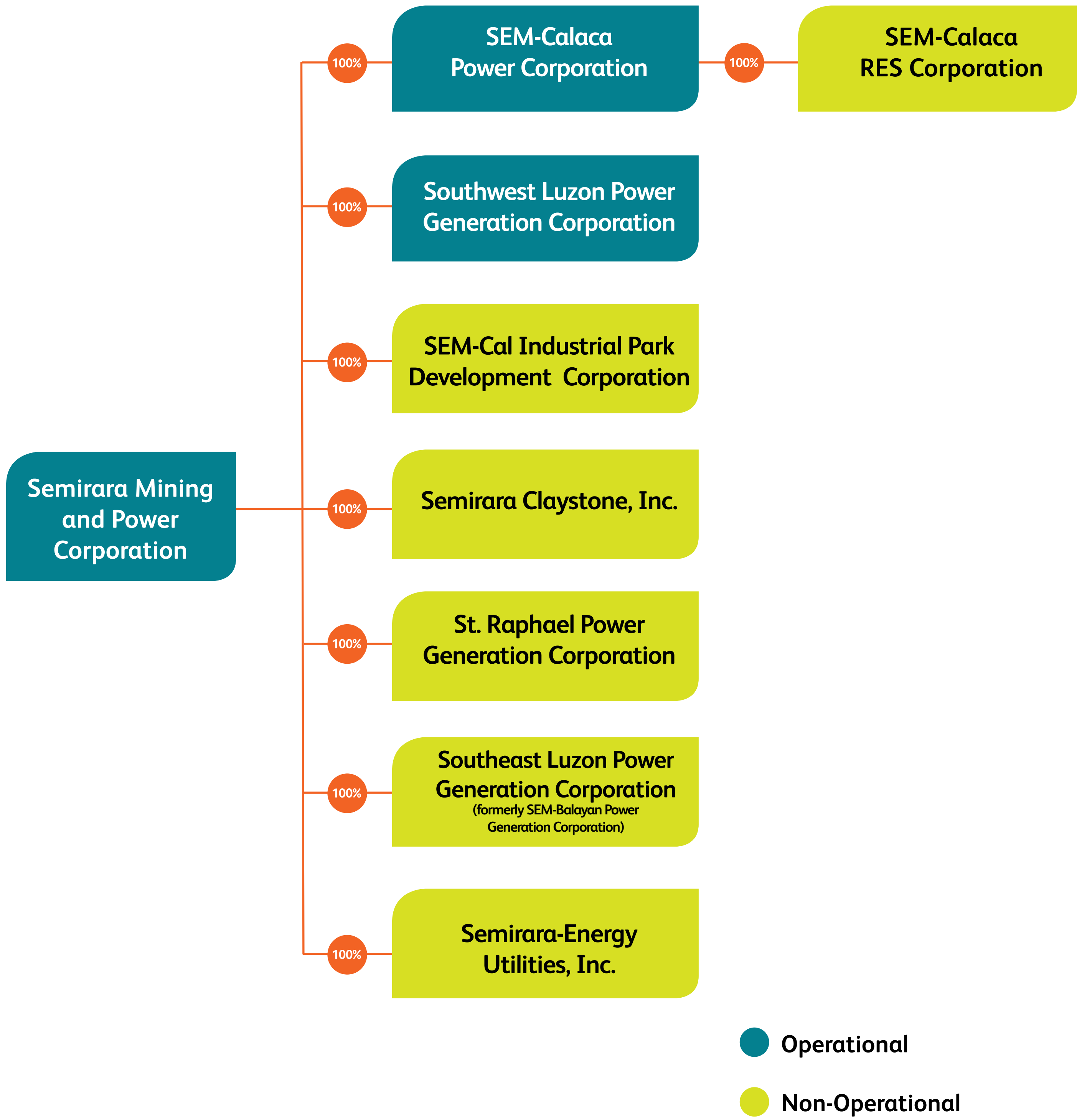
Number of enrolees from 2006-2016: 1,595 (698 came from Semirara). Success rate is 75.4% or total of 1,202 successfully graduated from Semirara Training Center, Inc. (STCI) since it was established.

GROSS VALUE ADDED
Php13.9B

GVA went up 45% YOY due to increase in coal production capacity to 12M MT. Actual coal produced and sold in 2016 is 11.9M MT.

MARKETS WE SERVE

COMPANY STRUCTURE



VALUE CREATION, BUSINESS MODEL, AND STRATEGY

The Company operates from the interplay of different tangible and intangible factors in the economic value chain born from the rising energy demand. Energy is considered the life-blood of the economy and indispensable in sustaining the economic growth and progress of the nation.

Semirara Island has a known coal resource of 570 million metric tons. From inception, cumulative volume of coal extracted already reached around 94 million metric tons and converted to energy, 65 % was used by the local economy and 35 % went to export market.

Human resource as a vital capital also grow over time. Total combined workforce of the company for both its coal and power businesses stood at 4,427 as of 2016. This number excludes people working for contractors and subcontractors and other service providers. It generates more employment as it expanded its investments in the power industry.

The company's investments and capital requirements are provided by investors, creditors and suppliers. These needed financial resource (i.e. bank loans and issuance of new shares) and manufactured resource (equipment and materials) support the continuity of operations and growth. Consolidated total debt availed during the year amounted to P10.82 billion and debt service of P13.45 billion. Total capital expenditures and investments during the year amounted to P7.29 billion.

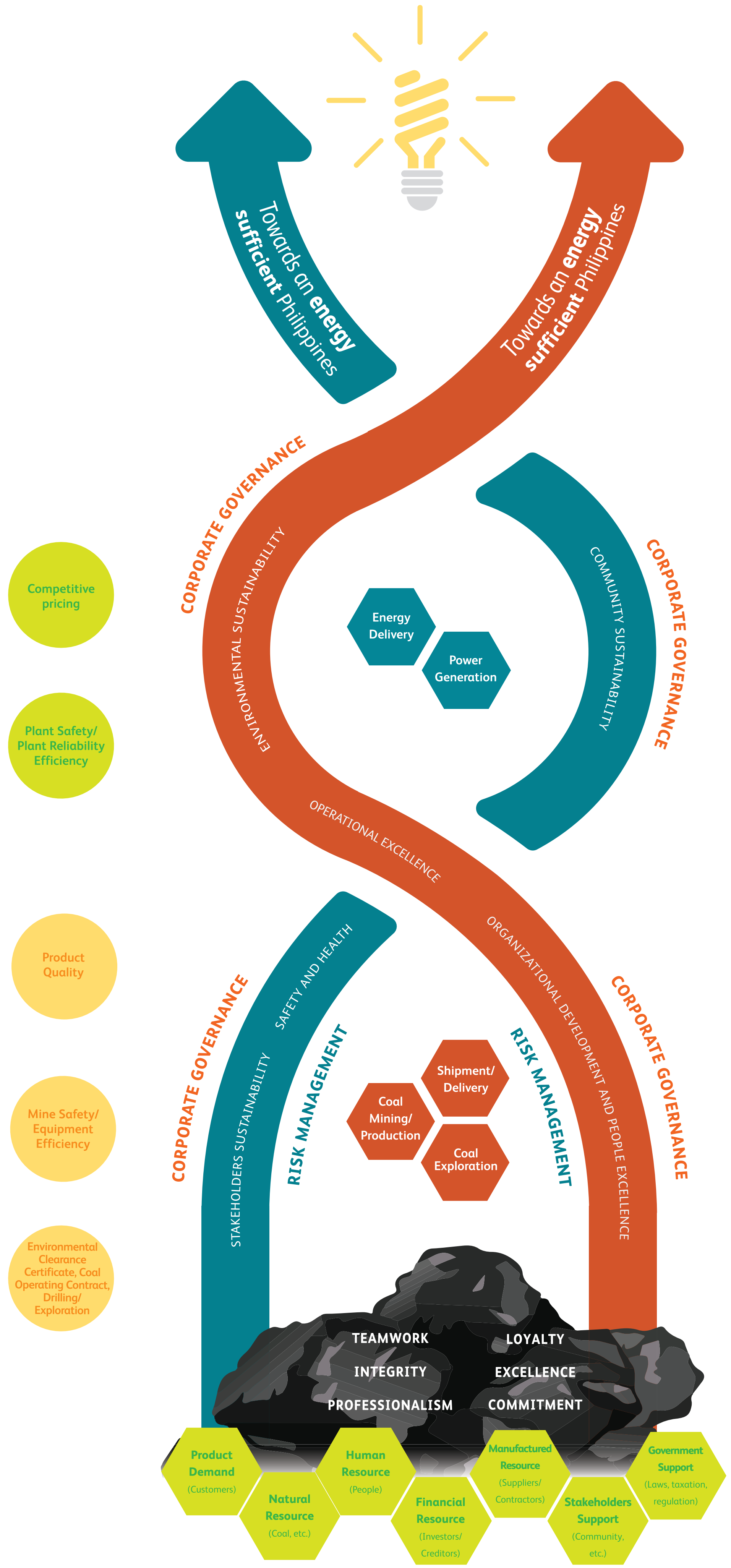
Since both coal and power businesses are highly regulated, the government must create a level playing field as business partners for economic progress and prosperity of the nation. Among the beneficiaries from the economic interaction of all these resources are the community and other stakeholders. Their serious support to make the business sustainable in delivering shared values is also a key factor in attaining prosperity of the community, the nation and people. The Company's business model and growth strategy are founded by its strategic objective of Value Maximization and Sustainability. The vertical downstream integration to power generation transformed SMPC from a coal mining company into a power company. It has an ECC for maximum of 1,200MW of additional power capacity.

The 1st power expansion has achieved commercial operation bringing additional 300MW to its existing 600MW coal-fired power plants. Another 2x350MW power project is in its pre-development stage under a joint-venture agreement with another player in the industry.

Guided by the corporate values of Excellence, Integrity, Commitment, Professionalism, Teamwork and Loyalty, we move forward to achieve our vision towards an energy sufficient Philippines.

Fossil fuel remains the dominant source of energy to fuel the local economy. The use of renewable and alternative energy will take a long way and may pass generations before it may totally dislodge fossil fuel. Coal will bridge the future of power generation until the time when renewable energy will become cost efficient, reliable and dependable to supply the growing energy demand of the country.

To ensure the achievement of our vision and strategic objectives, we have adopted a six-point perspective where we focus all our efforts to deliver sustainable value – Stakeholders' Sustainability, Safety and Health, Organizational Development and People Excellence, Operational Efficiency, Environmental Stewardship and Community Self-Sufficiency and Sustainability (page 36). These weave through in our business model as presented by the DNA helix as we transform coal to energy. Working within the company's Enterprise Risk Management System (page 80), execution of company initiatives to achieve the expected results are illustrated in the business model and we will always be guided by our Corporate Governance policies (page 92) instituted by the Board and management for sustainability in delivering continuing growth and increasing shared values to all stakeholders.

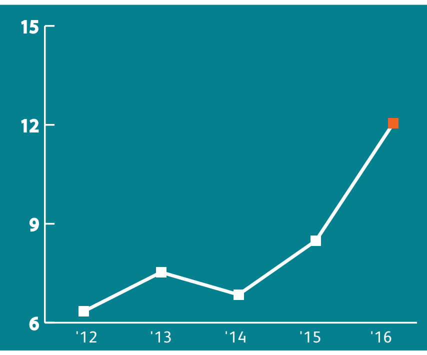
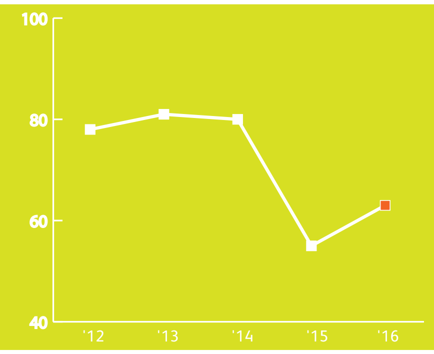
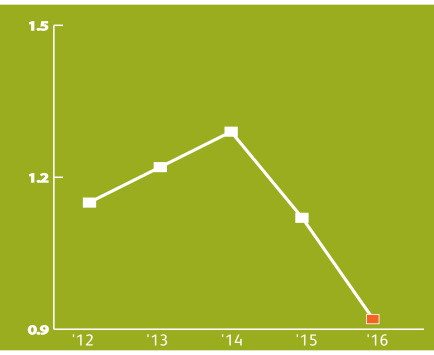
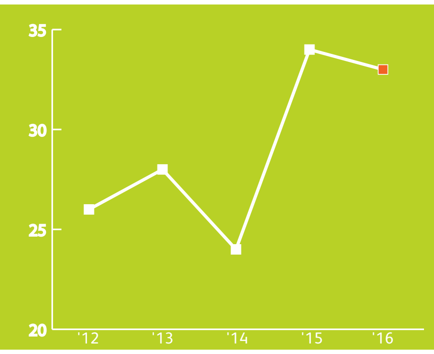
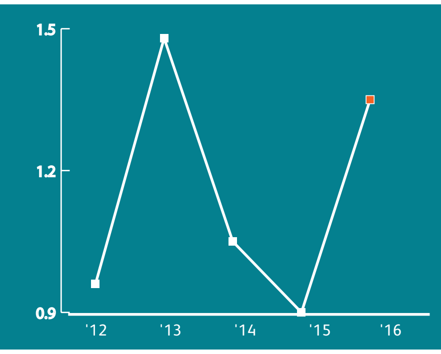


FINANCIAL **SCORECARD**

The company's financial metrics continue to be strong. The successful commercial operation of the 2x150MW CFB power plant offset the meager performance of our 2x300MW power units. This was further augmented by the record high performance of our coal segment in both production and sales.

Operational and regulatory challenges always confront the Company over the years, but it proved to be strong and resilient.

Total cash generated during the period stood at all time high of P16.5 billion. This gives the company more flexibility and ability to reduce its debt and invest more to improve efficiency and capacities in both its coal and power segments while maintaining its high dividend payout ratio.

	KEY PERFORMANCE INDICATOR	TARGET	OUTCOME	DATA
01	Grow Income	Deliver income growth	Our full year results' the strongest the Company has ever reported. Consolidated Net Income is record high at PHP12.05 billion, up by 42 % from last year's PHP8.49 billion.	
02	Generate Attractive Dividend Yield	Strong dividend payout	Strong profitability and high liquidity enables the Company to continue paying generous dividends. Payout ratio is 63 %, vis-à-vis the Company's policy of at least 20 %.	
03	Exercise Financial Prudence	Maintain DE Ratio at less than 2:1	Leverage is further brought down by decreasing debt levels. Total interest-bearing loans dropped to PHP16.9 billion from beginning balance of PHP19.6 billion.	
04	Generate Strong Margins	Robust profit margins	Net profit margin remains strong at 33 % with high earnings from the coal business and significant contribution by the new SLPGC 2x150MW plants.	
05	Maintain High Liquidity	Keep Current Ratio to at least 1.	Short-term debts are managed amidst rising interest rates. Meanwhile, healthy cash levels boosted Current Assets.	

MESSAGE TO SHAREHOLDERS

Dear Shareholders,

As the only integrated coal-fired power plant business in the Philippines, Semirara Mining and Power Corporation (SMPC) was able to successfully evolve from a coal mining company into an integrated power enterprise.

In 2016, the power segment supplied 5.8% of the total system demand (Luzon and Visayas grid) of 74,646,991MWhr while the coal segment is currently supplying 1,881MW capacity of Coal Plants or 25.35% of the total 7,419MW of coal-fired power plants installed in the Philippines.

In 2016, the Company, through its wholly owned subsidiary, Southwest Luzon Power Corporation, solidified this position with the declaration of commercial operations of 2x150 MW CFB coal-fired power plants thus, growing its power capacity by 50% to 900MW.

SMPC also entered into a joint venture with Meralco PowerGen Corporation (MGen) for the construction of 2x350 MW coal-fired power plants under the project company, San Rafael Power Corporation. This strategic partnership of significant players in the power industry creates synergies and mitigates risks in the market and supply chain.

This new key investment will be our new growth driver in the next 5 years and is expected to deliver higher value in the long term.

Long-term opportunity in coal remains

We are the biggest coal mine in the Philippines, accounting for more than 97% of the total country's production and while we cater to export markets, we prioritize support for the local energy industry by supplying local power plants, cement plants and other small boilers.

In alignment with the Department of Energy's (DOE) objective of self-sufficiency and increased use of indigenous fuel, SMPC submitted a Work Program to DOE indicating target coal production output of 14 million metric tons from 12 million for 2017, subject to DOE approval.

Our plan to increase coal mining capacity is in line with the government's thrust for power stability, optimal pricing of electricity and intensified infrastructure developments. Depending on the economics and government support, the company may consider a further increase in its production capacity to 16 million tons in the next two to three years, to be able to supply the increasing domestic demand from coal fired power plants which are due for commissioning and commercial operation from 2017 to 2020.

Despite multiple challenges confronting the company, long-term sustainability is foreseen.

Towards greater heights

The increase in SMPC's power and coal capacities, and improvement in global coal prices, drove the company's profitability by 42% year on year and 15% above budget.

This set a new record high of Php12.05 billion in Net Income After Tax from Php8.49 billion in 2015. Along with this, the Company ended with strong cash position of Php7.0 billion, after cash dividend payment, capital expenditures, and debt servicing from consolidated cash generated from operations of Php16.9 billion. Liquidity ratio is high at 1.35x from 0.97x year on year.

As the company moves forward, we are optimistic in its growth as it expands coal production and power capacities. The challenge in the power segment is how to remain competitive with the other players in the energy industry. This risk is mitigated as the company is not dependent on imported coal fuel to run its power assets and with the partnership with significant market players in the power industry.

Sustaining value creation

Growth is imperative for corporate success. Guided by the Company's Code of Corporate Governance, our corporate strategic objective is to continue to grow the value of the business via investments in projects which provide synergies to current available resources of the company, under a strong commitment to move within the framework for sustainable growth.

"Guided by the Company's Code of Corporate Governance, our corporate strategic objective is to continue to grow the value of the business via investments in projects which provide synergies to current available resources of the company, under a strong commitment to move within the framework for sustainable growth."

As SMPC embarks on the journey towards sustainable value creation, its management and Board continue to be committed to the Company's 6-point corporate strategic objectives of Value Maximization under Stakeholders' Sustainability, Safety and Health, Organizational Development and People Excellence, Operational Excellence, Environmental Stewardship and Community Self-Sufficiency. The Company landed in the top 50 Highest Scoring of the 252 Philippine Publicly- Listed Companies (PLCs) in the 2016 ASEAN Corporate Governance Scorecard Philippines.

Creating shared value and benefits

Semirara Mining and Power Corporation takes pride in not only providing value for our shareholders, but also creating long-term solutions and benefits for our host communities.

Our sustainable development and management program for community self-sufficiency has, at its core, the following: Electrification and Infrastructure, Economic Empowerment, Education and Skills Training, Environmental Stewardship and Emergency Preparedness.

In order to deliver real benefits, the Company encourages more stakeholder participation in addressing environmental, social, safety, health impacts and benefits of its operations in accordance with regulations and transboundary impacts. This calls for more corporate accountability and transparency, and strengthening of the Multipartite Monitoring Team (MMT) and close collaboration with Barangay Development Councils in order to align our company initiatives and programs with the social and economic development plans of the local government units where we operate.

In 2016, the company intensified its consultation at the grassroots level and created a Sustainable Development Office to efficiently manage these company initiatives.

SMPC's commendable performance in 2016 was made possible as we support each other as a team with common goals and aspirations, allowing the interplay of all stakeholders in the economic chain and enjoy the benefits of our labor up to this time.

Maraming Salamat!

ISIDRO A. CONSUNJI
Chairman, CEO

PRESIDENT AND COO'S **REPORT**

Dear Valued Stakeholders,

2016 was another banner year for Semirara Mining and Power Corporation with the 42% rise in consolidated profits. The 2016 financial results is the strongest ever reported.

Not only were we able to achieve the highest coal production level of 11.9 million MT, we were also able to make inroads in the power industry with the start of commercial operations of the 2x150MW CFB power plants under its wholly-owned subsidiary, Southwest Luzon Power Generation Corporation (SLPGC).

Despite a drop in profits from the power segment as a result of a decrease in the combined energy generation of our power plants, the Company still recorded an overall profitability of 42 % increase vs. 2015 performance, ending the year with a Consolidated Comprehensive Net Income of Php12.05 billion while maintaining high liquidity.

Coal business flourishes despite the odds

The amendment of SMPC's Environmental Compliance Certificate (ECC) in 2016 now allows us maximum coal production of 16 million MT and along with this, SMPC also posted a record high coal shipment of 12.8 million MT. Since the DMCI group bought into the company in 1997, the historical annual average rate increase for coal production is at 15 %.

As we close the operations of the Panian Mine, coal supply remained uninterrupted due to the timely start of commercial operations of our two new mine sites, Narra and Molave. This is to the credit of our mine operations people as the mine plan and development for these two new mines had materialized as planned.

Aligned with the thrust of the government to achieve energy sufficiency, the Board of Investments (BOI) approved the registration of Narra and Molave mines as a BOI-registered project with full ITH incentive.

Globally, coal prices were on a significant upswing from Q3 2016 and this positively impacted our end year coal revenues.

SMPC achieved a 42 % increase in profitability vs. 2015 due to a strong coal core income of Php5.42 billion and a sustained power contribution driven by SLPGC operations which contributed a Net Income of Php3.28 billion. SCPC contributed Php3.35 billion to the bottom line after elimination. Consolidated Comprehensive Net Income is at a record high of Php12.0 billion, up 42 % from last year's Php8.49 billion.

Opportunities and challenges in the power business

Sem-Calaca Power Corporation (SCPC) recorded a lower combined energy generation in 2016 due to a maintenance shutdown for SCPC Unit 2 and a drop in capacity for Unit 1 caused by the unavailability of higher quality coal. As a result, SCPC's core net profits dropped to Php1.41 billion in 2016; a 57 % decrease vs. 2015.

The SCPC challenge was partially offset by the commercial operations of the Southwest Luzon Power Generation Corporation (SLPGC) with its better margins. Calaca plants' combined energy generation registered at 4,292MW, 1 % higher than last year but 12 % lower than budget. Likewise, combined Net Income is 22 % lower than budget.

SLPGC recorded significant earnings given its low production cost. As a BOI-registered company, it benefits from full ITH incentives for a minimum of four years with a two-year extension, subject to certain conditions.

High liquidity lifted from the core

The Company's cash position at the start of 2016 was Php32.4 billion — comprised of total consolidated cash available generated from operations and some loan availments. After debt servicing of Php13.5 billion, capital expenditures of Php5.3 billion and Php1.9 billion spent for the development of new mines, the company was still able to maintain its cash dividend of Php4 per share amounting to Php4.3 billion.

When our stock prices fell in Q3, a good investment opportunity presented itself and the Board approved a shares buyback program. Currently, 3.46 million shares valued at Php387.6 million are held in Treasury. SMPC's ending cash closed at Php7 billion.

Despite significant CAPEX spending to increase mining capacity to 12 million MT and the power segment's maintenance, the Company's strong operations performance allowed us to support our cash position and decrease our debt levels. Strong profitability and high liquidity enables the Company to continue paying generous dividends with a payout ratio of 63 %, vis-à-vis the Company's policy of minimum 20 % from prior year's audited Net Income.

Healthy financial condition

From Php57.2 billion at the start of 2016, assets grew by 15 % to Php65.9 billion. Liabilities showed minimal increase of 4 % to Php31.6 billion after debt availment to finance CAPEX.

Robust earnings drove Equity improvement by 27 % to Php34.3 billion during the period despite the cash dividend declared from the unappropriated retained earnings of Php4.3 billion. Net debt dropped by 30 % to Php9.7 billion while ROE rose to 35 % with a Debt Equity ratio of 0.92x and current ratio improvement to 1.35x.

Continued commitment to sustainable quality and safety

Safety, Quality, Environmental Stewardship and Community Self-sufficiency are the pillars of growth of the Company.

First and foremost, we are intensifying our efforts for the Company's continuing ISO certification of its Integrated Management System, embodying the three standards –QMS, EMS and OHSAS. We strengthened our Safety and Environmental group, implemented responsive safety trainings and continuously reviewed policies programs to improve safety in the workplace.

The continuing conformance of our Integrated Management System (IMS) to the highest international standards since 2008 provides the strong foundation base of our human capital to ensure the continual improvement of our human

Capacity expansion and operational efficiency will be the main growth strategy for 2017. We consider compliance and reputational risk as our principal risk, hence, we are continuously improving our compliance risk management processes to better handle this risk for the continuing growth and sustainability of the business.

resource management process under a safe working environment.

In 2016, our power segment undertook major preparations for an IMS certification on Quality, Environment and Occupational Health and Safety management systems for the coming year.

We also exercise utmost prudence in the judicious use of resources. The company consistently passes audits performed by the Multi-partite Monitoring Team (MMT) and continuously maintains our ISO 14001 or Environmental Management System (EMS) certification. This strongly demonstrates our compliance to international standards and strong commitment to environmental stewardship.

In 2016, the company redefined its Corporate Sustainability and Responsibility initiatives gearing towards community self-sufficiency and strong partnership with the local government units where it operates.

We are continuously implementing initiatives to support our programs for community self-sufficiency and sustainability. It is through these that we are able to bring our commitment to our host community to a higher level.

SMPC's efforts in 2016 aimed to deliver tangible and real benefits to our host communities and therefore, we zeroed in on community self-sufficiency as the key. It is not enough for us that we satisfy the community's short-term needs but more importantly, we focus on their long-term needs. We believe that this will promote sustainable growth and development and ultimately, upgrade their quality of life.
We are also stepping up our community and stakeholder relations initiatives to strengthen our external engagements. We believe that our strong partnerships with our host communities and public sector partners is key to our sustainable growth.

In 2016, we spent Php83.5 million for our sustainable development and management programs or 11 % higher than 2015.

Looking forward

Although we have performed well in 2016, we strive to never be complacent as we know a new year will always bring with it a new set of challenges and opportunities.

We expect our coal segment to perform even better than last year because of our expanding production capacity and improving market conditions. We are also anticipating higher domestic coal sales because of the new coal plants that will be commissioned and operational during the year, and the scheduled capacity expansion of cement plants.

Our outlook for the power segment is likewise positive as we expect Unit 1 of Sem-Calaca Power Corporation (SCPC) to perform better after undergoing some boiler enhancements. Both units of South Luzon Power Generation Corporation are likely to secure their Turnover Certificates by second or third quarter of the year

Growth strategy

For the coal segment, expansion will be our main growth strategy for 2017. We will focus on steadily increasing our coal production capacity to a maximum of 16 million MT to take advantage of favorable coal prices and local market demand subject to the approval of the Department of Energy of our revised 5-year work program.

Operational improvement and expansion will be key to growing our power segment. Late last year, we embarked on a three-year life extension program that will increase the generation capacity of SCPC's Unit 1 by 50MW to 70MW using 100 % Semirara coal. This program will also extend the life of SCPC power units by around 20 years.

At the same time, the 2x23MW gas turbine of SLPGC is set to provide ancillary services to support the reliable operation of the National Grid Corporation of the Philippines (NGCP). Commissioning of the facility is scheduled by second or third quarter of 2017.

In closing, we consider compliance and reputation risk as our principal risk. Aside from ensuring strict compliance to legal and regulatory standards, we assure all our stakeholders that we are continuously improving our compliance risk management processes to better handle this risk for the continuing growth and sustainability of the business. We continue to foster a culture of ethical conduct, optimum performance, and system of transparency and accountability since these are the cornerstones of our corporate governance framework.

Thank you to our employees, and other stakeholders — host communities, business partners, and the government for your continued trust and support. The company will not be elevated to this level of performance without all of you.

VICTOR A. CONSUNJI
President, COO

PERFORMANCE REVIEW

2016 was another banner year for Semirara Mining and Power Corporation.

Despite a drop in profits from Sem-Calaca, as a result of decrease in the combined energy generation of its power plants, Comprehensive Consolidated Net Income is record high at PHP12.05 billion, 42% higher than last year's PHP8.47 billion. The growth is due to strong coal core income of PHP5.42B, SCPC at PHP3.35B and SLPGC's contribution of PHP3.28 billion to the bottom line, after elimination.

Coal production and coal sales reached record high of 11.9 million tons and 12.8 million tons, respectively, registering an increase of around 50% for both.

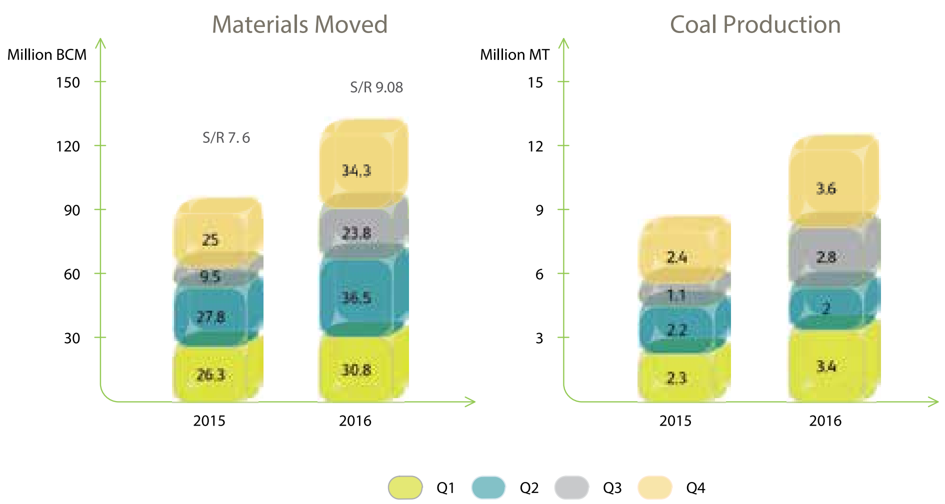
The 2x150MW CFB power plants under our wholly-owned subsidiary, Southwest Luzon Power Generation Corporation (SLPGC) has achieved commercial operation in 2016. The new power units gave a boost to the net earnings of the power segment.

Contents

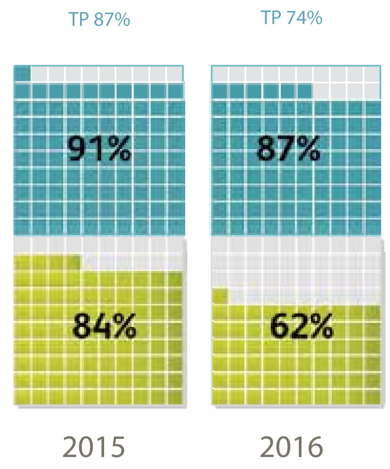
Operating Performance

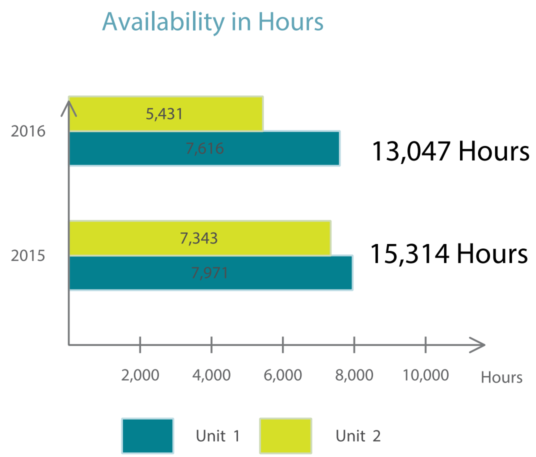
Total materials moved increased by 42% year-on-year with increased excavating capacity in 2016. Although strip ratio in Q4 rose with the start of commercial operations of Narra and Molave, average strip ratio during the year is pulled down by the low strip ratio of Panian in the first three quarters of the year until its decommissioning in September. Coal production also grew by 33%. Coal production is exclusive of low-grade coal of 1.15 million tons in 2015 and 900 thousand tons in 2016.

Coal Production 2015 vs. 2016



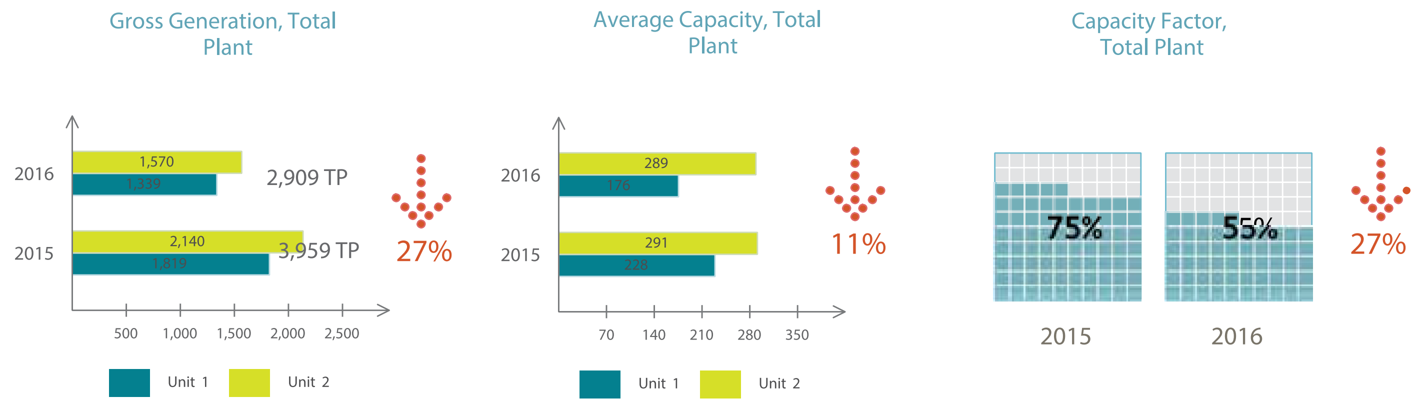
SCPC Power Plants' Availability and Outages





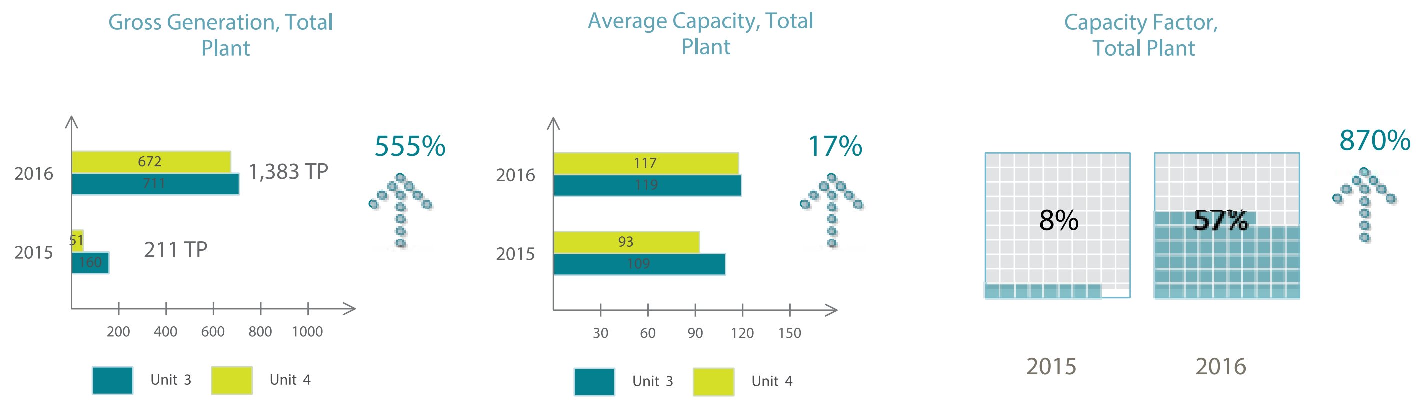
Unit 2 was down in the first three months of the year to continue maintenance works. Meanwhile, Unit 1 is running at lower capacity this year, unlike last year when it was fed with high-grade coal mined from west Panian. As a result, generation and capacity factor dropped by 27%, while aggregate capacity decreased by 11%.

SCPC Power Plants' Performance 2015 vs. 2016



As a result of lower energy generation, total energy sold by Sem-Calaca decreased by 12% to 3,322 GWh from 3,754 GWh this year. Composite average price per kwh is also lower by 3% at PHP3.31 from PHP3.41 in 2015. Consequently, total revenues dropped by 14% at PHP10.98 billion as against last year's PHP12.80 billion.

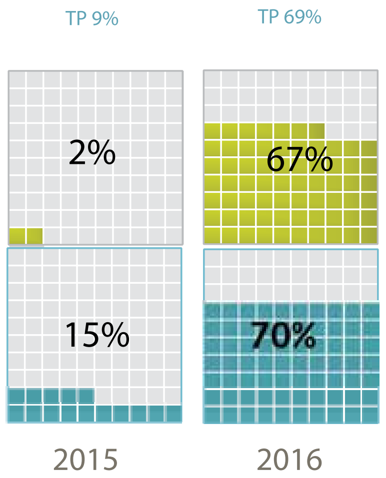
SLPGC Power Plants' Performance 2015 vs. 2016

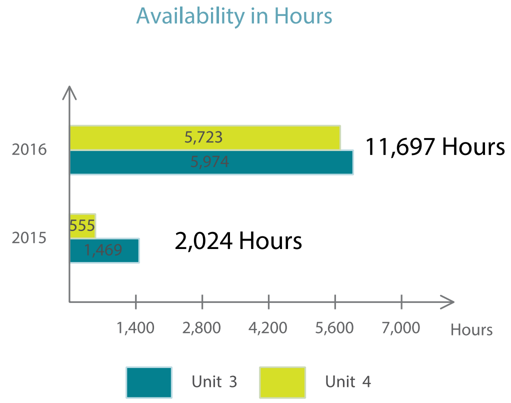


Southwest Luzon's operations in 2016 painted a rosier picture for the company. SLPGC declared commercial operations on August 26. Both units generated a total of 1,383 GWh this year. The first unit ran at an average capacity of 119 MW, while the other unit averaged at 117 MW. Combined capacity factor of both plants stood at 57%.

SLPGC Power Plants' Availability and Outages

Units 3 and 4 combined operating hours totaled to 11,697 hours this year since both plants are operating more reliably since February.There were still unplanned shutdowns recorded for more fine-tuning activities. The units are still to be turned over to us by our contractor.



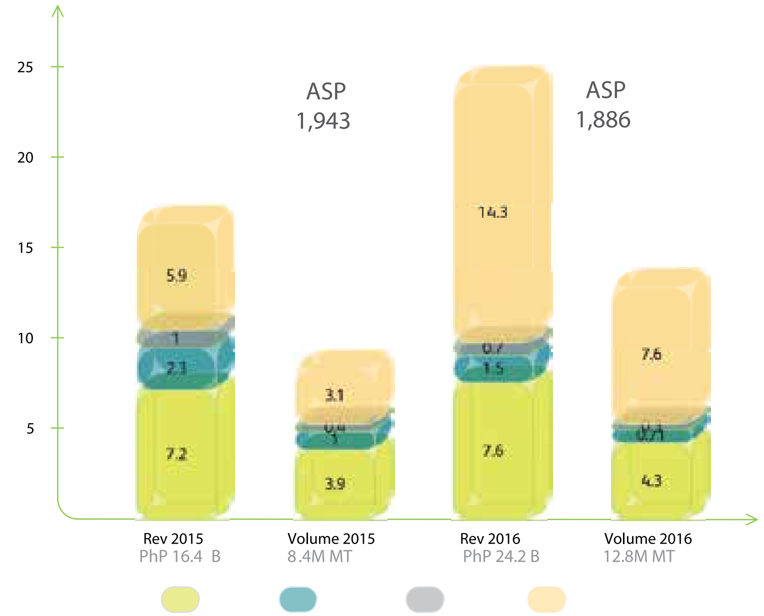


Marketing and Sales Performance

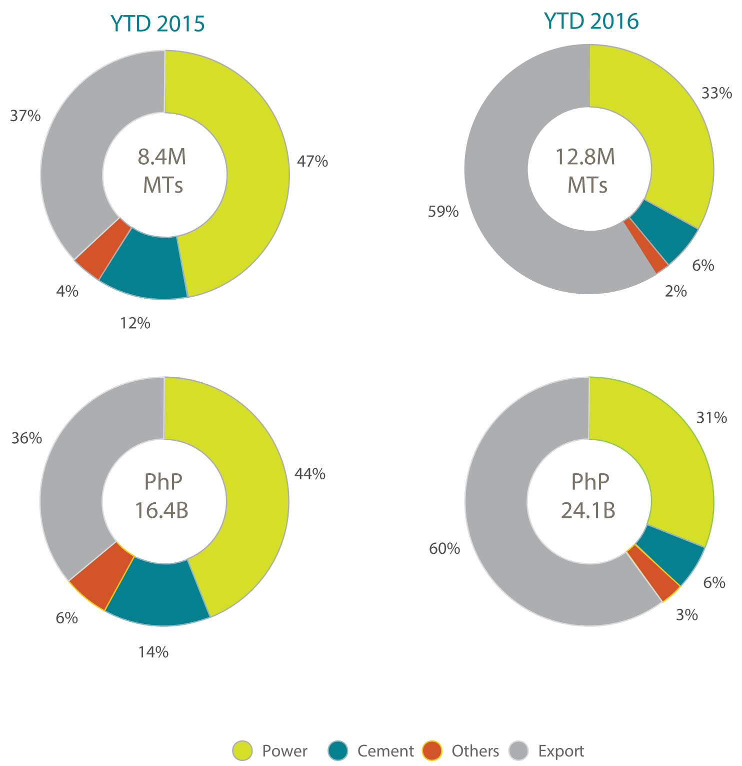
Coal volume sold increased by 52% year-on-year, however composite average selling priceslightly dropped by 3%. Global coal prices moved up starting September, however, prior to that, prices were depressed. Meanwhile, sales of low-grade coal to our own power units is more than two times higher than 2015. Average price of lower-grade coal is PHP867 per ton vs. regular coal's average price of PHP1,974 per ton or composite average price of PHP1,886 per ton.

With higher volume sold, coal revenues increased by 48% from last year's PHP16.4 billion to PHP24.2 billion this year.

Coal Sales 2015 vs. 2016

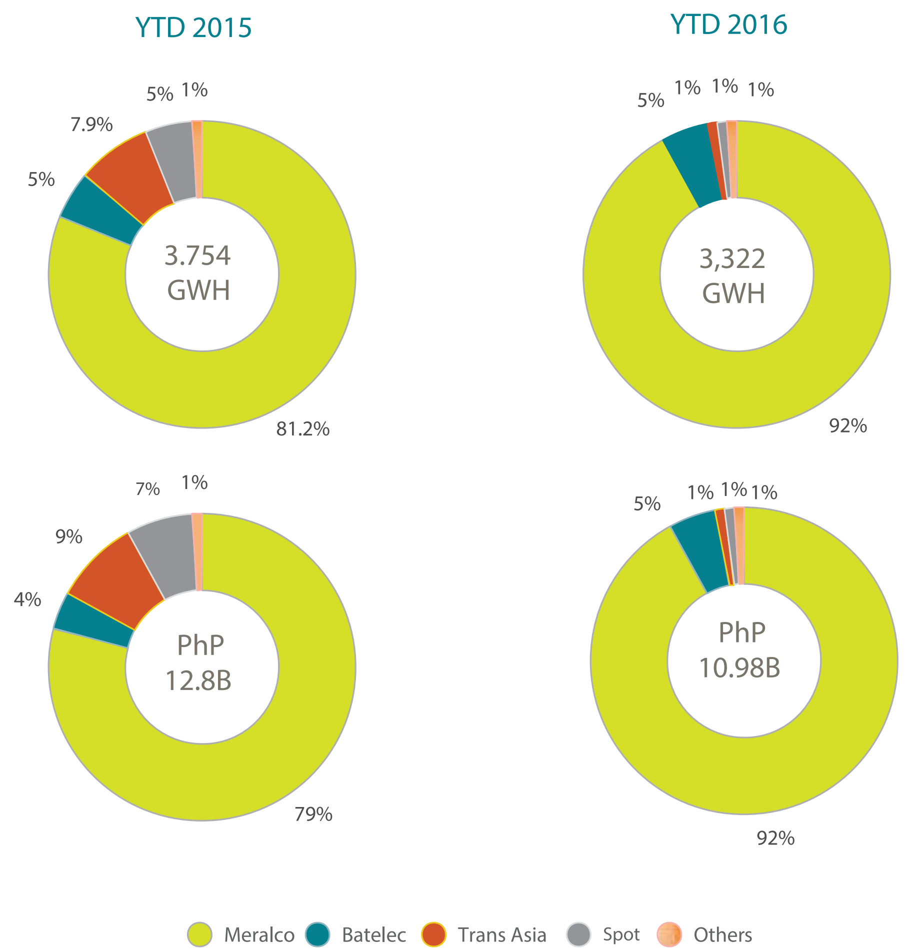


Coal Sales Mix 2015 vs. 2016



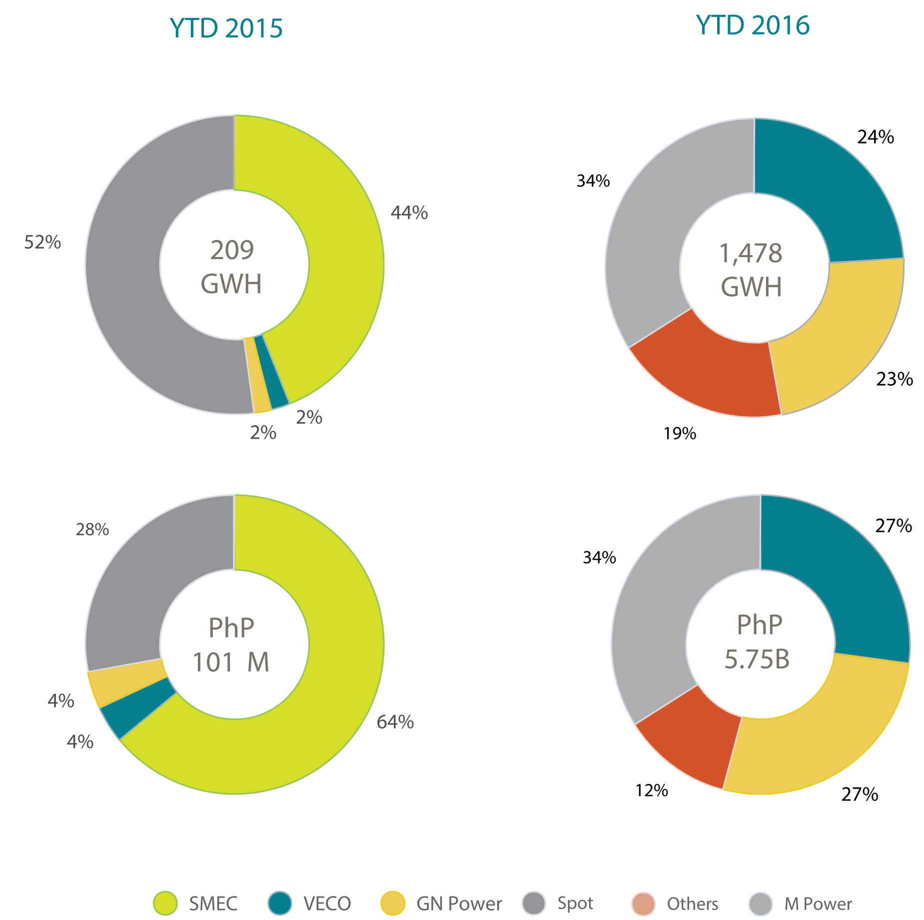
Export sales took up majority of coal deliveries this year at 59%, up from 37% last year. Production capacity increased, but we can only currently sell a maximum of 5 to 6 million tons locally due to limitations in acceptability of our coal by local users. The shutdown of Unit 2 in Q1, had impact on the decreased power plants' off-take.

SCPC Energy Sales Mix 2015 vs. 2016



Meralco remains to be the single biggest customer of Sem-Calaca, accounting for 92 % of sales volume and revenues. 99 % of total sales are contracted, while only 1 % is sold to spot.

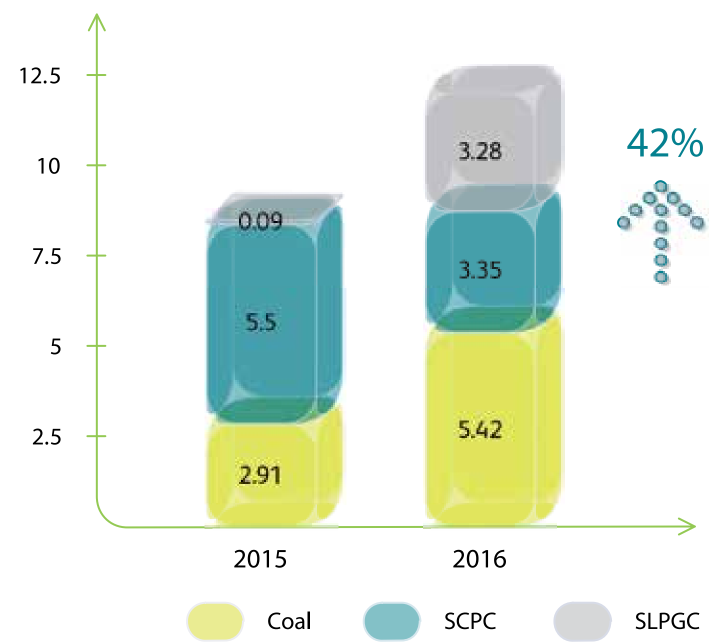
SLPGC Energy Sales Mix 2015 vs. 2016



Our bilateral contracts with GN Power, VECO, and MPower respectively took up 23 %, 24 % and 34 % of total energy volume sold. We also sold to Sem-Calaca as replacement power when both plants consumed their allowable downtime; 13 % was sold to spot.

Financial Performance

Consolidated Net Income



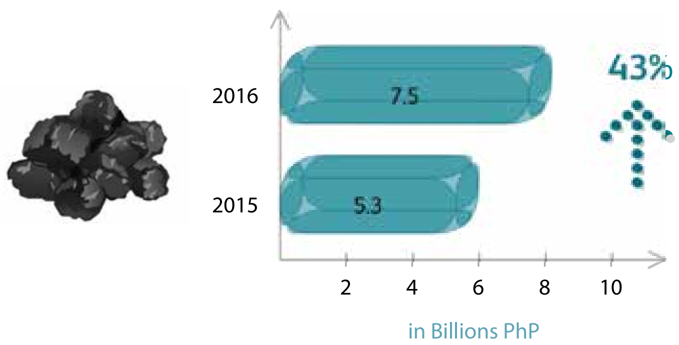
Consolidated Comprehensive Net Income is record high at PHP12 billion, up by 42% from last year's PHP8.5 billion. Southwest Luzon's operations boosted this year's income with bottom line, after elimination of PHP3.28 billion since its plants operated more reliably this year. Please note however that Q1 interest expense for Southwest was capitalized while still on commissioning; while depreciation was only recognized starting Q2.

Meanwhile, SCPC's Net Income is PHP3.35 billion after elimination. Coal performance also boosted profitability with PHP5.4 billion, 86% higher than its bottom line last year. The growth is driven by higher sales volume this year. Strong profitability of coal and SLPGC offset SCPC's drop in profits caused by more downtimes the plants experienced in 2016.

Overview of segment financial highlights

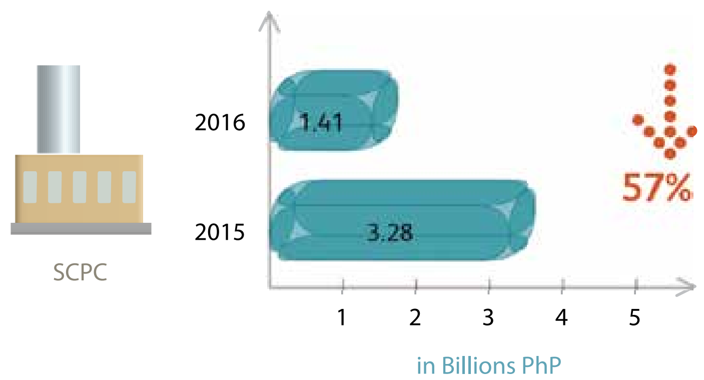
This slide shows the financial highlights of each business segment before eliminations. Coal core income increased by 43% to PHP7.5 billion from last year's PHP5.3 billion, due to increased sales volume. Its interest-bearing loans dropped by 10% with continued amortization of loan maturities. Coal's USD loans stood at USD 70.8 million, while peso loans closed at PHP2.1 billion.

Income from Coal



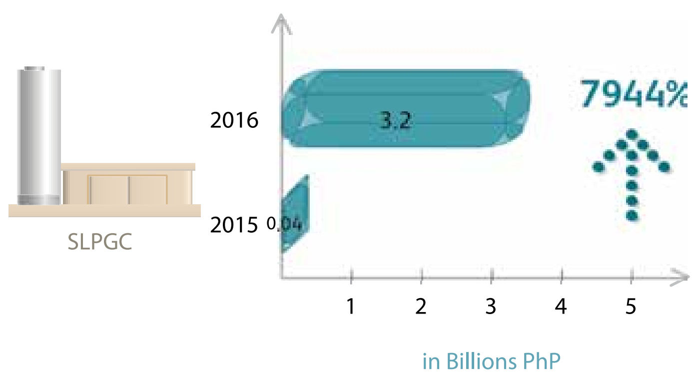
Conversely, Sem-Calaca's stand alone income dropped by 57% to PHP1.14billion from last year's PH3.3 billion. Unit 2 was on maintenance shutdown the whole of Q1, thus revenues are lower. Average capacity of both plants also dropped by 11%. Sem-Calaca's interest bearing loans decreased by 25% after paying off short-term working capital loans during the year. SCPC's loans closed at PHP1.7 billion in 2016.

Standalone Income

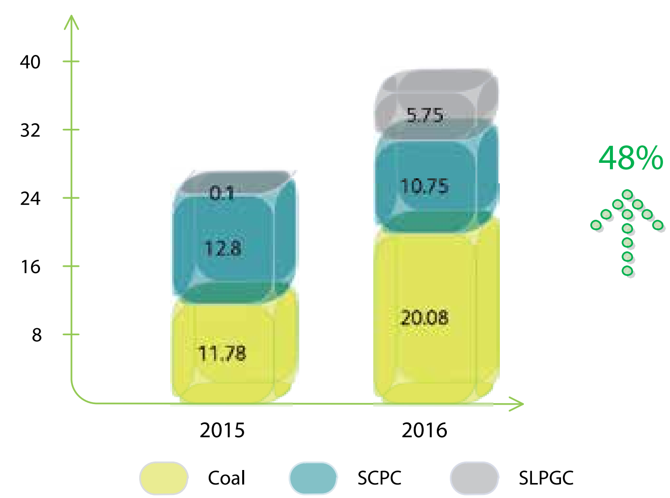


Consolidated gross revenues increased by 48% year-on-year, while net income grew by 42%. Coal came in stronger this year with increased production capacity, and consequently sales volume. Sem-Calaca's revenues is weaker with lower energy generation and lower ASP. Meanwhile, Southwest Luzon significantly contributed to profitability with its robust post-eliminations net profits of PHP3.35 billion.

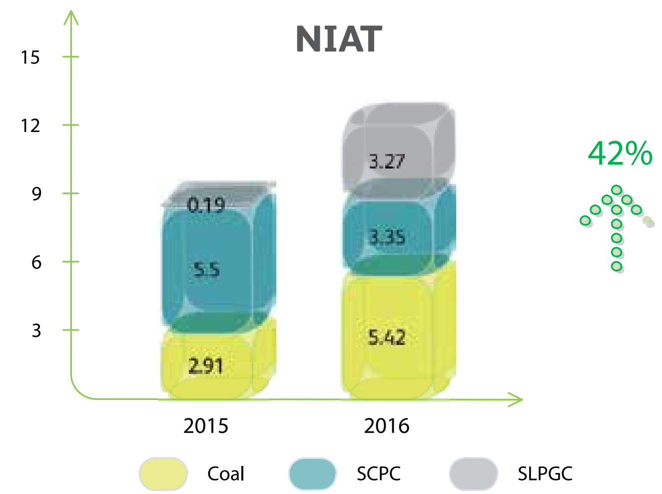
Standalone Income



Consolidated Gross Revenues



NIAT

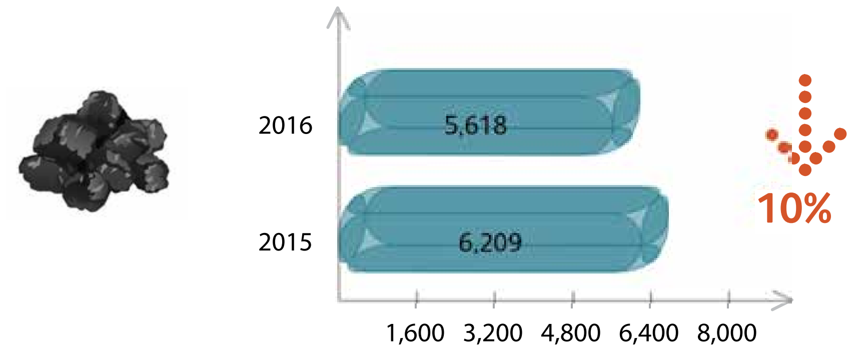


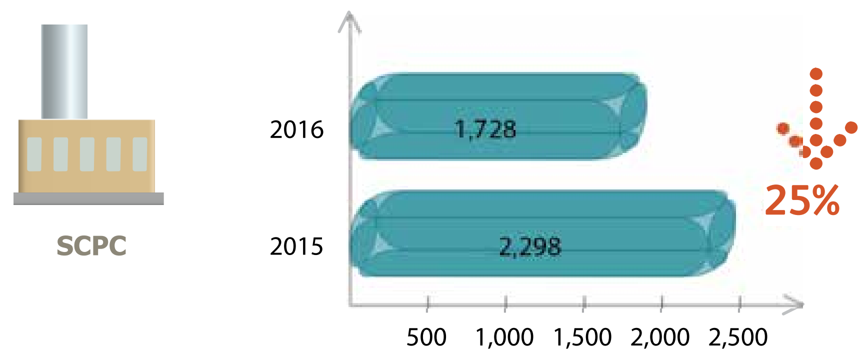
Movement of interest-bearing loans

Its interest-bearing loans dropped by 10 % with continued amortization of loan maturities. Coal's USD loans stood at USD70.8 million, while peso loans closed at Php 2.1 billion.

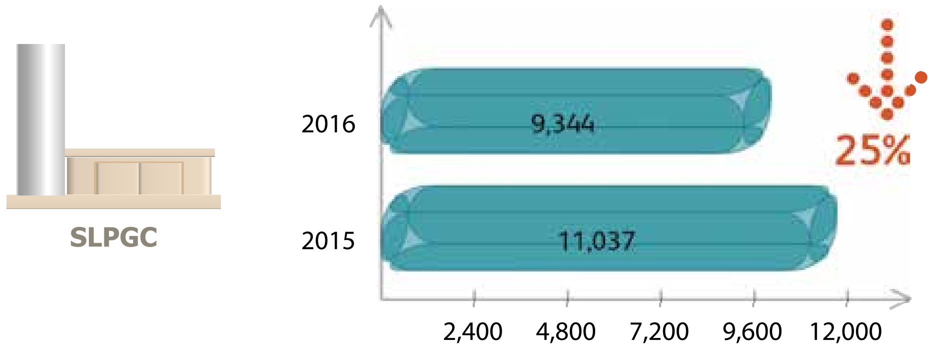
Sem-Calaca's interest bearing loans decreased by 25 % after paying off short-term working capital loans during the year. SCPC's loans closed at Php1.7 billion in 2016.

Interest -bearing loans





Interest -bearing loans



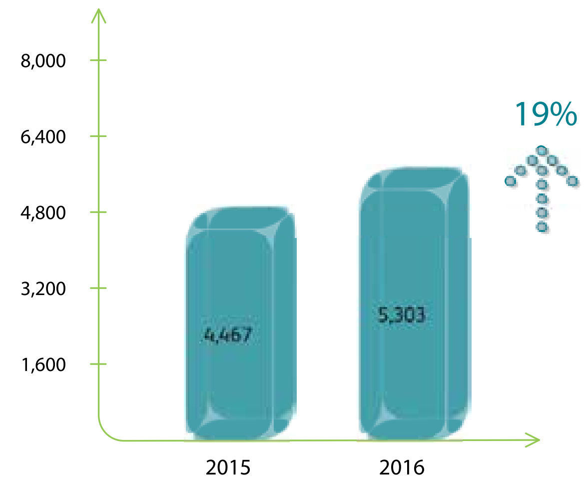
Consolidated Assets, Liabilities & Equity 2015 vs. 2016

Our Assets increased by 15 % to PHP65.9 billion from PHP57.2 billion at the start of the year. Liabilities slightly increased by 4 % to PHP31.5 billion from PHP30.3 billion after availment of additional debts to finance CAPEX. Robust earnings during the period improved our equity by 27 % to PHP34.3 billion from PHP26.9 billion, despite paying dividends of PHP4.3 billion in Q2.

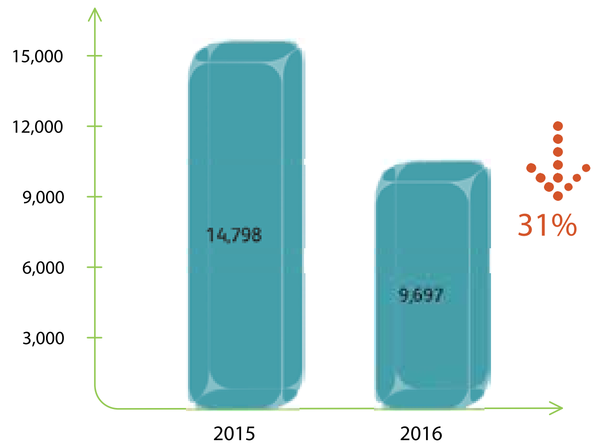
Actual CAPEX spending is higher by 19 % in the current year as coal is increasing its capacity, while the power plants spent more to ensure better performance in the succeeding periods. Strong profitability resulted to increased Cash levels by 49 % from beginning balance of PHP4.7 billion to close at almost PHP7 billion.

Net Debt meanwhile dropped by 30 % to PHP9.7 billion, while ROE rose to 35 % from 32 % last year. DE ratio fell to 0.92x, and Current ratio improved to 1.35x.

CAPEX

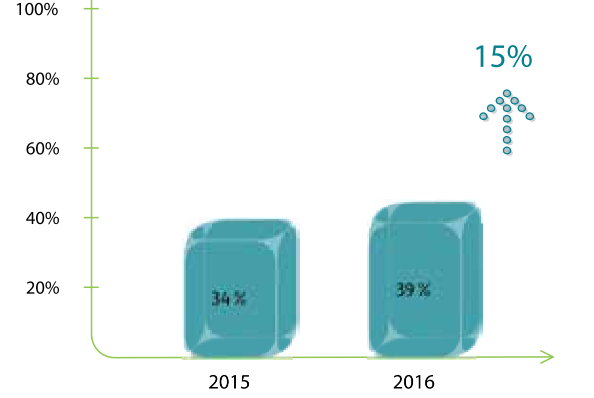


Net Debt

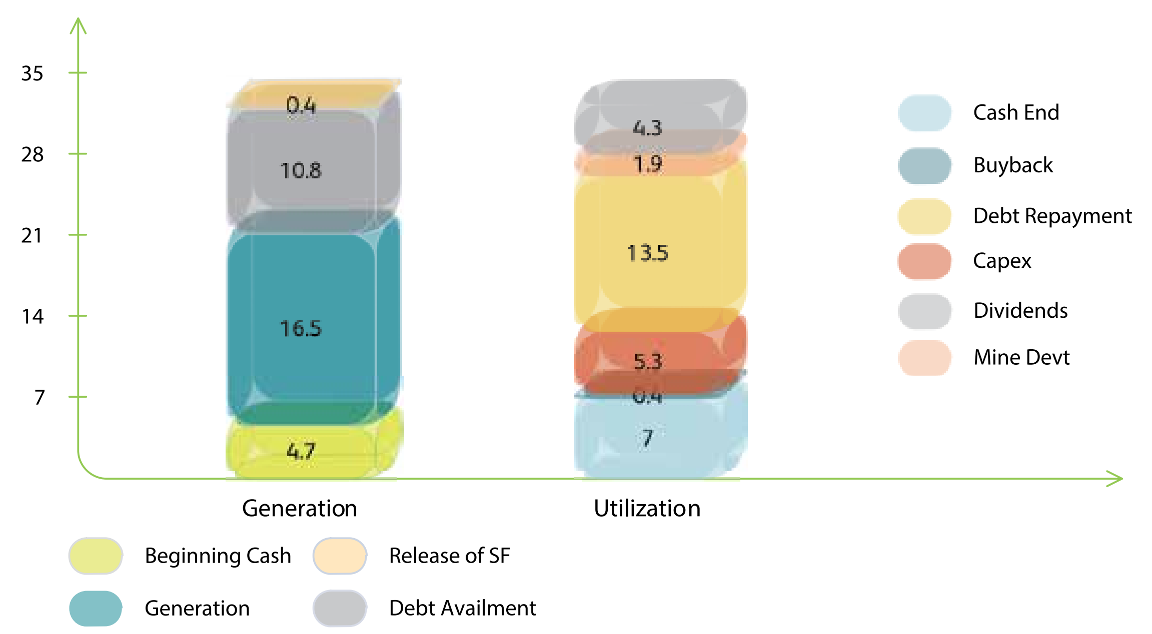


ROE

DE Ratio: 0.92x
Current Ratio: 1.35x



Cash Generalization and Utilization



Total consolidated cash available from generation, loan availments and beginning balance stood at PHP32.4 billion in 2016. We paid debts amounting to PHP13.9 billion and spent PHP5.7 billion for CAPEX. We also paid cash dividends amounting to PHP4.3 billion in Q2. PHP1.3 billion was spent for mine development. We were presented with a good investment opportunity when our stock prices fell in Q3, prompting the board to approve a shares buyback program. 3.46 million shares worth PHP351 million are currently held in treasury, with an average price of PHP111.60/share. Our ending cash closed at PHP7 billion.

In a nutshell, strong operations allowed us to beef up our cash despite spending for CAPEX that increased our mining capacity from 8 to 12 million tons and providing proper maintenance to our power plants, as well as decreasing our debt levels, while maintaining a strong dividend payout.

AWARDS AND RECOGNITION

SEMIRARA MINING AND POWER CORPORATION

Excellence in Corporate Governance and Investor Relations, Titanium Award
The Asset Corporate Awards 2016
December 2016
Hong Kong, SAR

14th Highest Scoring Philippine Publicly-Listed Companies
2016 ASEAN Corporate Governance Scorecard
Philippines

Top 30 Highest Scoring Philippine Publicly-Listed Companies
2016 PSE Bell Awards for Corporate Governance Phase 1
Philippine Stock Exchange
Philippines

Public Relations Tool - 2014 Integrated Annual Report, Silver Award
51st Anvil Awards
February 2016
Makati City, Philippines

Integrated Management System Recertification
ISO 9001:2008 Quality Management System, ISO 14001:2004 Environmental Management System, OHSAS 18001:2007 Occupational Health and Safety Management System, December 2016
United Kingdom

SEM-CALACA POWER CORPORATION

Quality Management System Recertification
ISO 9001:2008 Quality Management System
July 2016
United Kingdom

CORPORATE SUSTAINABILITY AND RESPONSIBILITY

Mr. Joel Ignacio has been a resident of Semirara Island since 1979 and was living then as one of the marginalized fishermen. He is one of the founding officers and still the leader, of the SEMFA (Semirara Fishermen Association) up to present. Mr. Ignacio was able to grow the number and size of their fishing vessels with the capacity to go deep-sea fishing. He was able to send his children to college and now considers himself successful as he was able to elevate his family's standard of living with the assistance of Semirara Mining and Power Corporation.

Creating long-term solutions and delivering a sustainable future for our shareholders and stakeholders are deeply rooted in our corporate culture, as it is our duty and responsibility to promote positive social and environmental change in our various projects and initiatives.

Contents

SUSTAINABLE DEVELOPMENT GOALS

1 NO POVERTY

Our presence in our host communities created broader and significant economic contributions by generating employment opportunities to local residents. Our mining and power operations open up new markets for local suppliers. In Barangay Semirara where our Company operates, poverty incidence is significantly lower at 5.79% per latest 2015 data from the Municipality of Caluya

- Continued support of livelihood programs of local fisherfolk.
- Over Php1 billion mining royalty payments remitted to local government units in 2016.

2 ZERO HUNGER

Through partnerships with Barangay Health Workers and non-profit organizations, we mounted feeding programs to local barangays and public schools.

Our Company continues to support deep-sea fishing operations of the fishing association in Semirara Island, which the company helped organize years ago.

In 2016, we reached out to six (6) barangays and two (2) schools, feeding over 500 people.

We donated vegetable seedlings, garden soil, and other planting tools in support of DepEd's Gulayan sa Paaralan Program, a school-based feeding program.

3 GOOD HEALTH AND WELL-BEING

Our Company's health facility hospital in Semirara Island provides access to essential health services to our workforce and the communities in the municipality of Caluya.

- Holistic health programs for our employees covers most aspects of medical provisions, and wellness initiatives.
- Free clinic and medical missions to communities.
- Basic Life Support Training given to all employees.
- Participation in voluntary blood donation projects for our host communities' hospitals and parish.
- Medical training support given by Company's medical personnel to employees and island residents.

4 QUALITY EDUCATION

- Strategic partnership with Semirara Training Center, Inc., a vocational facility established by the Company, that aims to train its local residents geared to build sustainable and competent skills-based assets.
- Teacher training workshops to help improve the English proficiency of the communities' educators.
- In partnership with the Department of Education, Culture and Sports, our total number of classrooms donated as of 2016 already reached 203. These were all located in our host communities to address shortage in classrooms.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

SMPC is the country's only vertically integrated coal energy enterprise.

The new investment in Power uses Circulating Fluidized Bed (CFB) technology or clean coal technology designed with lower SOx and NOx emissions.

The bottom ash disposal was converted from wet to dry system. Some of the dry bottom was donated as substitute for sand in manufacture of concrete hollow blocks (CHB).

10 REDUCED INEQUALITIES

We have made significant strides towards lifting people out of poverty. Through our poverty alleviation efforts and mining royalty payments, we helped elevate Caluya from being a fourth class municipality in 2004 to a first-class municipality in 2007 and maintained this status to present.

11 SUSTAINABLE CITIES AND COMMUNITIES

Semirara Island and its neighboring townships are the primary beneficiaries from our concerted sustainability efforts. We strive to mitigate the effects of our business operations, and we continually push for our host communities' self sufficiency in close partnership with the local government units to align the Company's sustainable development and management programs and initiatives with the Barangay Development Plans.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

- Constant monitoring and assessment for the continual improvement of our operational systems, streamline our processes, mitigate risks, and promote corporate responsibility and good governance.
- Our Company continues to be in conformance with international standards — ISO 19001, ISO 14001 and OHSAS certifications.

17 PARTNERSHIPS FOR THE GOALS

Multi-stakeholder partnerships

- We work in close partnership with the Department of Energy and Department of Environmental and Natural Resources with respect to our coal mining operations and power generation activities for the achievement of energy sufficiency at least cost of energy, and in the protection of the environment and well-being of our direct host communities.
- Over the years, we have partnered with the local government units, community organizations, other regulators and sectoral stakeholder groups, to identify social needs and existing resources through which we can deliver community projects and achieve actionable targets and goals for sustainable development

Technology

We collaborated with private entities and provided resources to enable and support access to internet, information and communications technology, science and banking services for our host community in Semirara Island, despite its isolation and distance from key economic areas. This supports the global and national plans to enhance knowledge and capacity-building in developing countries.

Semirara Mining and Power Corporation answers the call to achieve sustainable development towards building an inclusive, sustainable, and resilient future of our people and the planet. Our corporate sustainability and social programs and initiatives are aligned with the United Nations 17 Sustainable Development Goals.

5 GENDER EQUALITY

Our employment policies do not tolerate discrimination and harassment on the basis of gender, race, skin color, religion, age, or disability. Any form of harassment, whether in the workplace or outside work hours, is strictly prohibited.

In 2016, the total women in our workforce increased to 9% from 2015's 7%.

6 CLEAN WATER AND SANITATION

- Our own composting facility converts biodegradable waste collected from the company housing area and offices, as well as biodegradable waste generated from reforestation activities.
- Our ongoing construction of a water desalination plant aims to secure water resource and provide access to safe and affordable drinking water to employees and residents of Semirara Island.
- Clean-up drives along the coastlines of Barangays Baclaran, San Rafael, and Sampaga of the Municipality of Calaca, Batangas
- Adopt-A-River project for Kaong and Dacanlao rivers

7 AFFORDABLE AND CLEAN ENERGY

We continue to provide Semirara Island's communities with an affordable and stable supply of energy. Our electricity rates are the cheapest nationwide, at least Php 3 lower than the country's highest electricity rate.

We worked for the installation of solar-powered LED streetlights along the roads of Barangays Baclaran and Dacanlao in Calaca, Batangas. This was funded from the benefits to host communities of Php0.01 per kwhr of energy sold by power generators (DOE ER 1-94).

8 DECENT WORK AND ECONOMIC GROWTH

Our commitment to high-value employment resulted in a 4,427 strong total workforce nationwide.

Our Company remains as the single biggest employer in Semirara Island, with the mine site workforce amounting to nearly 20% of the island's population.

Mine site payroll amounted to Php1.29B in 2016, or 44% increase from 2015's Php895.85 million.

13 CLIMATE ACTION

- Besides inland reforestation and mine rehabilitation, we protect naturally-grown mangroves and expand the areas through our mangrove plantation initiatives. Mangroves yield higher carbon sequestration over time compared to other tree species.
- Our Environmental Management System and procedures are in conformance with international standards and aim to mitigate the significant negative impact of our operations.
- We commit to implement our medium- and long-term carbon sequestration programs to mitigate the negative environmental impacts of our operations.

14 LIFE BELOW WATER

- The Semirara Marine Hatchery and Laboratory was created to help propagate endangered sea life, as well as restore and rehabilitate marine life in and around Semirara Island.
- Successful propagation of endangered giant clam species, the Tridacna gigas.
- Flourishing marine life at the site of the hatchery and laboratory.
- Ongoing reef rehabilitation through coral fragments and sea grasses transplantation.
- Initiated and supported a marine biological survey in Semirara Island which consequently led to the engagement of LGUs and communities to establish another Marine Protected Area in Barangay Tinogboc, among others.

15 LIFE ON LAND

- Our reforestation and rehabilitation efforts are not limited to the areas affected by our mining operation; we also provide enrichment for areas with sparse vegetation around it. To date, we have planted 4,669,535 trees, shrubs and plants all over Semirara Island.
- Continuing inland reforestation and mangrove reforestation projects.
- 11% of the total island area has now been reforested by the Company.
- Different species of grass and ornamental plants were planted around the island to prevent soil erosion.

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Full commitment and adherence to our Code of Conduct and strong corporate governance give us sound and uncompromising stance on ethics, justice and human rights.

We promote the use of alternative dispute resolution (ADR) options and processes in the settlement of conflicts or issues, if any, with our various stakeholders.

We conduct public consultation and negotiate concessions with land occupants affected by our mining activities.

We provide relocation areas for the displaced community with consideration, including ready housing and resources to support their livelihood. SMPC continues to engage in dialogues with the affected residents for resolution of the issues.

ENVIRONMENT

Delivering Responsible Environmental Stewardship

Preserving, cultivating, and improving our host communities' environment are part of our Company's ongoing efforts to mitigate the impact of our business activities and to ultimately deliver on our commitment to responsible environmental stewardship.

In-land and mangrove reforestation

Environmental protection and the mitigation of the impact of mining activities on the community remain high on SMPC's priority list. Therefore, the reforestation of in-land and mangrove areas are of great importance. However, our Company's rehabilitation efforts are not limited to the areas affected by our mining operation; we also provide enrichment for areas with sparse vegetation around it, including landscaping and propagating grass species, i.e. bamboo, ragayray, vetiver, frog grass, creeping peanuts and carabao grass.

INLAND REFORESTATION AND VEGETATION ACCOMPLISHMENT

	Number of Species	Total Survived Species as of December 31, 2015	Areas with Coastal Deposit (as of Febrary 23, 2016)	Total Planted Year 2016	Total Inventory Planted Year 2016	Total Survived Species as of December 31, 2016
Native/Indigenous species Beach Forest						
Fruit Bearing Trees	5	9,557	161	2,574	2,084	11,480
Flowering	12	1,710,010	475,417	222,435	205.159	1,439,752
Upland Forest						
Fruit Bearing Trees	10	5,456	235	0	0	5,221
Flowering	24	248,298	1,754	11,308	10,260	
Introduced tree species						
Flowering trees	8	58,974	1,095	419	87	57,966
Agro-forestry tree species	11	47,795	1,326	1,188	1,153	47,622
Grass species	8	1,157,916	604	684,692	619,550	1,776,862
Landscaping	7	997,538		76,090	76,090	1,073,628
TOTAL	**85**	**4,235,744**	**480.592**	**998,706**	**914,383**	**4,669,535**

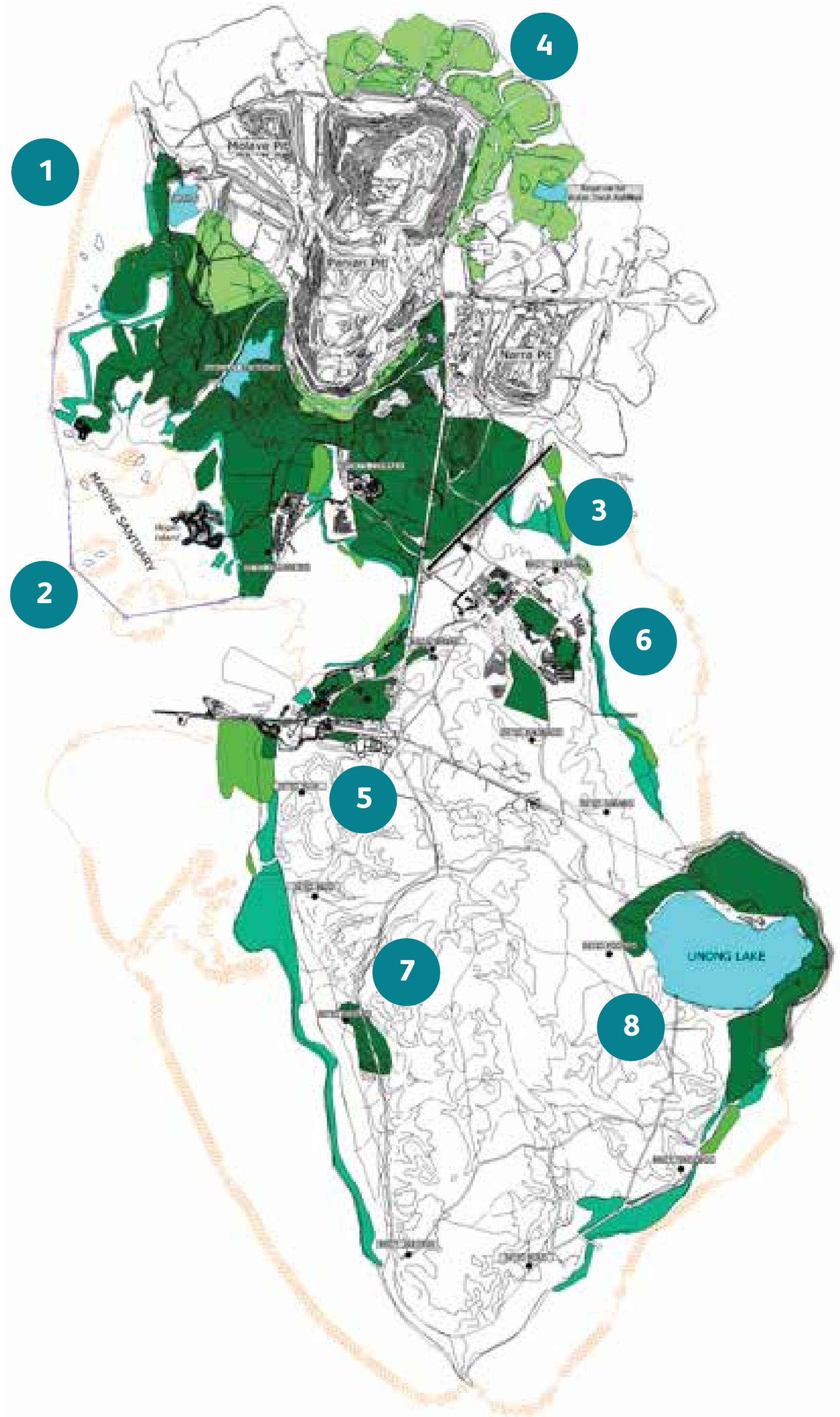
Reforestation and Livelihood

Fruit-bearing trees, like mango and pomelo, also planted by the reforestation team were ready for harvest. Before the end of the year, the team harvested a total of 1,631 kilos of pomelo from its agro-forest area in Sitio Balibago, Semirara. The harvest was brought to Mess Hall, while others were brought to the Semirara Commissary and IWMPC Cooperative Store and sold to communities at affordable prices.

Panian Mine Site Rehabilitation

At the Panian mine site, rehabilitation had started as early as 2011, five years before mining operations ended in 2016. Total land area planted is at 288.25 hectares with a total of 988,585 various species of trees which includes some fruit bearing trees. This is mainly composed of beach aguho (*Casuarina equisetifolia*), a fast-growing and nitrogen-fixing species of the she-oak. There are also grass and ornamental plants totaling 26,717 to prevent soil erosion and restore soil properties for plants to thrive.

REFORESTATION/REHABILITATION 2000-2016



Site	Number of Hectares
1	80.55
2	170.06
3	104.04
4	211.07
5	19.2
6	8.84
7	31.19
8	84.91
Total	**709.86**

11% of the total land area of Semirara island is reforested by the Company. Reforested areas are actively monitored and managed to ensure high survival rate of trees planted.

The reforestation program provides another source of livelihood for the residents of Semirara Island: 42 workers serve as maintenance personnel in the nurseries and plantation areas. Come the rainy season, 200 workers are engaged in planting activities in newly-established planting sites.

In Calaca, Batangas, various tree-planting activities were also done. Residents living along the Dacanlao River benefitted from the 3,345 seedlings that were planted throughout the year, to improve air quality and prevent soil erosion.

PROGRAMS IMPLEMENTED AT SEMIRARA

CLEAN AIR ACT
Mine Site Power Plant
- Installation of Continuous Emission Monitoring System (CEMS) of 15 MW Power Plant
- Installation of closed-circuit television camera of 15 MW Plant
- Monitoring equipment for ambient air quality for PM 10, PM 2.5 and TSP
- Monitoring equipment for flue gas quality of diesel plants and 2x7.5 MW Plant
- Installation of Multi-cyclone Dust Separator
- Installation of Dust Precipitator
- Installation of Limestone Desulfurization
- Control of Flue Gas Temperature
- Control of combustion

Mine Operation
- Water spraying (coal stockpile, coal conveyors, haul roads)
- Compacting stockpile

CLEAN WATER ACT
Mine Site Power Plant
- Cooling Channel
- Neutralization Pit

Mine Operation
- Installation of settling ponds for rain run-off
- Installation ofpocket sumps for rain run-off control measures along conveyor lines and stockpiles

Domestic Water Management
- Construction of Water Impoundment for domestic use
- Advanced Water Treatment Plant for domestic consumption

HAZARDOUS AND NUCLEAR WASTE CONTROL ACT
General Hazardous Waste
- Collection and storage in properly controlled designated facility

Used Oil
- Construction of separate building for proper containment
- Proper storage in containers with secondary containment
- Reused as secondary fuel for Mine Site Power Plant

ECOLOGICAL SOLID WASTE MANAGEMENT ACT
- Biowaste Reactor for composting
- Material Recovery Facility
- Segregation of biodegradable and recyclable residual wastes

PHILIPPINE ENVIRONMENTAL IMPACT STATEMENT
Reforestation Program
- Coastal mangrove planting
- Inland reforestation

Mangrove Reforestation
After reforestation, the mangroves are thriving as well. In 2016, the team focused their efforts on the replanting of damaged or missing hills, survival rate improved to 74 % from 61 % last year.

MANGROVE PLANTATION (2000-2016)

Location	# Of Hectares	# Of Trees Planted	# Of Trees Survived
Airport/East Dike/Banua	40.98	182,163	154,770
Bantayan	0.23	1,040	957
Bigo	2.42	10,750	675
Casay	2.05	9,112	8,201
Kaylonggo	1.19	5,289	4,495
Sigayan	0.68	3,022	115
Spring/Myrna/Aroma	10.11	44,934	26,393
Suja	74.56	331,379	323,163
Tinogboc & Sabang	57.32	254,757	108,219
Torpido	2.25	10,000	8,138
Villaresis/Pinagpala/ Pungtod	4.64	20,624	12,561
TOTAL	**196.43**	**873,070**	**647,687**

PROGRAMS IMPLEMENTED AT CALACA POWER COMPLEX

CLEAN AIR ACT
Sem-Calaca Power Corporation (2 x 300MW PC)
- Covered conveyor lines
- Covered coal yard and windbreak fence
- Water spraying during Coal Handling operation
- Coal compaction during stockpiling
- Coal stockpile temperature monitoring
- First-in, first-out (FIFO) coal utilization
- Limitation of coal stockpile to 21 days for local coal
- Limitation of coal stockpile height to 10 meters for local coal
- Utilization of low sulfur and ash content fuel
- Tangential Firing System for Unit 1 and low NOxburners for Unit 2
- Stack height of 120 meters for Unit 1 and 150 meters for Unit 2
- Electrostatic precipitator

Southwest Luzon Power Generation Corporation (2 x 150MW CFB)
- Covered conveyor lines
- Transfer towers with dust collectors
- Covered coal yard and windbreak fence
- Water spraying during Coal
- Coal compaction during stockpiling
- Coal stockpile temperature monitoring
- First-in, first-out (FIFO) coal utilization
- Enclosed coarse crusher house and fine crusher house
- Use of low furnace temperature
- Use of limestone
- Sealed limestone container vans
- Enclosed limestone unloading area
- Limestone storage silos with bag filters

ECOLOGICAL SOLID WASTE MANAGEMENT ACT
Sem-Calaca Power Corporation (2 x 300MW PC) and Southwest Luzon Power Generation Corporation (2 x 150MW CFB and 2 x 23MW GT)
- Segregation of biodegradable, recyclable and residual wastes
- Composting of biodegradable waste
- Material Recovery Facility for recyclable waste
- Hauling of residual waste by DENR accredited transporter

CLEAN WATER ACT
Sem-Calaca Power Corporation (2 x 300MW PC)
- Neutralization Pond
- Waste Storage Pond
- Oil/Water Separator Pond
- Coal Sedimentation Pond
- Ashpond (Common for SCPC & SLPGC)
- Centralized Wastewater Treatment Plant
- Long Discharge Canal
- Temperature monitoring of cooling water discharges

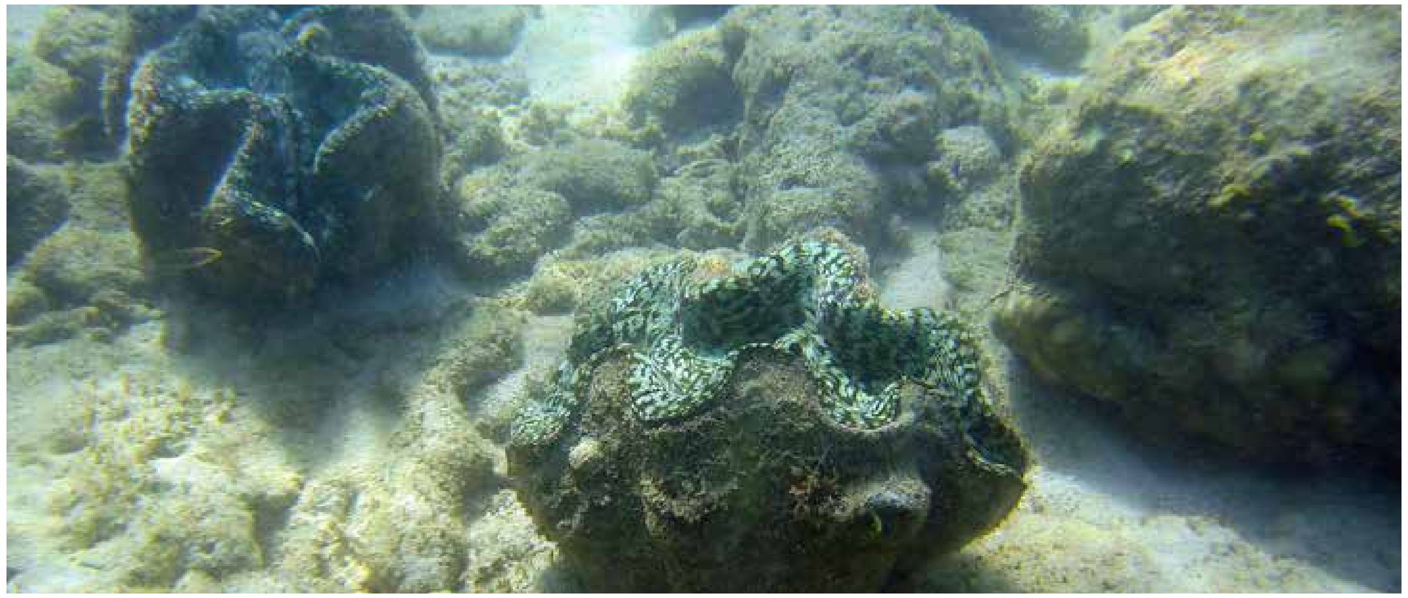
Southwest Luzon Power Generation Corporation (2 x 150MW CFB
- **Neutralization pond**
- Oil/Water Separator
- Coal Sedimentation Pond
- Ashpond (Common for SCPC & SLPGC)
- Sewage Treatment Plant
- Long Discharge Canal
- Temperature monitoring of cooling water discharges

HAZARDOUS AND NUCLEAR WASTE CONTROL ACT
Sem-Calaca Power Corporation (2 x 300MW PC) and Southwest Luzon Power Generation Corporation (2 x 150MW CFB and 2 x 23MW GT)
- Collection and storage in Hazardous Waste Storage Facility with secondary containment and labels
- Hauling and treatment of hazardous wastes by DENR accredited transporter/treater

PHILIPPINE ENVIRONMENTAL IMPACT STATEMENT
Sem-Calaca Power Corporation (2 x 300MW PC) and Southwest Luzon Power Generation Corporation (2 x 150MW CFB and 2 x 23MW GT)
- Adopt-A-River Program: Dacanlao and Cawong Rivers
- Tree Planting Activities
- Coastal and River Clean-up Activities

Semirara Marine Hatchery and Laboratory
The Semirara Marine Hatchery and Laboratory was created in 2010 to help propagate an endangered giant clam species, the *Tridacna gigas*. It is the largest living bivalve mollusk, which no longer exists in many areas where it once was plentiful—a possible result of overexploitation as a source of livelihood and food, or sold to the aquarium trade. The International Union for Conservation of Natures (IUCN) has included the clam in its list of vulnerable species.

The Marine Hatchery and Laboratory was also established to help develop technology to aid the livelihood of the communities' fisherfolk to increase fish yield in areas outside the sanctuary and around Semirara Island, protect and manage the island's vibrant coastal ecosystem, restore and rehabilitate depleted or damaged areas.



GIANT CLAMS POPULATION (SEMIRARA ISLAND) AS OF DECEMBER 31, 2016

	Raceway Tanks	Ocean Nursery Garden	Ocean Nursery Cage	Broodstock	Marine Sanctuary (Reseeded)	Total
Tridacna gigas	2,700	3,432	85	142	26,944	33,383
Tridacna squamosa	25,741	11,783	35	44	18,066	55,669
Tridacna derasa	4,274	4,392	-	7	2,312	10,985
Tridacna maxima	150	480	-	24	469	1,123
Tridacna crocea	-	50	45	30	143	268
Hippopus hippopus	4,250	6,328	-	60	9,509	20,147
Hippopus porcellanus	1,000	18,197	103	2	10,378	29,680
Crossbreed	-	3,720	8		90	3,818
TOTAL	**38,195**	**48,382**	**276**	**309**	**67,911**	**155,073**

Our Marine Hatchery and Laboratory Milestones

- January to December 2016 - Propagated seven (7) species of giant clams
- Successfully conducted eight (8) in-situ-induced spawning sessions at the Tabunan beach front
- Successfully conducted ten (10) ex-situ-induced spawning sessions at the Marine Hatchery
- March 22, 2016 - Conducted the first successful cross-breeding of Tridacna gigas with the Tridacna squamosa.
- November 10, 2016 – Successful transfer of 3,720 pieces of juvenile giant clams at the Ocean Nursery Garden in Aplaya Cove

Seeding of Giant Clams in Calaca

On September 29, 2016, 50 giant clams from Semirara Island were reseeded on the shoreline of the SEM-Calaca Power Corporation (SCPC) Plant Complex.

With the propagation of giant clams in the area, SCPC aims to promote a more robust marine environment for the plant's nearby residents. The giant clams play host to algae which serve as highly-nutritious food sources for various fish species. The clams and algae also have a symbiotic relationship in which the clams provide a suitable environment for algae to grow, while they benefit from the algae's by-products from photosynthesis. The company had earmarked Php2 million for this project.

Pearl Culture

The Semirara Marine Hatchery and Laboratory is now also conducting experiments in pearl culture. On April 23, 2016, they harvested 150 pieces of pearl oyster, *Ptera penguin*, which was implanted with half-round nucleus to Half/Mabe/Blister pearl.

Abalone Broodstocks

Abalone culture, specifically of the *Haliotis asinina* specie, promises to be a profitable livelihood for the local fisherfolk. Brood stocks and juveniles were stocked in baskets and kept in raceway tanks while grow-outs were stocked in 80 cages hanging from a bamboo raft at Tabunan Cove. From January to December, 2016, three sessions of natural abalone spawning conducted by marine biologists resulted in a haul of 1,952,199 larvae. Feeding the abalone requires a continuous culture of Gracillaria seaweed, and this is done in a local fish pond in Barangay Semirara, Caluya, Antique. Total abalone population already reached 7,516, total juveniles is 3,486 while grow-out culture is 3,200.

Reef Rehabilitation

Reef rehabilitation is another project that the Marine Hatchery has undertaken by transplanting coral fragments and seagrass. So far, three (3) batches of coral fragments were transplanted successfully by the staff. From a total 722 coral fragments, 135 are stocked in the raceway. There were also 587 that were transferred to Tabunan Cove, increasing its total to 1,196 pieces of transplanted coral fragments.

Two (2) species of seagrass were also successfully transplanted: The *Enhalus acoroides* and *Thalassia hempricii*, both are very common seagrasses found in Semirara. Twelve (12) pieces of the former were planted in sand-filled sacks, while the latter were planted in sand-filled containers.

Marine-Protected Areas (MPAs) for Tinogboc and Alegria

In collaboration with the LGUs and local communities, our Company initiated and partnered with the Angelo King Center for Research and Environmental Management of the Siliman University (SUAKCREM) to undertake a biological survey of the marine environment surrounding Semirara Island in 2015. SUAKCREM is a leading research organization in both marine and terrestrial researches. Headed by National Scientist Dr. Angel Alcala, the project deployed a team of experienced marine biologists, technical personnel and a professional photographer to document the marine organisms found in the coral reefs and adjacent habitat surrounding the island. The study results indicated that contrary to expectation for mining areas, the reefs surveyed had extensive coverage of live hard coral cover and relatively high fish biomass and density. Among the study's conservation recommendations is to strengthen the protection status of existing marine reserves and to propose no-take MPAs.

While fishing continues to be a source of livelihood for local residents of Semirara Island, the prospect of overfishing, depletion of

resources, and even the endangerment of rare marine species remains a reality. The officials of the barangays Tinogboc and Alegria have approved the establishment of Marine Protected Areas (MPAs) in their respective barangays. Around 100 fishing families in Tinogboc and 150 in Alegria will benefit from a revitalized marine ecosystem.

The establishment of the MPAs not only ensure the flourishing of marine life but also the protection of the fisher folk's livelihood from outsiders encroaching on their fishing grounds and those employing fishing methods that are illegal and detrimental to the marine ecosystem.

In December 2016, the Municipality of Caluya approved the implementation of an ordinance to declare and safeguard the MPA in the coastal area of Barangay Tinogboc for a sustainable livelihood development and management of marine resources.

Ecological Solid Waste Management

The increasing population in Semirara also meant an increase in solid waste in the company housing areas and offices. In 2016, the total collected residual waste (or non-biodegradable/ non-reusable) grew to 1,145.85 tons or 22% higher than 2015. Total collected recyclable waste was 84.96 tons and biodegradable waste was 240.34 tons.

In anticipation of this, and in compliance with Republic Act 9003, also known as the Ecological Solid Waste Management Act of 2000, SMPC and the local government of Semirara worked together to launch its own solid waste management program in 2003.

The program started out as a waste-collection activity at the old oval of Semirara, along with a waste segregation campaign for the company housing areas.

The company also maintains a composting facility, created in 2011, that converts biodegradable waste collected from the company housing area and offices, as well as biodegradable waste generated from reforestation activities such as brushing and weeding. These efforts have reduced waste that is generated and transported to the landfill. The recycled waste materials served as substitute for fertilizer and soil conditioner.

2016 Production/Utilization	Volume in tons
Total compost produced from composting facility	132.26
Usage of compost:	
Tinago Vegetable Garden	73.58
Reforestation	22.5
Landscaping	43.33
Barangay vegetable gardens	2.54
Total	141.95

Note: Difference between production and utilization refers to carried over balance of production from prior year

Environmental Monitoring and Compliance

As a partner in environmental monitoring and compliance, the Multi-partite Monitoring Team (MMT) is composed of different stakeholders of the society. Representatives from the local government unit of the host community, Department of Environmental Natural Resources, the Company, and other stakeholders constitutes the MMT. The MMT monitors the Company's performance using the approved Environmental Management Plan. Environmental Compliance Certificate conditions and permits granted from various government regulatory agencies, are used as the bases for measuring performance given a standard performance metrics, particularly on Air Quality, Water Quality, Sea Water Quality, Noise Quality, Plant Effluents/Waste Water.

In addition to environmental compliance monitoring, socio-economic and biophysical monitoring are also conducted by DENR and PENRO representatives together with the MMT. Apart from validating environmental data gathered on a quarterly basis, the MMT also produces quarterly Compliance Monitoring and Verification Reports.

OSTREA Mineral Laboratory, a third party laboratory accredited by DENR was tapped by both the coal and power segments to handle sampling, monitoring, and analysis of collected data.

In general, based on the validated Compliance Monitoring and Validation Report for the four quarters in 2016, the coal segment passed the required thresholds based on DENR DAO 34 and 35. In 2016, a new standard was required per DENR DAO 2016-18. Under the new standards, there are parameters that require improvement. The new order allows a five-year grace period for full compliance and the Company has yet to submit a Compliance Program as it is still in process of establishing base line data for certain new parameters.

The power segment also passed the general requirements based on the data reported to the MMT. However, the Compliance Monitoring and Validation Report for 2nd half of 2016 has yet to be presented to the Executive Committee of the MMT after it passed the review by the sectoral group of the MMT.

Both the coal and power segments continue to be committed to complying with environmental standards. The coal segment has earned continuing certification on ISO 14001, while the power segment is in the process of obtaining certification for the same ISO environmental standard.

ENVIRONMENTAL MONITORING

COAL MINING

AMBIENT AIR MONITORING	Standard[1]	2016 Results (Range)
TSP	300	4.10 - 21.47
SO2	340	18.36 - 123.62
NO2	260	2.76 - 19.28

[1]National Ambient Air Quality Standards for Source Specific Air Pollutants from Industrial Sources/Operations, Section 1, Rule XXVI, Part VII of the DAO 2000-81: IRR Philippine Clean Air Act.

NOISE LEVEL MONITORING	Standard1	2016 RESULTS (Range)
dBA	55	47.06 - 54.98

[1]Daytime, Category A. Rules & Regulations of the National Pollution Control Commission (1978), Section 78, Table 1. Environment Quality Standards for Noise in General Areas

WATER MONITORING

SEAWATER QUALITY MONITORING	DAO 1990-34 Standard, Class SC	DAO 2016-08 Standard, Class SC	2016 RESULTS (Range)
Temperature	Max. rise 3.0	25-31	*
pH	6.0-8.5	6.5-8.5	7.90 – 8.21
Conductivity	No Standard Reqt.	No Standard Reqt.	50 – 51,200
DO	Min. of 5.0	Min. of 5.0	sample not representative
Total Solids	No Standard Reqt.	No Standard Reqt.	30,305 – 40,914
Total Dissolved Solids	No Standard Reqt.	No Standard Reqt.	26,400 – 32,800
TSS	< 30 mg/L increase	80	<1.0 – 13
Mercury	0.002	0.002	<0.0001
Arsenic	0.05	0.02	<0.001
Cadmium	0.01	0.005	<0.003
Lead	0.05	0.05	<0.01 - <0.02
Chromium	0.1	0.05	<0.02
Copper	0.05	0.02	<0.005
Manganese	No Standard Reqt.	0.4	<0.003 – 0.03*
Oil and Grease	3	3	<1.0 – 1
BOD5	7	No Standard Reqt.	<1.0 - 4.0
COD	No Standard Reqt.	No Standard Reqt.	55 – 1,754
Total Coliform	5,000	No Standard Reqt.	<1.8 – 540.0
Nitrate	No Standard Reqt.	10	<0.01 – 0.9
Iron	No Standard Reqt.	1.5	<0.02
Sulfate	No Standard Reqt.	No Standard Reqt.	2,238 – 2,673*
Color	No Standard Reqt.	75	2.0

Note: No paramenters given per DAO 34;35; DAO 2016-08 requires submission of compliance action plan in the next 5 years from effectivity date 2016. These data are based on validated CMVR 2016
* 5-year grace period

AMBIENT FRESH WATER QUALITY MONITORING	DAO 1990-34 Standard, Class C	DAO 2016-08 Standard, Class C	2016 RESULTS (Range)
Temperature	max rise 3°	25 - 31	*
pH	6.5 - 8.5	6.5 - 9.0	6.78 - 8.22
Conductivity	No Standard Reqt.	No Standard Reqt.	318 - 39,400
Total Solids	No Standard Reqt.	No Standard Reqt.	266 - 39,400
Total Dissolved Solids	No Standard Reqt.	No Standard Reqt.	203 - 25, 300
DO	Min. of 5.0	Min. of 5.0	sample not representative
TSS	≤30 mg/l Increase	80	<1.0 - 59
Mercury	0.002	0.002	<0.0001
Arsenic	0.05	0.02	<0.001
Cadmium	0.01	0.005	<0.003
Lead	0.05	0.05	<0.01
Chromium	0.05	0.01	<0.02
Copper	0.05	0.02	<0.005
Manganese	No Standard Reqt.	0.2	<0.003 - <2.733
Oil and Grease	2	2	<1.0
Color	No Standard Reqt.	75	2.0 - 75
Sulfate	No Standard Reqt.	275	40 - 589*
Iron	No Standard Reqt.	1.5	<0.02 - 1.23
Nitrate	10	7	0.11 - 3.35
BOD	7	7	<1.0
COD	No Standard Reqt.	No Standard Reqt.	<5.0 - 320
Total Coliform	5000	No Standard Reqt.	<1.8 - 24,000

Note: No paramenters given per DAO 34;35; DAO 2016-08 requires submission of compliance action plan in the next 5 years from effectivity date 2016. These data are based on validated CMVR 2016

WASTE WATER QUALITY MONITORING	DAO 1990-35 Standard, Class SC	DAO 2016-08 Standard, Class SC	2016 RESULTS (Range)
Temperature	max rise 3°	max rise 3°	31.05 - 32.1
pH	6.0 - 9.0	6.0 - 9.0	7.99 - 8.24
Conductivity	No Standard Reqt.	No Standard Reqt.	934 – 50,500
Total Solids	No Standard Reqt.	No Standard Reqt.	800 – 41,000
Total Dissolved Solids	No Standard Reqt.	No Standard Reqt.	797 – 32,300
DO	min. 5	min. 5	sample not representative
TSS	200	100	1.0 - 17
Mercury	0.005	0.004	<0.0001
Arsenic	1	0.04	<0.001
Cadmium	0.2	0.01	<0.003
Lead	1	0.1	<0.01 - <0.02
Chromium	0.5	0.1	<0.02
Copper	No Standard Reqt.	0.04	<0.005
Manganese	No Standard Reqt.	4	<0.003 - 0.014*
Oil and Grease	15	10	<1.0
BOD	120	100	<1.0 - 115
COD	250	200	13 – 1,500*
Total Coliform	No Standard Reqt.	10000	0.01 - 5,400
Boron	No Standard Reqt.	20	0.2 - 4.8
Nickel	No Standard Reqt.	0.3	<0.02
Zinc	No Standard Reqt.	1.5	<0.003 - 0.124
Chloride	No Standard Reqt.	No Standard Reqt.	32.3 – 20,794.3
Sulfate	No Standard Reqt.	550	490 – 2,642*
Phosphate	No Standard Reqt.	1	<0.01 – 0.34

Note: No paramenters given per DAO 34;35; DAO 2016-08 requires submission of compliance action plan in the next 5 years from effectivity date 2016. These data are based on validated CMVR 2016.
* 5-year grace period

SEM-CALACA POWER CORPORATION - 2X300 MW POWER PLANT

AIR AMBIENT MONITORING	Standard	2016 Actual (Range)
TSP	300	8-59
SO2	340	7-23
NO2	260	1-5
PM10	200	6-50

NOISE LEVEL MONITORING	Standard	2016 Actual (Range)
Daytime	75	51-67
Evening	70	49-63
Nighttime	65	45-63
Morning	70	52-68

WATER MONITORING

SEAWATER QUALITY MONITORING		
M4 - 100 m from Discharge Canal	Standard	2016 Actual (Range)
Temperature	3˚C rise in temperature between mixing zone and reference station (M4-Mixing Xone, M8-Reference Station)	28-33
pH	6-8.5	7.6-8.3
TSS	80	4-8
Mercury	0.002	<0.0001
Arsenic	0.02	<0.001
Lead	0.05	<0.02
Chromium	0.05	<0.01
Color	75	2
Oil and Grease	3	0
M8 - 500 m from Discharge Canal due South		
Temperature	3˚C rise in temperature between mixing zone and reference station (M4-Mixing Xone, M8-Reference Station)	28-34
pH	6-8.5	8.3-8.5
TSS	80	2-4
Mercury	0.002	<0.0001
Arsenic	0.02	<0.001
Lead	0.05	<0.02
Chromium	0.05	<0.01
Color	75	2-5
Oil and Grease	3	0

FRESH WATER MONITORING

Cawong River	Standard	2016 Actual (Range)
pH	6.5-9.0	7.8-8.5
TSS	80	13-25
Oil and Grease	2	0
BOD	7	<1
Nitrate	7	2.01-2.87
Mercury	0.002	<0.0001
Arsenic	0.02	<0.001
Cadmium	0.005	<0.01
Lead	0.05	<0.01
Chromium	0.01	<0.01

Dacanlao River	Standard	2016 Actual (Range)
pH	6.5-9.0	7.75-8.5
TSS	80	4-27
Oil and Grease	2	0
BOD	7	<1
Nitrate	7	1.97-2.77
Mercury	0.002	<0.0001
Arsenic	0.02	<0.001
Cadmium	0.005	<0.01
Lead	0.05	<0.01
Chromium	0.01	<0.01

WASTE WATER MONITORING

Discharge Canal	Standard	2016 Actual (Range)
Temperature		28-31
pH	6-9	7.8-8.8
TSS	100	1-256
Phosphate	1	0.23-0.27
Oil and Grease	10	0
Mercury	0.004	<0.0001
Arsenic	0.04	0-0.004
Cadmium	0.01	<0.003
Lead	0.1	<0.02
Chromium	0.1	<0.01
Outfall Discharge		
Temperature		34-36
pH	6-9	8.2-8.52
TSS	100	3-32
Phosphate	1	0.02-0.07
Oil and Grease	10	0
Mercury	0.004	<0.0001
Arsenic	0.04	<0.001
Cadmium	0.01	<0.003
Lead	0.1	<0.02
Chromium	0.1	<0.01

Condenser Outlet 1	Standard	2016 Actual (Range)
Temperature		33-36
pH	6-9	8.3-8.6
TSS	100	3-28
Phosphate	1	0-0.07
Oil and Grease	10	0
Mercury	0.004	<0.0001
Arsenic	0.04	<0.001
Cadmium	0.01	<0.003
Lead	0.1	<0.02
Chromium	0.1	<0.01
Condenser Outlet 2		
Temperature		33-38
pH	6-9	8.3-8.6
TSS	100	2-47
Phosphate	1	0.02-0.08
Oil and Grease	10	0
Mercury	0.004	<0.0001
Arsenic	0.04	<0.001
Cadmium	0.01	<0.003
Lead	0.1	<0.02
Chromium	0.1	<0.01

* Exceedance occured in 2nd Quarter 2016 monitoring due to heavy rain during sampling

ECONOMIC AND SOCIAL BENEFITS

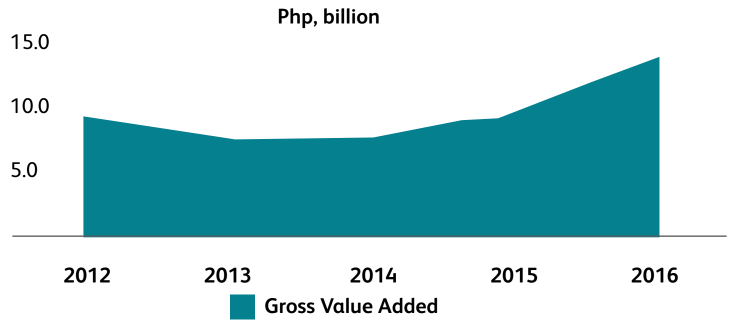
Delivering Shared Benefits for Economic Growth

On the macro-level, the natural coal resource, as it moves upstream, delivers significant spillover economic benefit for the growth of the nation as energy is produced to keep the economy moving towards its target growth.

On the micro-level, we deliver real benefits to our host communities and continue to nurture their economic welfare by creating employment opportunities, remitting royalties, and improving their quality of life.

Creating Added Value in the Economic Value Chain

The natural coal resource extracted in 2016 of 11.9 million MT registered a Gross Value Added of PHP13.9 billion. In 2016, the power segment supplied 5.8 % of the total system energy demand (Luzon and Visayas grid) of 74,646,991MWhr. Meanwhile, the coal segment is currently supplying 1,881MW capacity of coal plants or 25.35 % of the total 7,419MW of coal-fired power plants installed in the Philippines.



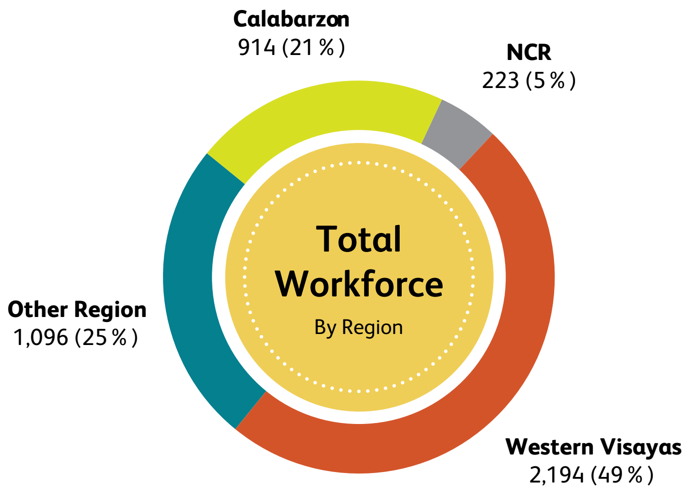
Delivering Economic Empowerment

Employment

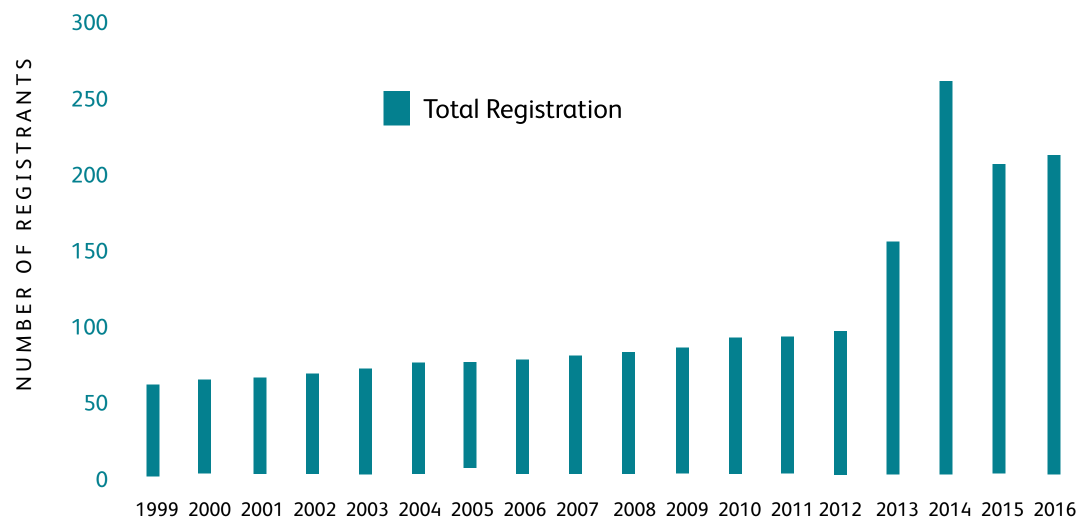
The 2015 census by The Philippines Statistics Authority lists Semirara Island's population at 17,488. Our Company remains as the single biggest employer on the island, accounting to nearly 20 % of the island's population.

Our commitment to high-value employment and job generation in and around Semirara Island remains stronger than ever. In 2016, our Company opened its doors to fill 930 positions, thereby increasing total workforce to 4,427. Of the registered numbers from Western Visayas, 2,175 are in the coal mining segment. This accounted for 61 % of the 3,589-strong Mining workforce.

Of the 61 % labor locally sourced, 55 % came from Semirara Island, Caluya and mainland Antique, while 6 % came from the Western Visayas region – notably, Panay islands and Iloilo, and the Negros island.



BUSINESS PERMITS REGISTERED (1999-2016)



Mine site payroll amounted to Php1.29B in 2016 — a 44 % increase from 2015's Php895.85 million.

SMPC's presence in the area also created a broader economic contribution to its host community. The growth and opening of business establishments meant additional employment and income opportunities for the residents. A total of 213 business permits issued in 2016 and the high growth from 2014 to 2016 goes with the expansion of the mining operations. The spillover impact of the mining operations in the island is strongly felt in the economic value chain as more small-scale investors or entrepreneurs grow, contributing to the island's economic activity spurring economic growth.

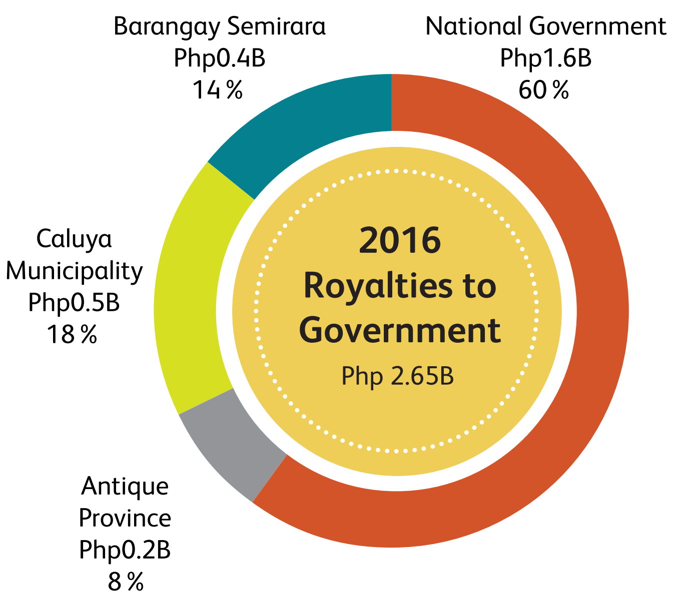
Moreover, local contractors continue to be hired for the building and maintenance of the buildings, roads, housing facilities, sports and recreation facilities, as well as the fabrication and maintenance of equipment.

Our Company also continues to support and provide livelihood opportunities for the local fisher folk via the Semirara Fishing Association (SEMFA) and Community Relations (ComRel) fishing groups.

In supporting local suppliers and livelihood development, we help create growth and deliver economic benefits to our host communities.

Mining Royalties

In 2016, over Php2.65 billion in royalty payments were turned over to the Department of Energy, over 47 % higher than the Php1.796 billion paid the previous year. Of the Php2.65 billion, more than Php1 billion went to the local government units where SMPC operates under a sharing scheme between the Province of Antique (20 %), the Municipality of Caluya (45 %), and Barangay Semirara (35 %).



SMPC's presence in the area has helped elevate Caluya from being a fourth-class municipality in 2004 to a first-class municipality in 2007, a category it retains until today. In a span of five years, Caluya received royalty payments of over Php1.4 billion, making them the richest municipality in the Province of Antique.

By law, local government units (LGUs) are entitled to receive 40 % of royalty proceeds from petroleum, coal, geothermal, hydrothermal, and wind resources. The June 2016 report from the Department of Budget and Management showed the Company's remittances in 2015 accounted for 83 % of the Php2.2 billion total government royalty collections from energy resource and production. Among the regions, SMPC's host region, Western Visayas, received the biggest LGU share at Php724,893.81.

Since the Company's acquisition by DMCI Holdings in 1997, our accumulated royalty payments to the national government have exceeded Php13.5 billion.

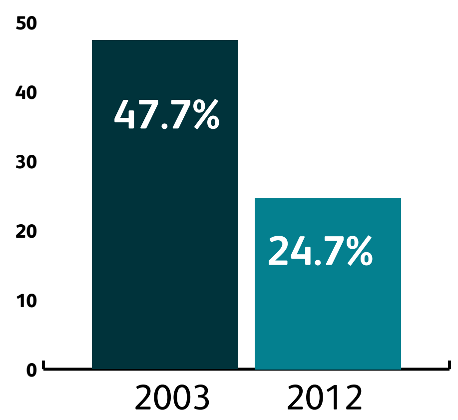
Poverty Index

The October 2016 report by the Philippine Statistics Authority shows that the Province of Antique has experienced a reduced incidence of poverty among its population from 51.7 in 2006 to 36.7 in 2015.

In Caluya alone, the latest information from the City and Municipal Level Poverty Estimates shows that the poverty index has been reduced from 47 % in 2003 to 24.7 percent in 2012.

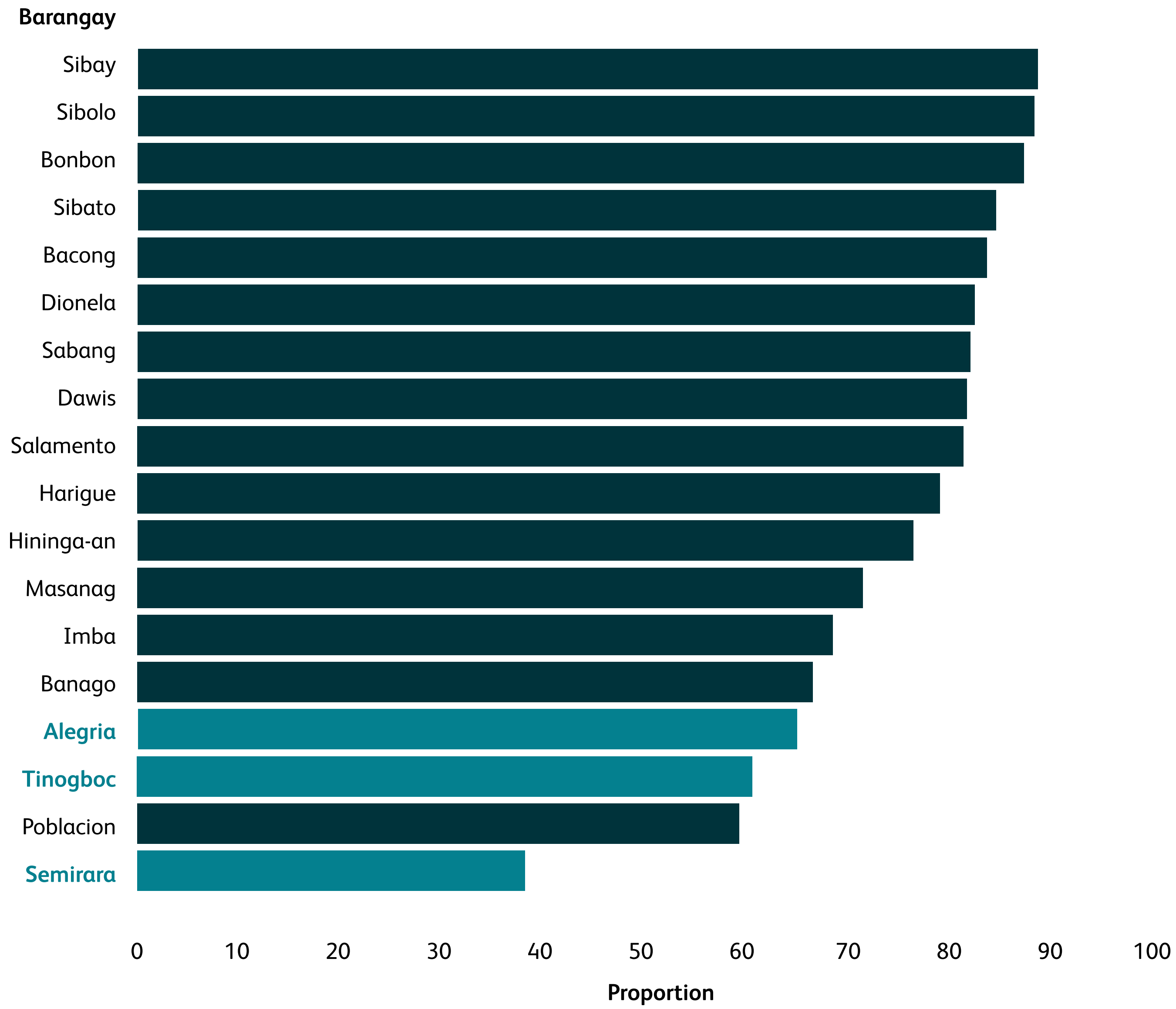
In Barangay Semirara, poverty incidence is significantly lower at 5.79 % according to latest data (2015) from the Municipal Social Welfare and Development Office.

POVERTY INCIDENCE IN CALUYA, ANTIQUE



We continue to strive for the alleviation of poverty levels by providing employment opportunities to our host communities. According to the 2012 and 2015 Family Income and Expenditure Survey of the Philippine Statistics Authority, the average household income in the company's host region, Western Visayas, has increased from Php202,000 in 2012 to Php226,000 in 2015. In the Community-Based Monitoring System (CBMS) Census of 2015, eighteen (18) barangays in Caluya, Antique were subsequently measured for poverty, subsistence, and food shortage levels, where Barangay Semirara garnered the lowest scores.

2015 POVERTY THRESHOLD, MUNICIPALITY OF CALUYA



**Households with income below poverty threshold. Current thresholds are estimated, when the official is not applicable to the reference period, by projecting the official NSCB thresholds using prevailing prices. The currently used poverty thresholds are: 19047 (Rural) and 19877 (Urban).*

***Number of households with income below poverty threshold over total number of households*

Source: CBMS Census 2015

COMMUNITY

Delivering Community Self-Sufficiency

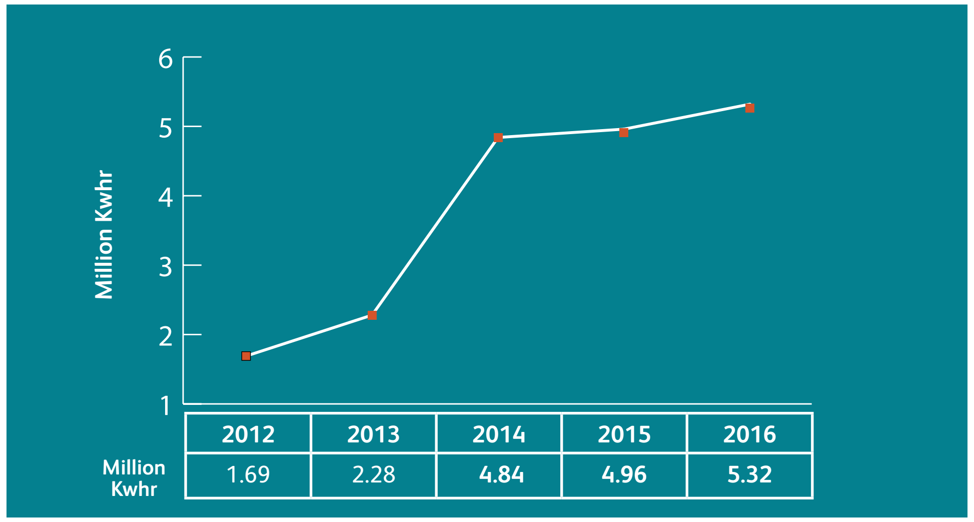
Where our business thrives, so should our host communities. Our staunch efforts through support programs and initiatives help pave the way for self-reliant, independent communities in and around Semirara Island.

Electrification

We continue to provide Semirara Island's communities with an affordable and stable supply of electricity. The power distribution lines established by the company in 1999, in cooperation with the Antique Electric Cooperative (ANTECO) remain in place and continue to serve the communities beyond the mine site and employees' village. Nearly 3,000 households are now able to utilize electronic gadgets and household appliances, as well as benefit from improved economic activities as a result of the increase in business opportunities.

At Php5.60 per kilowatt hour, our electricity rates also remain to be the cheapest nationwide—at least Php3.00 lower than the country's highest electricity rate. The cost of generating electricity is Php5.04, and while ANTECO pays SMPC Php2.50 per kilowatt hour, the company subsidizes the rest.

ELECTRICITY SHARED TO COMMUNITY, 2012-2016



Note: excludes employee housing energy usage.

Excluding the electricity consumed by company housing, SMPC's subsidies for 2016 amounted to Php8.9 million for 3,560,081 kilowatt hours of electricity. Inclusive of company housing, a total 10,873,966 kilowatt hours was consumed in 2016.

Solar Power Support

We recognize and provide recompense for the contribution made by the local government units (LGUs) in our host communities. Part of our ongoing efforts in driving community self-sufficiency is to provide technical upgrading and rehabilitation of distribution lines to reduce electricity losses and support of the infrastructure facilities servicing the needs of the public.

A total of seventy-two (72) Solar LED lights were installed on the streetlights along the 760-meter stretch of road for Barangay Baclaran and the 680-meter long road for Barangay Dacanlao. Proceeds from the barangays' shares were used to fund the project and we provided support in securing applications to DOE. Savings from the use of the solar LED-powered streetlights for the barangays is estimated around P95/post per month.

Education and Skills Training

Skills training is an integral part of the Company's commitment to improve the lives of the people in our host communities. We provide the residents with the skills and knowledge that will allow them access to jobs and favorable employment.

Semirara Training Center, Inc .

Since its incorporation in 2006, the TESDA-registered Semirara Training Center, Inc. (STCI), had been successful in producing competent and skilled workers for SMPC. At Semirara Island, a total of 1,580 enrollees had registered by the time school year 2015-2016 had begun. To date, 1,202 (76 %) have completed their training.

Academic year 2016-2017 has seen an enrolment of 135 students in certificate courses such as Automotive Servicing NC II, Shielded Metal Arc Welding (SMAW) NC I, Machine Shop Practice NC II, Industrial Electricity NC II and Housekeeping. In accordance with course requirements, students undergo three to six months in-school training and an additional one and a half months on-the-job training.

Enrolment to STCI is also open to local residents of Semirara Island and other islands nearby. To date, 698 students from these areas have enrolled in courses such as Welding (SMAW), Automotive Servicing, Machine Shop Practice, Industrial Electricity and Mobile Equipment Servicing Technology.

SEMIRARA TRAINING CENTER, INC. PERFORMANCE 2006-2016

	From Semirara Island	Other Places	Total	Successful Graduates
Automotive servicing	140	237	377	262
Welding (SMAW)	302	259	561	458
Industrial machines servicing technology (IMST)	8	38	46	36
Mobile equipment servicing technology (MEST)	25	56	81	64
Machine shop practice	121	91	212	154
Industrial electricity	48	208	256	169
Computer network maintenance and troubleshooting (CHS)	19	0	19	17
Operation and office secretarial (PCO)	20	8	28	27
Household servicing	15	0	15	15
Total	**698**	**897**	**1595**	**1202**

Note: 135 are still in-school

Skills Training in Calaca

Similarly, in classes conducted at the SEM-Calaca Power Corporation, 65 individuals from the Calaca and Balayan areas received training in Shielded Metal Arc Welding, and Electrical Installation and Maintenance. By the end of the year, 49 of those who graduated were employed.

Livelihood

Deep-sea Fishing Project

As part of its efforts to boost the community's livelihood and food supply, our Company continues to support its deep-sea fishing project, first organized in 1999. The first beneficiaries of the project were the families relocated from the Panian site.

In 2000, they formed the Semirara Fishermen Association, or SEMFA, a duly-registered entity with the Securities and Exchange Commission. By 2001, the first mother boat became operational. With the help of experienced fishermen from the province of Mindoro, the SEMFA team became adept at the use of deep-sea fishing technology as well as other fishing techniques. This enabled them to raise their income enough to purchase an additional fishing vessel. Since then, SEMFA has increased their fleet to seven boats.

Another fishing association has also experienced much success; COMREL was established in 2008 at Sitio Villaresis, the largest coastal community in Semirara Island. COMREL has two fishing boats that continue to be operational today.

The livelihood of fishing has also invigorated the income-earning capacity of the community. To help boost these efforts, the company has provided the fisher folk an ice plant for proper storage of their catch.

2016 SEMFA and COMREL Hauls

SEMFA	COMREL
104.56 tons*	10,000 tons

** This number does not include the shares of the payao. A payao is a device used by local fisher folk to attract fish to a common location*

Also in 2016, SMPC expanded its deep-sea fishing project further by donating Php2 million to the fisher folk of Banwa in Barangay Semirara for the purchase of one fishing boat.

From 2000 to 2016, the company's outlay for deep-sea fishing is Php24,850,289.

Concrete Hollow Blocks-Making

In September 2016, our Company allocated Php1.2 million for a livelihood project, making concrete hollow blocks, for the members of the Asosasyon ng Dacanlao sa Higit na Kaunlaran (ADHIKA) Producers Cooperative. We also donated a supply of bottom ash, one of the key components of

the hollow blocks. This is an ongoing project, in compliance with Energy Regulation 1-94, that continues to strengthen the income-earning abilities of the Dacanlao residents.

Community

Bunlao Elementary School and Daycare Center

The company's commitment to providing island-wide education remains steadfast. This is the commitment the SMPC shares with the Department of Education. With buildings and classrooms conducive to learning, the community's children are more encouraged to go to school.

In 2016, Sitio Bunlao, Barangay Alegria was a recipient of new classrooms and day care centers. Twelve new classrooms were built and donated for K-12 readiness of the DWSSII (Divine Word School of Semirara Island, Inc.), a private institution tapped by the company to provide quality education in the island.

DONATED CLASSROOMS, Years 2003-2016			
YEAR	Semirara Island and other barangays of Municipality of Caluya	Municipalities of Calaca and Balayan, Batangas	TOTAL
2003	6		6
2004	4		4
2005	-		0
2006	18		18
2007	4		4
2008	6		6
2009	4		4
2010	4	-	4
2011	16	-	16
2012	16	10	26
2013	21	40	61
2014	18	6	24
2015	11	3	14
2016	16	-	16
Total	**144**	**59**	**203**

Teacher Training

One of the goals of our Company is to help improve English proficiency among the community's teachers. At the beginning of the year, SCPC sponsored the English Proficiency Lecture held at the Balayan West Central School. Under the tutelage of educator Perri Cebedo, renowned for his lectures aimed at improving the scholastic performance of students, 160 teachers from Balayan attended.

In April 2016, 48 science teachers from Calaca and Semirara Island gathered at the SCPC premises in Batangas to attend a teaching workshop, this time conducted by the Philippine Foundation for Science and Technology (PFST). Known as the Teaching Science Through Interactive Approaches workshop (TSTIA), the teachers learned innovative techniques of teaching General Science, Chemistry, and Physics to encourage active class participation, promote better absorption of knowledge by their students, and possibly inspire them to pursue science as a career.

Travelling Science Exhibit

To further inspire students, their families and teachers, the PFST also held a travelling science exhibit, sponsored by the SCPC, in the campuses of St. Paul Balayan and St. Raphael Archangel Parochial School in Calaca. It attracted a total of 3,248 students and 112 teachers.

Auxiliary Support

The SCPC facilitated the donation of an LED projector from BRAAMD, Inc., a mechanical, electrical, and instrumentation solutions company based in Sta. Rosa, Laguna, to the Madalunot Elementary School as part of their efforts to help modernize the education institutions in the area.

The company also assisted in the establishment of an ID system with an SMS feature for the Dacanlao G. Agoncillo National High School. Part of this project involved the training of teachers in the use of the system.

Health and Welfare

Health Care

The Semirara Mining Corporation Hospital was established to serve the medical needs of the SMPC employees and their dependents, and also the communities in the municipality of Caluya. To date, it is still the only infirmary health facility hospital in the island.

	Number
SMPC employees	3,989
SMPC dependents	3,989
Communities	3,936
Total consultations	**11,616**

HOSPITAL PERSONNEL

5 MEDICAL DOCTORS

2 DENTISTS

2 MED TECH

1 X-RAY TECH

8 NURSES

1 MIDWIFE

3 NURSE AIDS/ PHARMACY ASSISTANTS

1 RECORDS CLERK

3 INSTITUTIONAL WORKERS

As part of its efforts to upgrade the hospital's services, SMPC provided a new Mobillette Mira digital X-Ray machine for the medical facility. The company also ensures that pregnant women have an opportunity to monitor their babies' progress with the help of a Manila-based sonologist who visits the hospital every month to conduct ultrasound tests.

The company's holistic health program for its employees continues. This covers a mandatory Annual Physical Exam (APE) that includes medical and dental check-ups. The hospital also provides SMPC employees with Basic Life Support training.

Over the years, the Company continues to support the Barangay Health Workers (BHW) programs and activities. Lectures and trainings are given with the help of company medical personnel.

Free Clinic and Feeding Program

In partnership with the Barangay Health Workers, the company provided free clinical services throughout the year to the children of various barangays along with a feeding program. The communities covered were from Barangays Sampaga, Balayan (52 children served), San Rafael (285), Dacanlao (54), Calantas (22), Baclaran (60).

Blood Drive

SCPC employees and affiliates likewise did their part by participating in a voluntary blood donation project for the Batangas Regional Hospital. Residents of Barangay Baclaran also donated to their blood stock, as did those who participated in the bloodletting at the St. Raphael Archangel Parish Multi-purpose Cooperative.

Medical missions

Throughout the year, the SCPC partnered with the Philippine Air Force, the Knights of Columbus-Balayan Chapter, Daughters of Mary Immaculate-Balayan Chapter, and the Junior Chamber International for the quarterly Medical-Dental Mission and Operation Tuli. The company allotted Php960,000 for these missions, which benefitted the communities of Barangays Baclaran, Calantas, Quisumbing, and Coral ni Lopez.

PFST/Children's Hour Feeding Program

The Philippine Foundation for Science and Technology (PFST), together with the SCPC and the non-profit organization, Children's Hour, initiated a feeding program for undernourished students of the Calaca Central School (60 students) and the Madalunot Elementary School (40 students).

Gulayan sa Paaralan

In 2016, the Department of Education (DepEd) sought to boost their School-based Feeding Program (SBFP) by mandating all public schools to implement the Gulayan sa Paaralan Program (GPP). This provides a source of ingredients for the SBFP as well as for meals at home. The DepEd hopes to improve the nutritional status of undernourished public school children and address the issue of short-term hunger.

In support of this project, SCPC donated Php118,000 worth of vegetable seedlings, garden soil, vermiworms, steel drums (for use as vegetable receptacles), and wind break screens to the Gulayan sa Paaralan Programs of the Dacanlao G. Agoncillo National High School and the Gregorio Paradero Elementary School.

Emergency Preparedness

The safety and security of SMPC and SCPC employees continue to be of paramount importance. However, the company also ensures that this culture of safety extends to the communities in both Semirara Island and Calaca, as well as some nearby areas.

Semirara Island Emergency Action Group

The Semirara Mining and Power Corporation spearheaded the creation of the Semirara Island Emergency Action Group (SIEAG), which is composed of the barangay officials of Tinogboc, Alegria, Semirara, the local government of Caluya, the Philippine National Police, and the Philippine Coastguard.

The parties involved signed a Memorandum of Agreement for Boosting Emergency Preparedness on Semirara Island. That year, the group participated in the first of a series of workshops for the barangay leaders to arm them with disaster management skills, including improving coordination and communication among themselves during emergencies. Other training workshops focused on the volunteer-responders from all barangays, SMPC housing, and various other community groups. The workshops were managed by the Provincial Disaster Risk Reduction and Management Office. Through this public-private partnership, Barangay Semirara won 1st Place as Best Barangay Disaster Risk Reduction Management Committee Urban Barangay Category in Western Visayas in December 2016.

Rapid Earthquake Damage Assessment System

In partnership with Philippine Atmospheric, Geophysical and Astronomical Services Administration under the Department of Science and Technology (PAGASA-DOST), the company sponsored the training of local government unit representatives of the First District and coastal municipalities of Batangas in the use of the Rapid Earthquake Damage Assessment System (REDAS). REDAS is a software program that simulates hazards and risks posed by earthquakes and helps local officials estimate a seismic event's impact on the community as well as determine areas that would need immediate rescue and relief.

Disaster Preparedness, Management, and Emergency Response

The company also sponsored seminars on Disaster Preparedness, Disaster Management, and Emergency Response for the community. Held at the SCPC premises, representatives from the barangays of Baclaran and San Rafael, and the municipality of Calaca received training on prediction and possible prevention of certain disasters, preparation, impact mitigation on the communities, and handling the aftermath.

SAFETY

Delivering A Culture of Safety

The nature of our business demands an uncompromising approach to safety. The safety of our people, partners, and host communities take absolute precedence by ensuring high performance and strict adherence to our safety management systems.

Our Safety Strategy

Safety is fundamental to all our stakeholders and we single-mindedly strive to consistently achieve our safety goals through collective responsibility and commitment. We continually improve our safety strategies that focus on building a resilient safety culture across our operations, developing passionate safety leaders, and the continuous enhancement of our management systems.

OUR SHORT- AND MEDIUM-TERM SAFETY GOALS

- Zero Fatality
- 50-75 % Reduced Injury
- Resilient safety maturity stage
- OHSAS 18001:2007 certifications of Power segment

Safety performance is at the forefront of our initiatives. Since 2008, our conformance to conducting our mining operations within the standards of OHSAS 18001:2007 Occupational Health and Safety Management System demonstrates our commitment to creating a safe, enabling environment for our employees, business partners, and contractors. Likewise, our strategic priority is to attain the certification to the same international standards for our power subsidiaries.

Mining Safety

Proactivity and resilience are the key components in our safety culture where the top-of-mind goal is to prevent incidents before they occur.

We continue to reinforce this safety journey and ownership via safety tool box meetings, increased safety patrol inspection and activities, safety audits, near-miss reporting and enforcement of safety ticket violations.

Our safety program empowers our workforce at all levels to identify risks better, manage activities in a manner that minimizes hazards, eliminate unsafe incidents, and promote safety excellence in the performance of our operations.

OUR SAFETY INITIATIVES

- Enhanced incident investigation reports and root cause analysis
- Improved safety patrols
- Revamped permit-to-work system
- Established traffic management and emergency plan

One of the early benefits of these safety initiatives is the significant reduction of recorded safety violations.

We continue to provide opportunities for interaction to improve our safety performance and reinforce safety culture. To further emphasize accountability and the need to report near-miss incidents, we implemented the Departmental Performance Measure, which is monitored through our monthly Integrated Management System (IMS) Meetings. ESH performance of all departments is also measured and evaluated during monthly Central Safety Committee (CSC) meetings.

In 2016, we continued to maintain our focus on safety training and education using various modalities and approaches that are cascaded to all levels of our workforce.

MINING SAFETY REMEDIATION PROGRAM

STRENGTHENING ORGANIZATION STRUCTURE
With redefined clear authorities, ownership and accountability for safety across all levels

UPGRADED MINING PROTOCOLS
Pit geometry re-established jointly with the Department of Energy and Geotecnica Corp.:
- Overall slope and bench slope parameters and safety factor for in situ and backfill materials
- Buffer zone for every three benches at 30 m high and less than 30 m wide

Ground water management – with additional dewatering wells placement, piezometer monitoring and installation of weep holes where required

Construction of drainage canals – to intercept and direct water movement

PIT WALL MONITORING
Robotic Total Station – with 122 Prisms currently installed every 100 m at every other bench, and additional prisms as required by radar data; with established criteria for in situ and backfill and action program for emergency

24/7 Slope Stability Radar system – with established criteria and action program for emergency/landslide preparedness

SAFETY TRAINING PROGRAM
Intensified safety trainings and ownership culture building

OUR MINING SAFETY PERFORMANCE

	2016	2015
No. of Non-Lost Time Accidents, Non-Fatal	75	59
No. of Lost Time Accidents, Non-Fatal	11	0
No. of Lost Time Accidents, Fatal	0/4**	9*
Lost Work Days	62	54,000
Total Manhours Worked	13,493,937	9,010,085
Lost Time Injury Rate or Frequency Rate	0.82	1
Severity Rate	4.59	5993.28

*From July 17,2015 mine pit incident
** Four (4) fatalities involving contractors at auxiliary facilities

OUR MINING SAFETY MILESTONES AND PROGRAMS

1. Improved and time-bound incident investigation process
2. Revamped safety patrol and improved reporting procedures
3. Enhanced Permit-to-Work system
4. ESH trainings to all levels of the organization
5. Emergency Preparedness and Response (EPR) teams, trainings and drills
6. Review of risk assessment
7. Embedded ESH criteria in performance evaluation
8. Established traffic management and emergency evacuation plan in mine and auxiliaries and offices
9. Enhanced safety competencies of safety personnel and Slope Stability Radar (SSR)

Power Safety

The safety of our workforce, contractors, and plant visitors is our top priority, with heavy emphasis on achieving zero harm.

Our Power segment had no fatality and recorded no Lost Time Accidents during the year. However, our Total Reportable Non-Disabling Injuries increased from four (4) incidents in 2015 to eight (8) incidents in 2016.

In response to the increase in workplace injuries, we reinforced our safety leadership intervention program and implemented safety improvement initiatives at all levels to ensure our employees and contractors understand their roles and responsibilities in creating a safe workplace at all times.

OUR POWER SAFETY PERFORMANCE

	2016	2015
No. of Non-Lost Time Accidents, Non-Fatal	8	4
No. of Lost Time Accidents, Non-Fatal	0	0
No. of Lost Time Accidents, Fatal	0/1*	0
Lost Work Days	0	0
Total Manhours Worked	714,796	843,880
Lost Time Injury Rate or Frequency Rate	0	0
Severity Rate	0	0

*One (1) fatality involving contractor at auxiliary facility

Contractor Safety

Our total workforce had zero fatality in 2016. Regrettably, despite our best efforts, there were four (4) fatalities involving contractors at a mine site auxiliary facility and one (1) fatality of a contractor at the power plant site auxiliary facility. We strongly believe that any loss of life while on company premises is unacceptable and that contractor safety is given equal priority as that of our employees. We conducted impartial investigations to discern the cause and the required remedial actions to ensure improved safety performance.

All contractors are required to undergo an extensive Contractors Safety Awareness program, among others. This control improvement program aims to improve our safety practices and enhance contractors' knowledge and competence to avoid future recurrence.

OUR POWER SAFETY MILESTONES AND PROGRAMS

- Safety Training Program in all levels of the organization
- Hazard Prevention and Control Program for improved Non-LTA:
  a. Equipment Safety Audit
  b. 5S and Housekeeping Audit
  c. Fire Protection System Inspection
- Compliance to Workplace Inspection and Job Hazard Analysis
- Development, implementation and monitoring of departmental Risk Assessment process
- Fire Safety training and earthquake drill (near barangay) in sponsorship with the Provincial Disaster Risk Reduction Management Council
- Emergency Preparedness program - Fire and Earthquake Drills

PEOPLE

Delivering A Passionate and Empowered Corporate Culture

As an integrated power enterprise, we recognize the source and inspiration of our energy lies in our people. Part of our continued commitment is to ensure work excellence and optimize employee motivations towards a passionate and empowered corporate culture.

Our Human Resources Strategy

Our strategy is to align our human resources programs to develop an optimal workforce that drives business growth. To bring out the potential in our employees, we implement programs that address retention, performance, and sustainable employee engagement.

We invest in our people through an employee value proposition that offers opportunities for growth and development, as well as competitive rewards and benefits that are clearly linked and aligned to individual performance, business performance, and our strategic goals.

OUR SHORT- AND MEDIUM-TERM PEOPLE GOALS

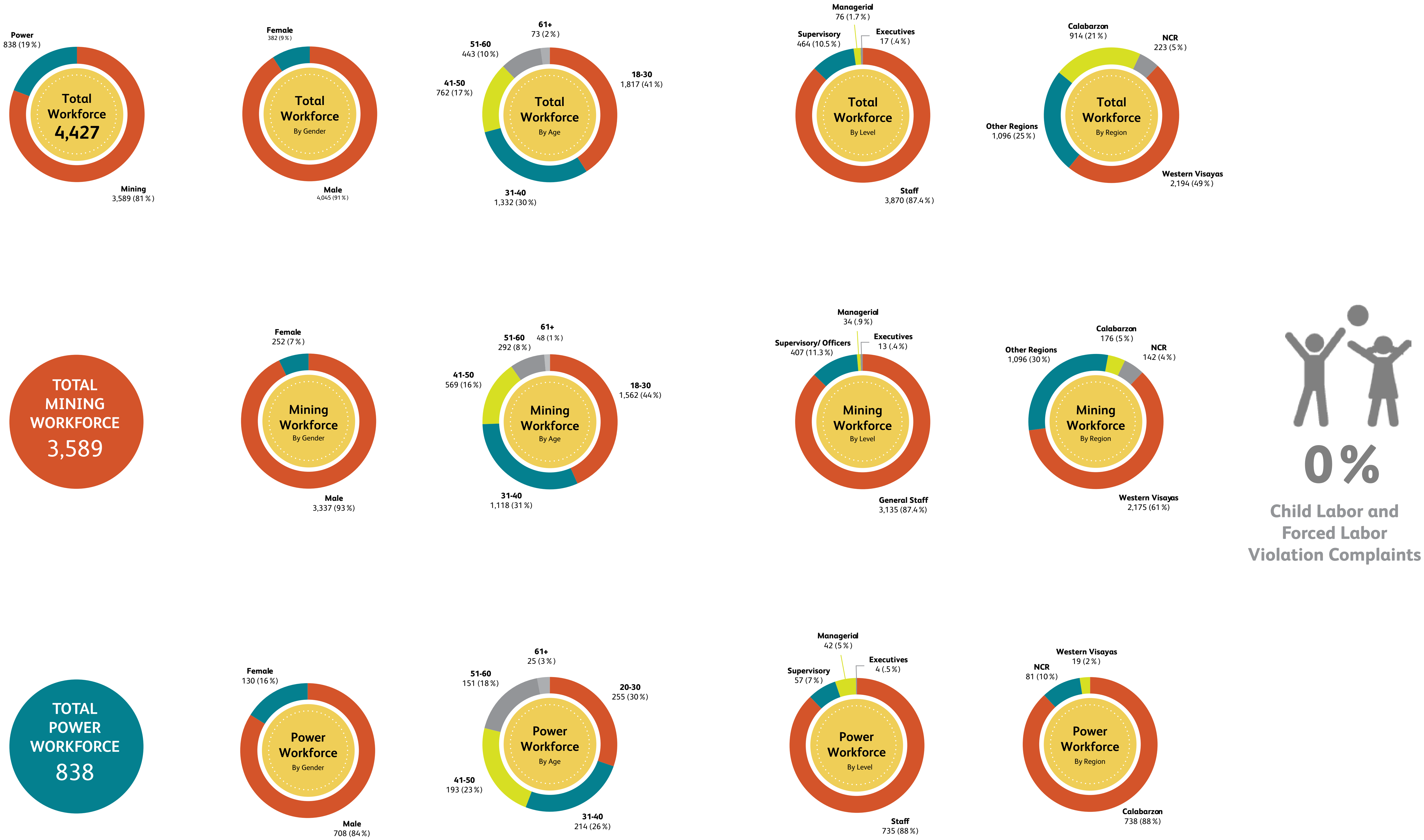
- People excellence
- Leadership development
- Succession readiness
- Integrated Management System certification of Power subsidiaries

Culture

Ethical and professional conduct borne of policies promoting business sustainability is the cornerstone of good corporate governance. Our Code of Conduct and Business Ethics (Code) remains as our guide in understanding the varied nuances and complexities of the workplace.

We believe in fair treatment for all. We do not tolerate discrimination and harassment on the basis of gender, race, skin color, religion, age, or disability. Any form of harassment, whether in the workplace or outside work hours, is strictly prohibited. Our compensation policy promotes a merit-based performance pay regardless of gender.

In 2016, the total women in our workforce accounted at 9% from 7% in 2015, with Mining segment at 7% from 2015's 6%), and the Power segment 16% (from 2015's 14%).


Total Workforce 4,427
Power 838 (19%)
Mining 3,589 (81%)
Total Workforce By Gender
Female 382 (9%)
Male 4,045 (91%)
Total Workforce By Age
61+ 73 (2%)
51-60 443 (10%)
41-50 762 (17%)
18-30 1,817 (41%)
31-40 1,332 (30%)
Total Workforce By Level
Managerial 76 (1.7%)
Supervisory 464 (10.5%)
Executives 17 (.4%)
Staff 3,870 (87.4%)
Total Workforce By Region
Calabarzon 914 (21%)
NCR 223 (5%)
Other Regions 1,096 (25%)
Western Visayas 2,194 (49%)
TOTAL MINING WORKFORCE 3,589
Mining Workforce By Gender
Female 252 (7%)
Male 3,337 (93%)
Mining Workforce By Age
61+ 48 (1%)
51-60 292 (8%)
41-50 569 (16%)
18-30 1,562 (44%)
31-40 1,118 (31%)
Mining Workforce By Level
Managerial 34 (.9%)
Supervisory/ Officers 407 (11.3%)
Executives 13 (.4%)
General Staff 3,135 (87.4%)
Mining Workforce By Region
Calabarzon 176 (5%)
Other Regions 1,096 (30%)
NCR 142 (4%)
Western Visayas 2,175 (61%)
0%
Child Labor and Forced Labor Violation Complaints
TOTAL POWER WORKFORCE 838
Power Workforce By Gender
Female 130 (16%)
Male 708 (84%)
Power Workforce By Age
61+ 25 (3%)
51-60 151 (18%)
20-30 255 (30%)
41-50 193 (23%)
31-40 214 (26%)
Power Workforce By Level
Managerial 42 (5%)
Supervisory 57 (7%)
Executives 4 (.5%)
Staff 735 (88%)
Power Workforce By Region
Western Visayas 19 (2%)
NCR 81 (10%)
Calabarzon 738 (88%)

Our Code of Conduct and Business Ethics is cascaded to all leaders and employees to ensure awareness, good governance, and compliance during on-boarding of new hires and regular orientation and refresher trainings. To reinforce understanding and knowledge, digitized formats in English and Tagalog versions of the Code were issued in 2016.

CODE OF CONDUCT AND BUSINESS ETHICS

Our Code of Conduct and Business Ethics (Code) affirms our standards of professional and ethical business conduct, workplace safety and environmental responsibilities.

It is underpinned by the principles of the observance of the law, respect for the environment, safety, insider trading, fair dealings, confidentiality of information, accounting and financial reporting integrity, corporate and charitable giving, among others.

The Audit Committee administers the Code for Directors and Officers, while the Human Resources Management is primarily responsible for implementing and administering its compliance by employees.

We observe due process and procedures in the implementation of the provisions of the Code at all times. Sanctions such as reprimand, suspension and/or termination are imposed, as appropriate.

We regularly conduct Code orientations and reorientations to new and existing employees and full-time service providers, as part of our culture-building, corporate values reinforcement and ethical conduct.

All Directors, Officers and Employees are required to annually certify compliance with the Code, and submit an Annual Disclosure Statement of any financial, business or personal interests or dealings with the Company or its subsidiaries.

Our principal contractors and consultants, in the course of fulfilling their contractual duties to the Company, are likewise expected to adhere to the provisions of the Code.

The Code is available on our intranet and website to facilitate stakeholder access.

SUBSIDIARY GOOD GOVERNANCE

We have cascaded down to our Power subsidiaries our Code of Corporate Governance as their overall corporate governance framework.

Good governance initiatives and policies such as the Code of Conduct and Business Ethics, Business Interest Disclosure, Related Party Transaction Policy and ERM Policy, among others, are implemented to ensure a consistent culture of fairness, integrity, transparency, accountability and performance across the organization.

Performance and Rewards

We adopt an integrated strategy for managing talent and rewards. It is our remuneration philosophy to closely link overall compensation with individual performance, company performance and shareholder value.

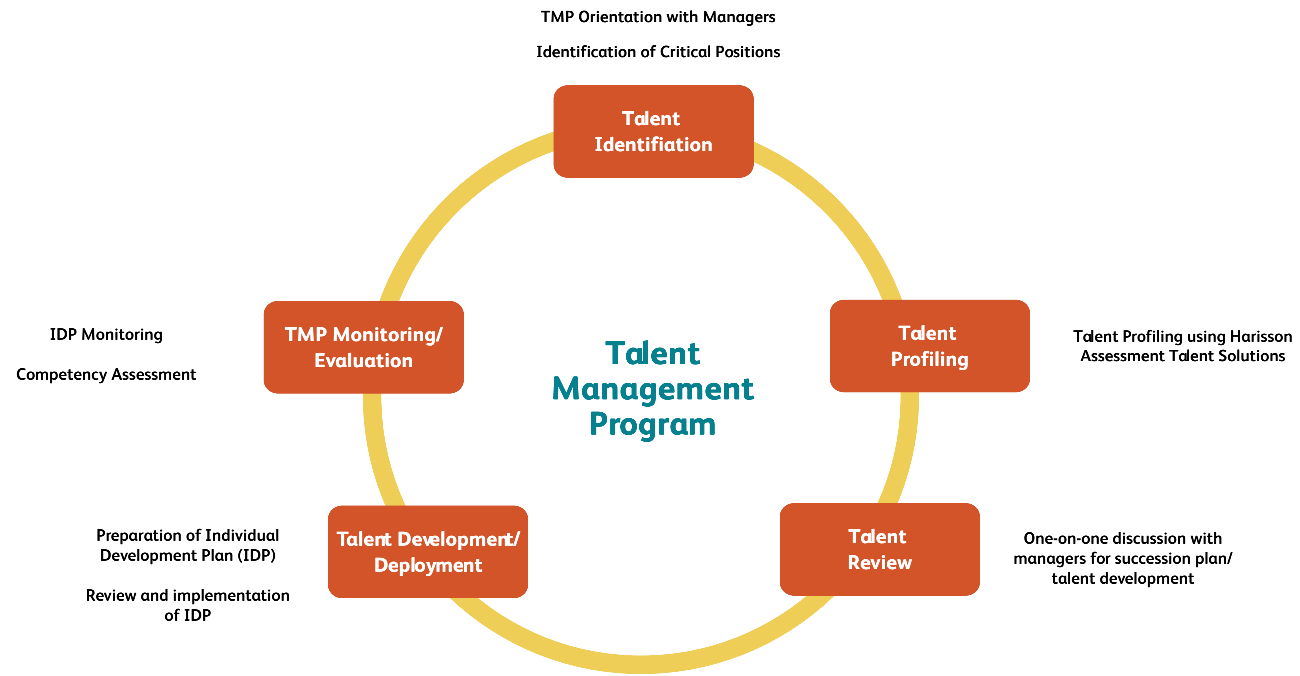
Our core values of teamwork, excellence, integrity and professionalism are embedded in a performance management framework that drives and rewards employees who perform to the highest ethical and quality standards.

Regular performance appraisal ensures that talent and contributions to the Company are recognized and rewarded accordingly. Behavioral Key Performance Indicators on team effectiveness, ethics, governance and commitment to Environment, Safety and Health (ESH) are integrated in our work performance process.

Employees undergo bi-annual performance discussions with their immediate superior. The results of performance assessments are reviewed consistently to identify opportunities for improvement and reward performers.

HOW WE MANAGE PERFORMANCE

- At the beginning of the year, the departments throughout our organization develop a Balanced Scorecard comprising of Performance Objectives, Targets and Programs (OTPs) that are aligned with our strategic and operational plans.
- Key Performance Indicators (KPIs) for measuring employee performance are set and agreed with Management and communicated to all levels.
- Management conducts performance monitoring and reporting of the OTPs on individual and functional levels through periodic meetings with department heads. These performance monitoring meetings are designed to enhance teamwork, collaboration, fairness and transparency among the business units.



We continue to benchmark our talent and rewards management against those of our comparables with the aim of improving employee productivity and incentivization.

Talent Development

From training courses, workshops, to apprenticeships, we continually provide platforms that help improve employee competencies and expand our workforce in support of our business needs.

In 2016, we have successfully mounted Learning and Development (L&D) programs and addressed further Individual Development Plans to strengthen the employees' competencies.

OUR L&D PROGRAMS AND MILESTONES

- Cadetship Program - The Cadets, together with our young Engineers and Supervisors, address competency requirements critical to the initial phase of the Asset Management Project.
- Equipment Operatorship Program - a functional counterpart of the Cadetship Program, implemented as a succession program for retiring Equipment Operators
- Training Course in ABB Singapore - to learn the engineering of a complete control project using the Extended Automation System 800xA with AC 800M controllers and Control Builder as the engineering tool to manage the existing SCPC's DCS
- Power Plant Fundamental Course for Non-Technical Personnel - focuses on PCB and CFB technology
- Highly-specialized training on Vibration Analysis, AVR Seminar with Alstom Engineering
- Monthly Operations Training for all Operations personnel
- Scaffolding Training (NC II Certification) and Forklift Training (NC II Certification)

Leadership Continuity

To ensure sustainable leadership needs, our Company identifies and prepares potential talent and assets and primes them for future leadership.

Under the Talent Management Program (TMP), more employees are engaged in the Individual Development Plan (IDP). Initially, the Corporate Office ran the program for managers, identifying one senior or junior supervisor as the protégé per department. These junior/senior supervisors underwent core leadership trainings and continue to receive wide-range coaching, mentoring, and shadowing.

Intensifying and measuring the supervisors' development, supervisors are tasked to share knowledge and prepare IDPs for their direct reports. We aim to replicate the Individual Development Plan across the enterprise for the sustained personal and professional development of our employees. This program enhances the critical-thinking, communication, and rapport-building skills of identified leaders.

Our Formative Management and Leadership Training course Level 1 Management Development Program aims to achieve organic growth of more leaders in the organization. In 2016, thirty-one (31) managers and supervisors, along with sixty-eight (68) managers and supervisors from affiliates and subsidiaries, participated in our first batch training that involved 120 hours.

Our 2017 strategic priority will continue to focus on our critical human capital driver.

OUR CORE LEADERSHIP TRAINING PROGRAMS
- HR Training for Line Managers
- Performance Management
- Problem-Solving and Decision-Making
- People-Handling
- Coaching and Mentoring

Integrated Management System

Since 2008, our Mining segment's human resource management processes are firmly rooted in our strong human capital and are guided by a continuing conformance with our Integrated Management System (IMS).

In 2016, our Power segment undertook major preparations for an IMS certification on Quality, Environment and Occupational Health and Safety management systems for the coming years. A Technical Services Department (TSD) was established to improve plant processes for sustained monitoring and implementation of our different projects.

2016 NUMBER OF COACHEES

143%

56

vs. 23 in 2015

2016 TOTAL COACHING HOURS

271%

871

vs. 235 in 2015

OUR IMS MILESTONES AND INITATIVES
- Improved integration, efficiency and effectiveness of HR Information System
- Enhanced leadership and oversight through monthly IMS meetings which fostered a venue of information-sharing and improved on interdepartmental communication covering mine site and corporate office.
- Improved monitoring of effectiveness of Objectives, Targets and Programs (OTP)
- Improved IMS mindset across the enterprise
- Released and conducted critical Environment, Safety and Health (ESH) and IMS skills training module, such as: Chemical Handling Training, Incident Investigation and Root Cause Analysis, Document Management System, Hazard Identification and Risk Assessment
- Streamlined key business processes of IMS as well as improved ESH-related incident investigation by implementing ICAM Incident Investigation Methodology
- Improved IMS Internal Auditing process focusing on critical performance areas
- Skills building of IMS Internal Auditors

MINING WORKFORCE TRAINING 2016

Training Category	Executives	Managers	Supervisors	Staff	Total
Environment, Health and Safety	60	376	3,239	10,279	13,954
Leadership Training		82	781	852	1,715
Quality Management Systems Training	120	212	1,400	3,920	5,652
Professional Development	121	198	1,725	1,918	3,962
Behavioral Training		24	556	4,648	5,228
No. of Training Hours	301	892	7,701	21,617	30,511
Training Hours per Category %	1 %	3 %	25 %	71 %	100 %
Number of Mining Workforce	13	34	406	3,136	3,589
Average training hours per level	23	26	19	7	9
Total 2016 Training Spend					P2,361,411
Average Training Spend per Mining Workforce					P658

POWER WORKFORCE TRAINING 2016

Training Category	Executives	Managers	Supervisors	Staff	Total
Professional & Technical Development	16	976	1,947	11,795	14,734
Leadership	48	1,776	1,824	1,712	5,360
Quality Management Systems	145	1,258	670	1,801	3,874
Environment, Health and Safety	10	528	1,476	9,097	11,111
Behavioral	67	278	206	2,252	2,803
No. of Training Hours	286	4,816	6,123	26,657	37,882
Training Hours per Category %	1 %	13 %	16 %	70 %	100 %
Number of Power Workforce	4	40	59	735	838
Average training hours per level	72	120	104	36	45
Total 2016 Training Spend					P4,942,045
Average Training Spend per Power Workforce					P5,883

Occupational Health and Wellness

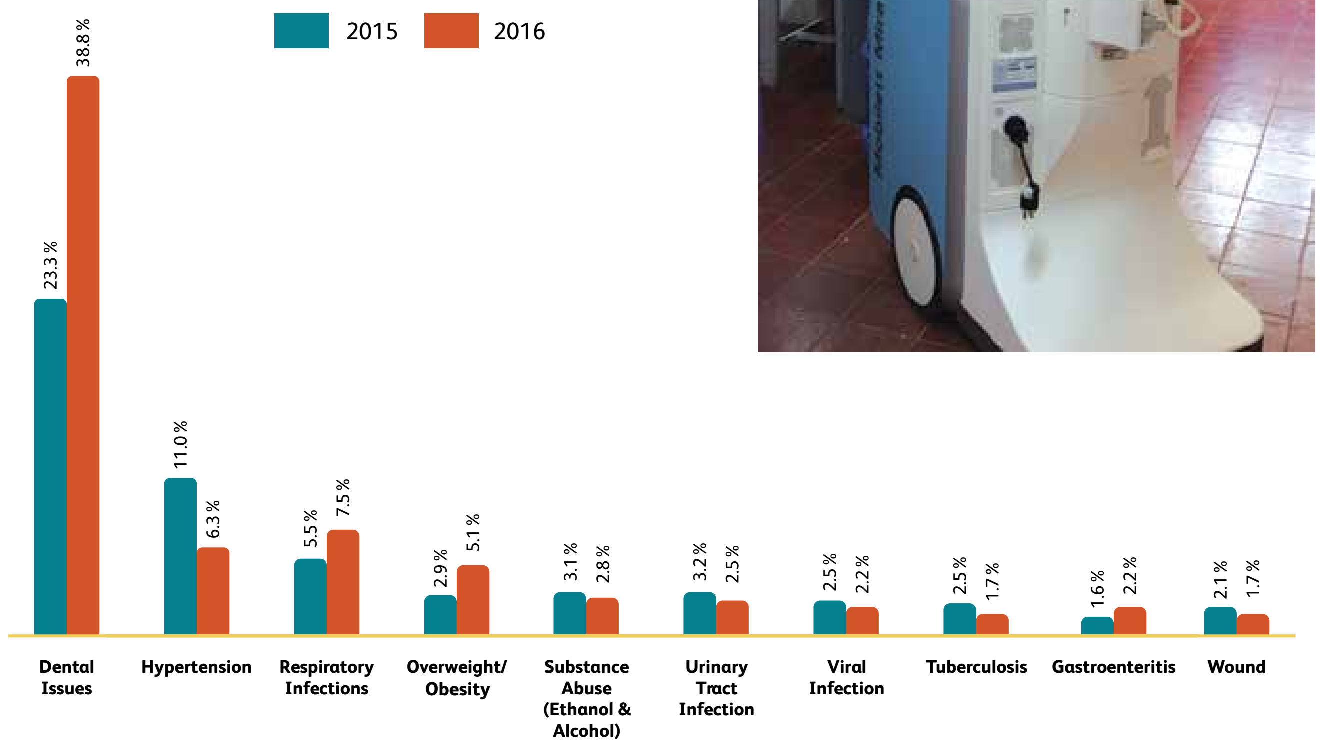
Our Company's pledge to promote employee health and wellness remains steadfast. Preparing for the shift from OHSAS 18001:2007 to the new standards of the 2015, concerted efforts were made to attain 100% completion of employee Annual Physical Examinations (APE). While still behind target, the initiative did yield a 300% increase of APEs compared to the previous year. This enabled us to better capture the pulse of employee health to further enhance and create targeted programs.

The onset of ISO changes also fostered a re-alignment of our strategic health and wellness goals. Focusing on patient-centeredness, we moved from having a reactionary stance to taking a proactive, preventive approach, involving possible lifestyle-related changes to address pertinent health issues.

OUR OCCUPATIONAL HEALTH AND WELLNESS MILESTONES

- Increased partnerships with external health service providers (Antique Medical Centre, St. Paul's Hospital Iloilo, and MedExpress)
- Implementation of the Drug-Free Workplace Program
- Flu vaccines for mine site employees aged 50 years and older
- Holistic Lifestyle and Substance Dependence talks conducted for all mine site employees

2016 MINESITE WORKFORCE HEALTH CENSUS



Employee Benefits

We provide our full-time employees with a number of benefits to help address their health and welfare needs.

List of Benefits to Full-time Employees		
Gov't Mandated Benefits	**Additional Company Benefits**	**CBA**
SSS Contribution	Life and Accident Insurance	In-House Health Care (R&F)
Pag – Ibig (HDMF) Contribution	Health Care Insurance	1 sack milled rice every 2 mos. (R&F)
Phil Health Contribution	Sick Leave Credits after first year of employment – 15 days after one year	Service Award (R&F) depends on yrs of service (5,10, 15 20 yrs)
13th Month Pay	Vacation Leave Credits after first year of employment – 15 days per year	Bereavement Financial assistance
Maternity Leave – 60 up to 78 days	Free primary medical services–including basic dental services– to mine site workers & their dependents	Emergency leave – 4 days/year
Paternity Leave – 7 days	Bereavement Leave – 4 days per covered family member	Medicine Allowance upon anniversary (R&F)
Solo Parent Leave – 7 days	Medicine Allowance	Relocation allowance (upon retirement)
Special Gynecological Surgery Leave Benefits for Women – two months	Free Housing – Mine Site	
Anti-Violence Against Women and Children – 10 days	Free Power Allocation (R&F-300mw/mo. ; Jr Staff-600mw/mo.; Sr staff:800mw/mo.) and Water utilities – Mine Site	
Retirement Benefit (RA 7641) – Your Company has a funded, noncontributory defined benefit plan, SMPC Retirement plan	Free Education (K to 12) for dependents – Mine Site	
	Dormitory for employees residing more than 36 kms. away from the Calaca Plant	
	In-House Health Care clinic - Calaca Plant	

TOTAL COMMUNITY SERVICE HOURS RENDERED BY POWER WORKFORCE

Activities	No. of Sessions	Employees Volunteers Hours	Affiliates Volunteer Hours	Contractors Volunteer Hours
Blood Donation	2	584	448	488
Free Clinic with Feeding	5	200		
Medical Mission	4	776	8	
River Clean-up	1	268		
Walking and Coastal Clean-up	2	412		
Walking and River Clean-up	1	744		
Walking and Tree Planting	4	810		160
TOTAL	**19**	**3,794**	**456**	**648**

Some of our Employee Engagement Platforms

2016

JANUARY

FEBRUARY
Outreach Program
Teaching Out-of-School Youth at Brgy. Balibago activity starts from Feb to June 2016

MARCH
Semirara Earth Hour participated by the whole community and employees of SMPC, an annual environmental campaign that brings attention to the effect of Climate Change

APRIL
The Employee Town Hall Series was launched and has been subsequently held every last month of each quarter since then. Several batches of employee town halls were organized each quarter to allow employees two-way communication and to receive first-hand information on important organizational and plant performance updates and announcements

MAY
Tiriripon Festival
Participated in by employees, dependents, and students. The festival commemorates a culture that once flourished in the shores of Antique. The idea is to rekindle the noble spirit of the past and conquer the future for its people.

JUNE
Delivering Power with Pride and Integrity Photo Contest to drive increase awareness and commitment to the company values and code of conduct

JULY
The Employee Townhall Series was launched and has been subsequently held every last month of each quarter since then. Several batches of employee townhalls were organized each quarter to allow employees two-way communication and to receive first-hand information on important organizational and plant performance updates and announcements

JULY
Audiometry Test
part of the health surveillance "duty of care" requirements of the Company to its employees and the people living in the community especially those assigned near PowerPlant and Humic plant

AUGUST
Tree Planting Part of the Rehabilitation of Unong lake
This was spearheaded by employees in partnership with several members of the community as an annual event to add more Agoho trees at the Unong lake.

SEPTEMBER
Semirara Island Emergency Action Group (SI –EAG) Operations Center
Enlisted and mobilized volunteers to support the various activities of the SI-EAG during an Emergency situation in the Island to ensure proper manning and safe performance by enlisted volunteers of key functions during emergency

OCTOBER
Mine Tour Facilitation
Develop minesite staff that can be tapped during mine visits to effectively communicate the Company's operations and initiatives

NOVEMBER
Founding of the Mountaineering Club, by the Calaca Power Complex Leadership Team . The team aims to advocate physical fitness through hiking and environmental stewardship by clearing and growing trees on surrounding mountains of the Calaca Power Complex. Mt. Talamitam in Nasugbu, Batangas was chosen as the group's first climb

NOVEMBER
Mangrove Planting
sponsored by Semirara Multi-Purpose Cooperative (SEMCO) to propagate new breed of mangroves at Sitio Suja and grow more mangroves in the island

NOVEMBER
Christmas from Trash:
A Christmas Lantern-Making Competition

DECEMBER
Pilot run of Share A Gift, an annual gift-giving activity of our workforce to the less-fortunate members of the different host communities

DECEMBER
Medical Mission for Senior Citizens (Brgys. Semirara, Tinogbok & Alegria)
Employees travelled with a group of physicians and nurses to conduct basic medical assistance for senior citizens

DECEMBER

ENTERPRISE RISK MANAGEMENT

Delivering effective solutions in managing operational and safety risks is intrinsic to our business operations.

At Semirara Mining and Power Corporation, identifying and managing risks is an integral part of our business operations.

We have started laying down a firm foundation to our Enterprise Risk Management by integrating a 'Risk-Based' thinking approach as an intrinsic component of the quality management system.

By identifying and proactively addressing risks and opportunities , we endeavor to optimize shareholder value and ensure sustainable growth.

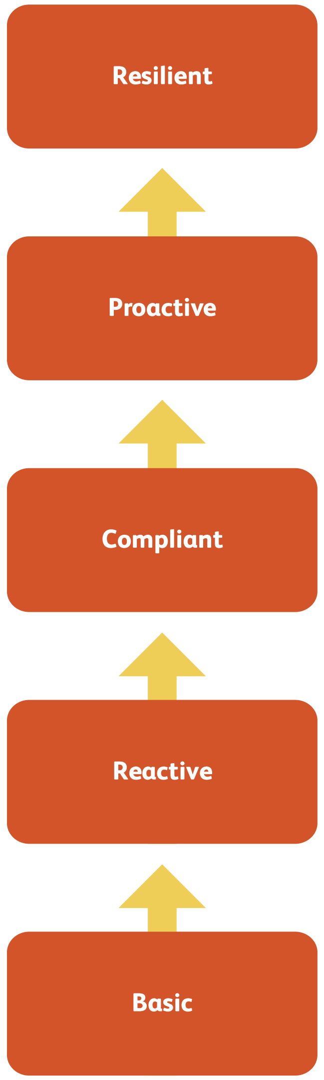
Contents

Overview

Enterprise Risk Management (ERM) is strategic and fundamental to our business objectives. Our approach is in-line with leading practices and standards for Risk Management which includes on-going assessment, monitoring and reporting of risks.

Pillars	Elements
Governance	Framework
Integration	Risk Assessment
	Monitoring & Reporting
	Linkage to performance management
Capacity Building & Employee Engagement	Enterprise Culture (Engagement & Accountability)
	Knowledge Sharing & Benchmarking
	Resiliency

Our ERM process is embedded in our strategic planning and highlight top priority risks which focus on both opportunities (upside risks) and hindrances (negative risks) affecting the progress in delivering our strategic priorities.



As we improve our framework, we are focused in achieving 'Resilient' level while pursuing our strategic priorities. The Pillars are our guiding principles in creating initiatives that are in accordance to the Company's ERM. We are guided by the leading practices of the Minerals Industry Risk Management of UK Coal Mining Industry and Deloitte Extended Enterprise Maturity Model in our risk maturity journey.

In 2016, our ERM was reviewed by a third party consultant, ECC International Corporation (ECCI) to determine the level of our implementation in our coal mining operations based on leading practices maturity model. ECCI assessed us as 'Progressive', which is aligned with our internal assessment as being in `Compliant' stage. Both such framework maturity stages are founded on the set criteria which includes:

- Defined and implemented risk management processes across core business areas
- Adopted policies and procedures that guide risk management
- Provide staff and management with funding, training, and other tools to support risks management

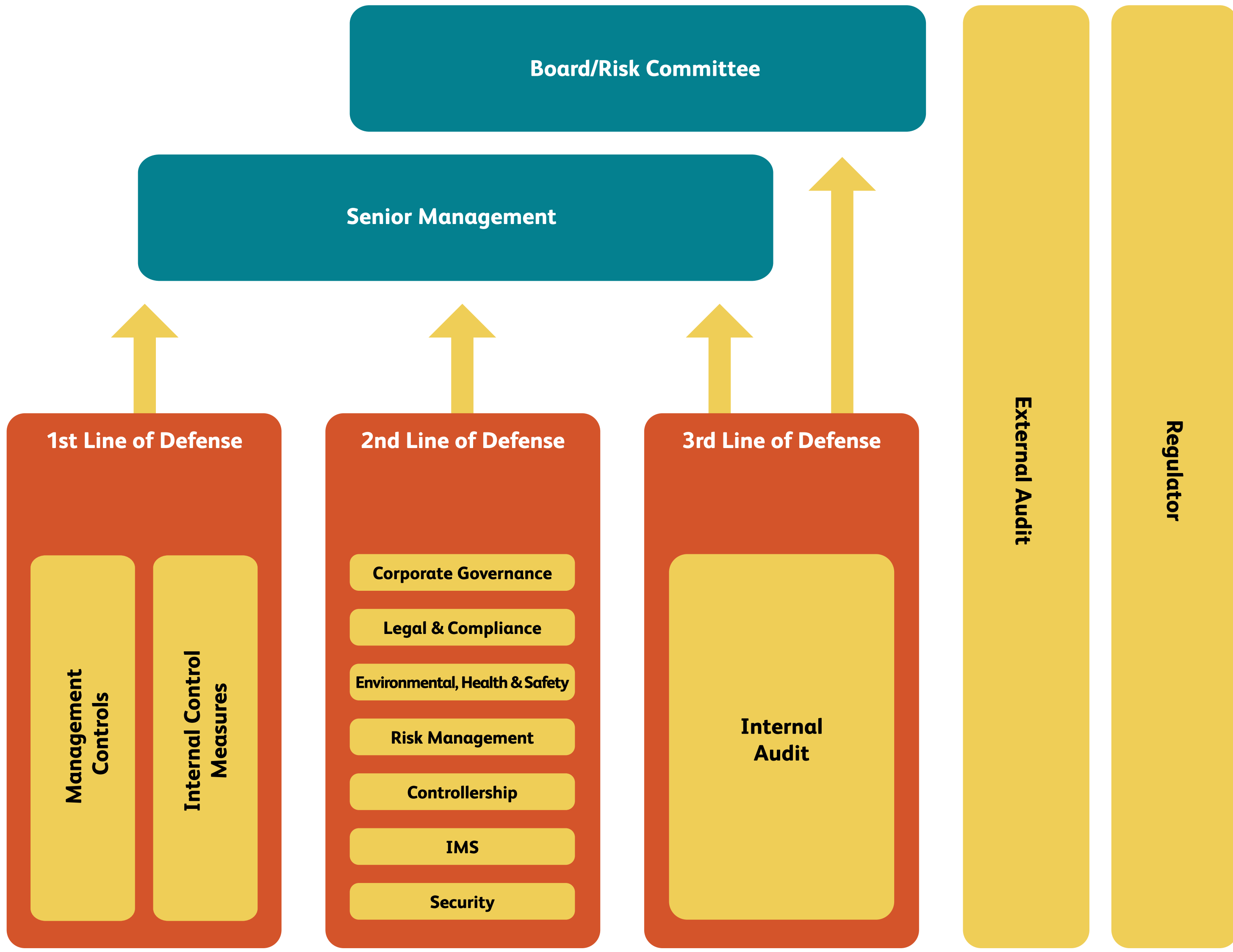
Based on the external assessment results, a set of action plans was initiated as improvement process for our framework and practices. This is also in line with our ongoing initiative to align with the new ISO QMS Standard 9001:2015.

Risk Governance and Appetite

The Board sets the tone and establishes the risk appetite level for our ERM. It is subsequently applied and cascaded across the organization to ensure that risks are identified, assessed, managed, monitored, communicated and consistent with the strategic and business objectives of the Company.

We pursue to operate within an overall low-risk range in achieving our objectives, with the lowest risk appetite for risks related to operations and zero tolerance for fatality.

THE THREE LINES OF DEFENSE MODEL



Adapted from Institute of Internal Auditors' Three Lines of Defense in Effective Risk Management and Control (January 2013)

Risk Management Review

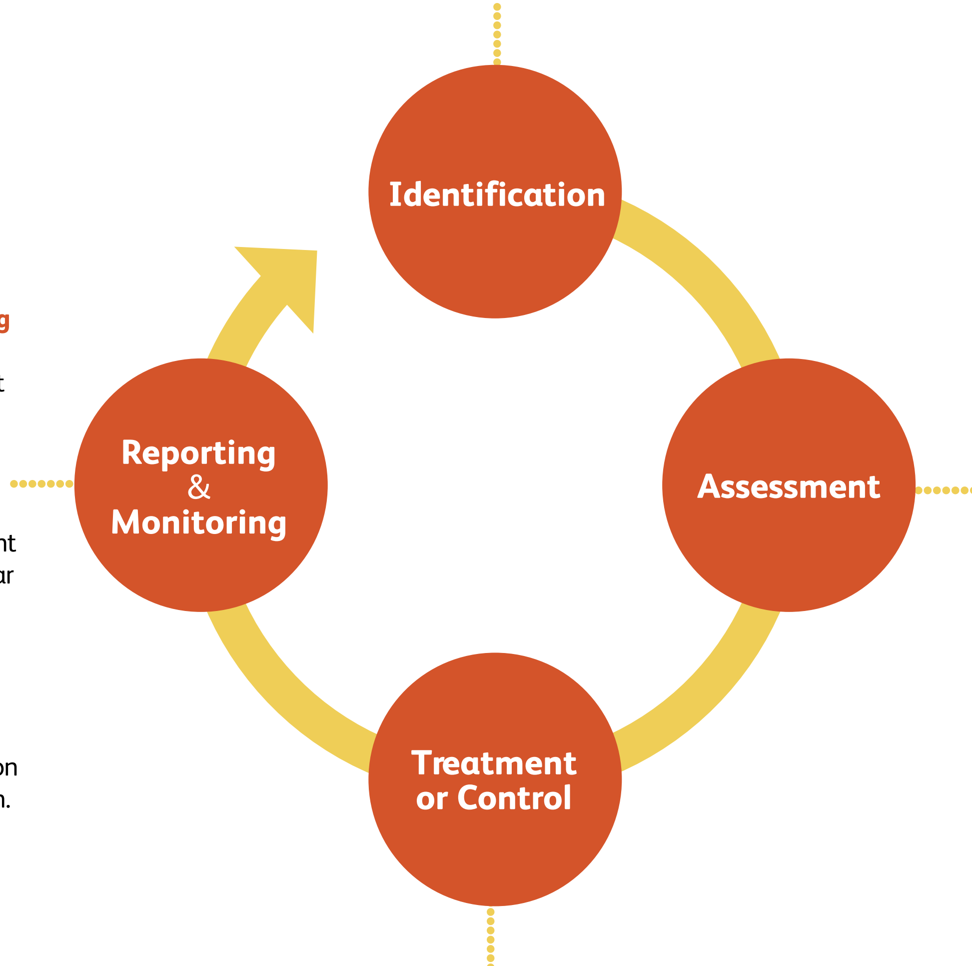
At the onset of our strategic planning session, a risk management review is set. Top business risks are identified and its corresponding risk management strategies. These risks are then validated at the operational level to determine if there are significant risks that has not been identified during strategic risk identification.

Risk Management Process

In managing our risks, we follow a risk management process which identifies the top or significant risks that may affect our business units. Appropriate risk treatment or responses are reviewed and approved subsequently by the Board against established risk appetite levels.

Risk Identification is the most critical part of the entire risk management process. It includes risk recognitions and its corresponding sources, causes and impact. Emerging and significant risks are then considered against overall corporate objectives.

Upside (opportunity/positive risk) and downside (loss/negative risk) business risks are considered to determine the appropriate response or action plan as we assessed those risks.



Risk Reporting and Monitoring are conducted at Management and Board level to regularly monitor the effectiveness of risk management activities. Regular monitoring enables SMPC to proactively address matters needing immediate action and/or attention.

Risk Assessment requires evaluating risks in quantitative and qualitative terms, from impact to likelihood of occurrence. Existing controls are identified to determine operational effectiveness.

Risk Treatment or Control involves selecting one or more options (accept, transfer, mitigate or avoid) for addressing risks. Appropriate risk treatment or responses are reviewed by the Management and the Board to determine the applicability of initiatives in light of risk appetite levels.

Based on our regular reviews, we have identified the Company's top risks that could potentially impede our ability to achieve our strategic and business objectives. Our review considers external, new regulatory and/or emerging risks that may have potential impact on SMPC's overall strategy, outlined below:

Risk Category	Risk Management Strategy
Operations Risk Refers to risks related to coal quality, supply chain, slope stability, operational efficiency and asset performance. It can originate from a wide range of internal or external events, or from suppliers and outsourced service providers.	1. Strict enforcement of ESH policy and practices to strengthen EHS management system and culture. 2. Enhanced accident/incident management to achieve resilient safety maturity 3. Upgraded mining and pit safety protocols, mine facility, and equipment safety to align with international industry best practices and safety standards 4. Reinforced Safety Culture and ESH trainings in all levels across the organization to achieve resilient safety maturity 5. Pit optimization and cost-efficient equipment utilization to achieve operational efficiency 6. Continual improvement of maintenance program, desired equipment availability and reliability to achieve optimum asset performance 7. Risk cover for insurable physical assets to spread risk 8. Continuous engagement of Original Equipment Manufacturer to improve power plant efficiency and reliability 9. Continual enhancement of IT security solutions and upgraded network appliances to protect critical information resources from vulnerabilities
Compliance and Reputation Risk Risk of legal and regulatory sanctions, material financial loss or reputational harm due to failure to comply with relevant and applicable laws, regulations, codes of conduct, and best practices standards.	1. Compliance with applicable laws, regulations and contractual obligations and covenants 2. Continuing conformance to ISO Integrated Management System – Quality, Environment, and Occupational Health and Safety international standards 3. Keeping abreast of emerging laws and regulations affecting mining and power industries and assessing impact of regulatory changes
Strategic Risk Risk that arises from the fundamental business decisions, improper formulation and implementation of strategy regarding the achievement of our organizational objectives. Covers business and non-business risks as they relate to our expansion, sustainability and long-term value. Includes investment risks with impact on capital allocation, equity investment and guarantees in subsidiaries.	1. Close monitoring of expansion projects and developments 2. Project financing strategy

MANAGING OPERATIONAL AND SAFETY RISKS IS A STRATEGIC IMPERATIVE.

Risk Category	Risk Management Strategy
Market Risk Refers to risk related to market share, industry/ economic/political change, competitors, shift in demand, consumer preference, price volatility, customer dependence, and energy market trading.	1. Delivery of coal quality at better prices or larger guaranteed supply volumes to achieve customer satisfaction 2. Set minimum contracted volume for customers with long-term supply contracts for each given period (within the contract duration) and re-pricing on a monthly basis to optimize price movement and profit margin 3. Diversified customer base to mitigate concentration risk 4. Competitive pricing for power segment to maximize value
People and Talent Risk Refers to risks related to key people movement, talent management and war for talent.	1. Talent Management programs to mitigate retention risk 2. Alignment of human resource management to leading practices standards (e.g. employee engagement, compensation and benefits, succession management, learning & development) to mitigate attraction and retention risks

Risk Management Performance

Mining

Targets not achieved | Partially achieved/ongoing | Targets achieved

RISK AREA	MEASURES	PERFORMANCE	REMARKS
Operational Excellence and Safe Operations			
Safety	Zero Fatal Accident Effectiveness of Safety Program	Partially achieved/ongoing	While our Company achieved zero employee fatality, four fatalities were recorded involving contractors working at our auxiliary facilities. Stronger enforcement of our enterprise-wide safety practices and compliance awareness to emphasize contractor's responsibility.
Asset Performance	Equipment Availability	Partially achieved/ongoing	Re-fleeting and conveying lines upgrade
Procurement & Inventory Management	Item Purchase to Delivery	Partially achieved/ongoing	Ongoing improvement on item delivery within agreed ETA
Natural Catastrophe and Physical Security	Major Physical Security Breach Effectiveness of Emergency Response Procedures	Targets achieved	Ongoing improvement on business continuity management system
Information Technology	No. of successful attacks to IT system	Targets achieved	
Community and Environmental Sustainability			
Compliance & Reputation	Full compliance with legal & community commitments	Targets achieved	Sustained compliance with all applicable legal and regulatory requirements. Continuous compliance monitoring and regular reporting to senior management, and Board oversight.
Stakeholder Sustainability			
Price Volatility & Supply/ Demand Balance	Financial Targets	Targets achieved	
Expansion Projects	Project Milestone Updates	Partially achieved/ongoing	Ongoing - power plant expansion
Organizational Development and People Excellence			
People & Talent	"Attrition Rate Succession Management"	Partially achieved/ongoing	Improvement on 'bench strength' and Talent Management Program

Power

Targets not achieved | Partially achieved/ongoing | Targets achieved

RISK AREA	MEASURES	PERFORMANCE	REMARKS
Power Generation and Safe Operations			
Safety	"Zero Fatal Accident Effectiveness of Safety Program"	Partially achieved/ongoing	While our Company achieved zero employee fatality, one fatality was recorded involving a contractor at our auxiliary facilities. Stronger enforcement of our enterprise-wide safety practices and compliance awareness to emphasize contractor's responsibility.
Asset Performance	"Plant Availability Outage Gross Generation"	Partially achieved/ongoing	The originally- scheduled 60-day maintenance shutdown for Unit 2 has extended until mid-April 2016. Notably however, capacity stabilized to 300MW after the shutdown.
Fuel Efficiency	Capacity utilization, coal consumption, generation cost/KWH	Partially achieved/ongoing	The originally- scheduled 60-day maintenance shutdown for Unit 2 has extended until mid-April 2016. Notably however, capacity stabilized to 300MW after the shutdown.
Procurement & Inventory Management	Item Purchase to Delivery	Targets achieved	
Natural Catastrophe and Physical Security	Major Physical Security Breach Effectiveness of Emergency Response Procedures	Targets achieved	Ongoing improvement on business continuity management system
Information Technology	No. of successful attacks to IT system	Targets achieved	
Community and Environmental Sustainability			
Compliance & Reputation	Full compliance with legal and community commitments	Targets achieved	Sustained compliance with all applicable legal and regulatory requirements. Continuous compliance monitoring and regular reporting to senior management, and Board oversight.
Stakeholder Sustainability			
Regulated Power Rates, Competition and Commodity Trading	Financial Targets	Partially achieved/ongoing	The originally- scheduled 60-day maintenance shutdown for Unit 2 has extended until mid- April 2016.The unit did not generate any power in Q1 2016 while on maintenance shutdown.
Expansion Projects	Project Milestone Updates	Partially achieved/ongoing	Ongoing - power plant expansion
People & Organizational Excellence			
People & Talent	Attrition Rate Succession Management	Partially achieved/ongoing	Improvement on 'bench strength' and Talent Management Program

Risk Management Initiatives

Risk Financing
We include risk transfer as risk treatment for risks relating to our mining equipment and fixed assets through Industrial All-Risk (IAR), Floater, Fire, Marine Hull, and Aircraft Hull insurance covers.

This risk management strategy is similarly implemented through an IAR with Business Interruption cover for our power plant operations.

Financial Risk Management
Our financial risk management is geared towards sound and prudent allocation of financial resources to fund investments and expansion activities, maintain healthy financial ratios and ensure appropriate returns to shareholders.

We exercise a low-financial risk tolerance in funding sources and managing capital requirements, consistent with the established overall low-risk appetite of the Board.

Our financial risk management objectives and policies to effectively manage our financial assets and liabilities are discussed in Note 30 in our Consolidated Financial Statements.

IT Risk Management
Continuous upgrades of security solutions and network appliances to protect critical information resources to manage IT risk vulnerabilities. The Disaster Recovery Plan aims to ensure early resumption of critical technologies supporting the operations.

Business Continuity Management System
Our Company's business continuity process are focused toward building organizational resilience with the capability to effectively respond and safeguard the interest of the various stakeholders.

Integrated Management System
Our IMS for coal mining operations plays a vital role in our risk management process to help ensure the continual improvement of our policies on quality, health, safety, and environment.

With the publication of ISO 9001:2015 Quality Management System (superseding the ISO 9001:2008) on September 2015, our Company has already been laying down the foundation which gives more emphasis on 'Risk-Based' thinking approach as an integrated component of the quality management system.

Our power subsidiaries, SEM-Calaca Power Corporation and Southwest Luzon Power Generation Corporation, are working towards an IMS certification of their Quality, Environment and Occupational Health and Safety management systems in conformance with international standards.

CORPORATE GOVERNANCE

Delivering Strong Corporate Governance

Semirara Mining and Power Corporation delivers good on its promise of strong corporate governance – a commitment to protect the long-term interests of our shareholders, the investing public and stakeholders.

Our Principles of Corporate Governance are guided by the Organization for Economic Cooperation and Development (OECD), and our desire to continually improve and innovate our governance processes throughout the organization.

Contents

CORPORATE GOVERNANCE STATEMENT

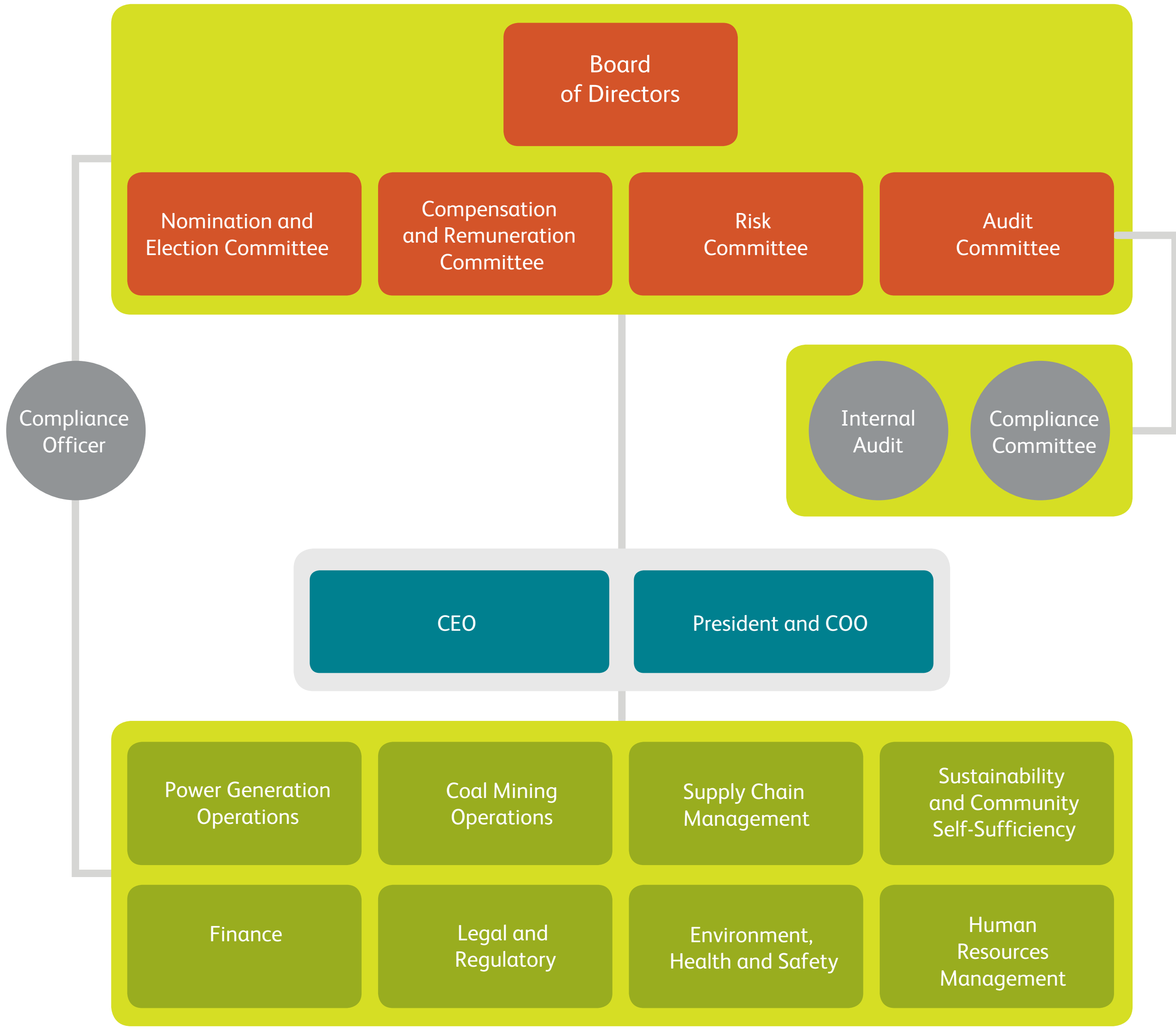
Optimum Performance.
Transparency.
Accountability.

Fostering a culture of ethical conduct, optimum performance, and a system of transparency and accountability are the cornerstones of our corporate governance framework. Across our organization and subsidiaries, our principles cover the respective duties and of our Board of Directors and Management and their responsibilities to our stockholders and other stakeholders, which include customers, employees, suppliers, creditors, business partners, government, and the community in which our Company operates.

Our Company's Code of Corporate Governance complies with the Securities and Exchange Commission's (SEC) Code of Corporate Governance. Yearly, we report our full compliance in our SEC Annual Corporate Governance Report and disclose our level of adoption of the Philippine Stock Exchange (PSE) Corporate Governance Guidelines for Listed Companies.

From every level of management, to every department, and down to each individual stakeholder, we operate within a comprehensive system of checks and balances – a control structure designed to facilitate transparency, decision-making, and accountability.

GOVERNANCE STRUCTURE



Good Governance Recognition

Our staunch efforts in improving overall corporate governance practices to conform with higher global standards resulted in improved scores in the 2016 ASEAN Corporate Governance Scorecard (ACGS) run, as assessed by the SEC and ASEAN peers.

The ACGS is a corporate governance rating of a publicly-listed company's (PLC) governance policies and practices based on the five (5) OECD Principles of Corporate Governance.

Our adherence to best practices has been likewise recognized by the Philippine Stock Exchange (PSE). Our Company is among the thirty (30) highest-scoring PLCs short-listed in Phase 1 review for the 2016 PSE Bell Awards for Corporate Governance. Our higher levels of compliance to good corporate governance have consistently merited our qualification to the short-listed roster of the PSE Bell Awards since 2013.

ACGS Overall Score Points
2016
101.31
2015
95.66

Philippine PLC Ranking
2016
14th/252 PLCs

Top 100 Philippine PLC Market Capitalization Ranking
2016
14th

Philippine PLC in Mining Section Ranking
2016
2nd/21 PLCs

COMPLIANCE

A philosophy of compliance is predicated on our duty to act responsibly as a corporate entity. And as a key player in the industry, Semirara Mining and Power Corporation leads the charge in espousing a compliant culture across the enterprise.

Continual review, monitoring, and reinforcement of our compliance processes – compliance risk management, internal controls, business processes, escalation protocols, assurance review, and reporting – are aligned with relevant laws, policies, regulations, and compliance requirements.

Securities Reporting
We adhere to strict compliance to the regulatory and reportorial requirements as set by the SEC and the PSE.

Scope of Company Disclosures

- Board Attendance and Changes
- Quarterly Financial Reports
- Change in Shareholdings of Directors, Principal Officers and Beneficial Owners
- List of Top Stockholders
- Compliance Reports on Corporate Governance

All Directors, Officers, and employees are advised upon and oriented accordingly of their respective duties as per SEC and PSE regulations. Our internal mechanisms and protocols also ensure their cooperation and compliance to our Code of Corporate Governance.

Disclosures
Structured and non-structured reports and material information about the Company are promptly disclosed to protect our shareholders and contribute to the development of the Philippine capital market.

Our Company fully complies with other disclosure and reportorial requirements on transactions involving the trading of the Company's shares by our Directors and key officers within the prescribed reporting period.

Compliance Officer and Committee
The Compliance Officer ensures that the Company adheres to its corporate governance principles, the SEC Code and Company's Revised Code of Corporate Governance. Vice President and Chief Governance Officer Nena D. Arenas has been appointed Compliance Officer by the Board of Directors.

Compliance Committee

1. Nena D. Arenas
   Compliance Officer
2. Ma. Cristina C. Gotianun
   Executive Vice President
3. John R. Sadullo
   Vice President, Legal
4. Junalina S. Tabor
   Chief Finance Officer
5. Ruben P. Lozada
   Resident Manager

Our Compliance Committee is comprised of four (4) other senior management members whose compliance responsibilities cover SEC, PSE, legal, accounting and reporting standards, as well as compliance matters involving environment, health and safety. It regularly reports to the Senior Management, Audit Committee and the Board for continuous monitoring and updates on legal, regulatory developments and compliance matters, providing the Board critical information to make informed decisions and strategic considerations. Escalation protocols are placed to ensure timely reporting of compliance issues requiring Board attention or disposition.

Environment, Safety and Health (ESH)
To achieve a rational and disciplined balance between socio-economic growth and environmental protection, we comply with the specific measures and conditions set forth in the Environmental Compliance Certificate (ECC) issued by the Philippine Department of Environment and Natural Resources (DENR).

Comprehensive systems and procedures are in place to meet the regulatory and reporting requirements of other government agencies that oversee the health and safety aspects of our operations.

On-site monitoring activities include validation of Air, Water, Operation and Administration Reports and Environmental Management Plan. These reports are then submitted and validated by the MMT.

In 2016, DENR has conducted four (4) quarterly and one (1) special audits on our coal mining activities and ECC compliance. Moreover, the Department of Energy (DOE) also conducted its own audit.

Our Company has been certified compliant by the abovementioned audits and investigations.

Our environmental compliance programs and initiatives are further discussed in the Corporate Sustainability and Responsibility section of this Integrated Annual Report.

Conforming to International Standards
Our coal mining operation conforms to the international standards of Environmental Management System /ISO 14001:2004, Occupational Health and Safety Management System/OHSAS 18001:2007 and Quality Management System/ISO 9001:2008.

Now on its 8th year, our continuing certifications to the three international standards are subjected to regular surveillance audits by the external conformity assessment body, Governing Board of Certification International Philippines, Inc.

SHAREHOLDER RIGHTS
We move forward together.

Our Company maintains an open, welcoming and enabling environment for our shareholders and prospective investors, and we deliver to give them the full benefits of our shared partnership.

We uphold to ensure the rights and interests of our retail and institutional investors are protected. Our instituted policies and practices accord equal voting rights, reasonable economic returns and unrestricted access to material information as well as appropriate safeguards against discriminatory and abusive conduct.

It is our policy to keep our openly traded shares above the 10% minimum public float requirement of the Philippine Stock Exchange.

ALL SHARES HAVE EQUAL VOTING RIGHTS.

Institutional Investors
As a listed company, we recognize our role in the development of the Philippine capital market and the advantages of having well-resourced, professional shareholders, and institutional investors.

In this regard, we are committed to facilitating the entry, participation and fair treatment of institutional investors.

Entry	Participation	Fair Treatment
We encourage the entry of institutional investors holding more than 5% of Company shares (as per PSE Disclosure 17-12 Top 100 Stockholders List) by providing them with sufficient rights and access to information.	We invite the investors and shareholders to take part in our Annual Shareholders' Meeting (ASM). They are duly informed of the ASM with sufficient lead time, and it is held at a venue that is easily accessible to retail and institutional investors.	We observe the principle of fair treatment of all shareholders on all matters of importance to all investors, particularly institutional investors. Decisions related to mergers and acquisition are all disclosed to all pertinent parties.

Voting Rights
We uphold our shareholders' right to be informed, to participate, and to vote on important matters during our ASM.

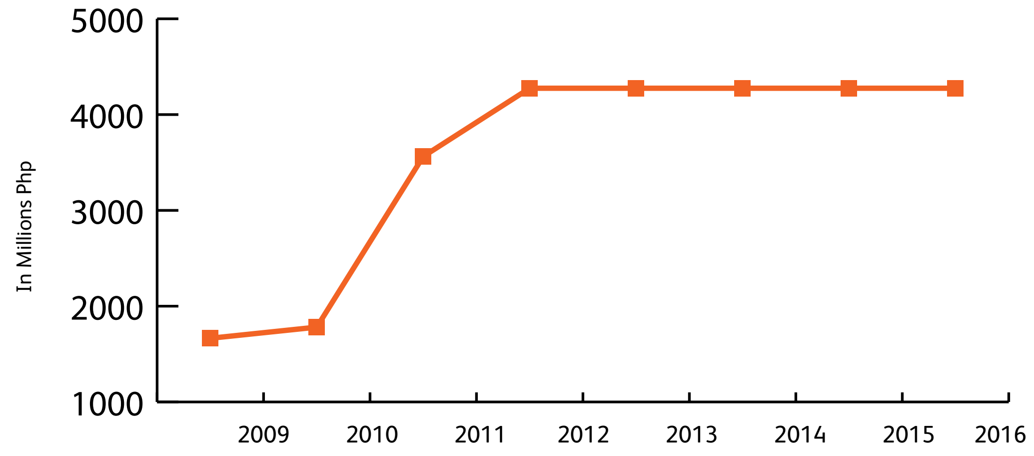
At least twenty-one (21) business days before our ASM, shareholders are given a formal notice (Notice of Annual Shareholders' Meeting) and an accompanying SEC Form 20-IS (Information Statement), outlining the details of the ASM: date, location, agenda, rules and voting procedures.

Our Company provides non-controlling shareholders the right to nominate candidates for board directorships as part of the nomination process and procedures. In 2016, such nomination for Independent Directors by a minority shareholder has been appropriately disclosed in our Company's SEC 20-IS.

Matters of Fundamental Importance
Fundamental corporate changes and governance matters requiring approval during shareholder meetings include, among others:

- Amendments to the Company's constitution and similar governing documents
- Appointment and re-appointment of external auditor
- Authorization of additional shares
- Election of Directors, done individually
- Extraordinary transactions, including transfer or sale of all or substantially all of the Company's assets, sale of a business unit or subsidiary that accounts for a majority portion of the Company's assets
- Nomination by non-controlling shareholders of candidates for Board Directors
- Remuneration (per diem, fees) of Directors

Dividends



Dividend - Right to Participate in the Profits
Shareholders have the primary financial right to participate in our profits, and we uphold this right by providing them reasonable economic returns on their stock investments.

Since our domestic and international shares offering in 2005, we have consistently exceeded our dividend policy of 20% of the preceding year's Net Income (NI), making us one of the best dividend-paying companies in the Philippines.

Cash Dividend
On April 29, 2016, the Board approved and declared cash dividends of P4.00 per share or P4.28 billion representing 63% of our 2015 NIAT.

All shareholders were treated equitably in the timing of receiving dividends, and were fully paid the declared cash dividends by May 27, 2016, or within thirty (30) days from the declaration date.

Other Shareholder Rights
We respect other shareholder rights, as provided for in the Corporation Code of the Philippines.

The right to inspection	The right to information	The right to appraisal
Shareholders are entitled to inspect the corporate books and records to determine the financial condition of the Company, and to understand how corporate affairs are being managed. Thus, they can take the appropriate measures to protect their investment.	Shareholders have the right to receive periodic reports which disclose personal and professional information about the Directors, officers, and certain other matters such as: their shareholdings in the Company; material transactions with the Company; relationship with other Directors and Officers; and the aggregate compensation of Directors and Officers.	Shareholders have the right to dissent and demand payment of the fair value of their stocks, subject to the instances provided for in the Corporation Code.

Notice of Annual Shareholders' Meeting
We disclosed our Notice of 2016 Annual Shareholders' Meeting (ASM) on February 23, 2016. A Proxy form is available and is included with the Notice of ASM.

On April 6, 2016, we disclosed our SEC 20-IS (Definitive Information Statement) with a detailed agenda and relevant information for the shareholders' consideration.

Both documents were issued more than twenty-one (21) days before the regular ASM on May 2, 2016.

Under our Company By-Laws, the Board has the authority to declare cash dividends, and the dividend policy information was disclosed in the Notice of 2016 ASM and in Part II(A)(3), Securities of the Registrant section of the Management Report accompanying the Notice of 2016 ASM.

The key items which required shareholder disposition in the Notice of 2016 ASM included the following:

- Voting procedures and methods
- A Proxy Form with detailed instructions on proxy appointment and procedures to facilitate voting by shareholders who are unable to attend and vote
- Approval of the Minutes of previous annual shareholders' meeting held on May 4, 2015 and rationale thereof
- Approval of Management Report and rationale thereof
- Ratification of the acts of the Board and Management during the period and rationale thereof
- Reappointment of independent external auditor, with details of name and qualification and rationale thereof
- Election of Board Directors individually, with information on individual profile of nominees for election to the Board with the following details: age, education, experience, position, type of directorship, other directorships in listed and non-listed companies, Board Committee memberships, beneficial share ownership and Board meetings attended.

Annual Shareholders' Meeting
Our Annual Shareholders' Meeting is held on the first Monday of May of each year. This is where we report and present the Company's performance and provide our shareholders a venue for open dialogue with the Board for updates or clarification on certain issues.

The Chairman of the Board, respective Chairmen of the Audit Committee, Compensation and Remuneration Committee, Nomination and Election Committee, and Risk Committee, other Board Directors, Chief Executive Officer, Chief Operating Officer, Chief Finance Officer, Corporate Secretary, other Key Officers and external auditor (Sycip, Gorres, Velayo & Co.) attended the most recent annual meeting to answer questions from shareholders.

Venue
Manila Golf & Country Club, Inc., Forbes Park, Makati City.

The venue is an accessible meeting location to the shareholders, as per policy.

Agenda
There was due observance of the agenda items as indicated and disclosed in the Notice of 2016 ASM.

The Corporate Secretary discussed and explained the rationale of the agenda items requiring shareholders' approval.

In compliance with regulatory rules, there was also no added agenda item or amendment to material information without prior shareholder notice.

Disclosure
Tally and results of shareholder votes (approving, dissenting and/or abstaining) taken for all resolutions are publicly disclosed to the SEC and PSE by the next working day. The same information was posted on our Company's website on the same day of disclosure.

The list of Board Directors who attended the 2016 ASM are reported and disclosed in a certification of attendance to PSE and SEC and company website.

Minutes of the 2016 ASM were disclosed and posted on our company website within five (5) days from the ASM date.

Shareholders participation
After discussion of the Management Report, shareholders and other attendees were given an opportunity to raise any question and/or clarification on the performance and prospects of the Company.

Questions raised and answers accorded by our Chairman and CEO were duly recorded in the Minutes of the 2016 ASM. Likewise, these were disclosed in the relevant section of the SEC Annual Corporate Governance Report.

Voting in person or in absentia
We respect the rights of our shareholders to participate and vote in our ASM.

Whether made in person or in absentia, their votes carry equal effect.

We allow voting in absentia via proxy to give a shareholder who is unable to attend our ASM, the opportunity to participate and vote.

The following Poll Voting procedures were observed during the 2016 ASM:

- Poll voting was conducted as opposed to show of hands for all resolutions
- Appointment of SGV & Co. as independent body to count and validate the votes by poll cast by the shareholders for items stated in the agenda requiring approval and/or ratification
- Votes were cast and counted for each agenda item
- Voting results were presented for each agenda item during the meeting to inform the participants of such outcome

EQUITABLE TREATMENT OF SHAREHOLDERS

For the good of all.

Fair and equitable treatment of our shareholders is anchored on our principles of openness and equality, and our Company delivers that promise of promoting and upholding shareholder welfare. Through our policies, we provide our minority shareholders adequate protection from any abusive and inequitable conduct of majority shareholders, Directors, Officers and employees of the Company.

Ultimately, we empower our minority shareholders with necessary safeguards, pertinent information, and opportunities to exercise their rights as well as to effectively manage their investments.

ONE COMMON SHARE, ONE VOTE

Proportionate Voting

A share structure of "one vote per one common share" is practiced. Our Company has no current practice that has led us to award disproportionate voting rights to select shareholders.

In the event that extraordinary circumstances necessitate special arrangements where we issue special cases of shares that result in disproportionate claim on voting rights, we shall issue a full disclosure and detailed justification of such action.

Disproportionate Voting Rights

We do not practice the following:

- Shareholders' agreements
- Voting caps
- Multiple voting rights for certain shares

Prior to taking such an extraordinary action, we shall seek the requisite approval from our shareholders.

Insider Trading

Our Insider Trading policy explicitly prohibits insider trading to prevent conflict of interest and individuals and/or parties benefiting from insider information or knowledge not available to the general public.

Directors, Officers, and employees are required to abide by our prescribed restrictions and no-trading periods of our Company's shares of stock in the market.

Our policy requires all Directors and Key Officers to report their trades within three (3) business days to the Legal Department, for eventual reporting to the Philippine Stock Exchange and Securities and Exchange Commission. Our Company requires a One-Day-Before-Stock-Trading reporting protocol for Directors and Key Officers to notify, call or clear with the Legal Department at least one day before a planned stock trading of the Company's shares.

In 2016, no complaints were received regarding misuse of insider information committed by any Director or Officer.

Conflict of Interest

Directors are required to disclose to the Board or to any applicable committee any financial interest or personal interest in any contract or transaction that is being considered by the Board for approval.

We require early submission by a Director, Officer and Employee of a "single transaction" disclosure statement, and due before actual conflict of interest arises, of his direct or indirect financial interest in a specific contract or purchase proposed to be entered into by the Company, subsidiaries or its affiliates with or from a particular contractor or supplier. While the remaining directors discuss and vote on such matter, the interested Director should abstain from voting on the same.

All Directors, Officers and Employees are also required to submit an Annual Disclosure Statement of their financial, business, or personal interests or dealings with the Company and/or subsidiaries at the end of each financial year.

Company Loan

The Board abides by the Company's policy not to extend personal loans or credit to Directors unless approved by the Board. No such loans were extended to Directors in 2016.

Related Party Transactions (RPTs) by Directors and Key Officers

Our RPT Policy requires a Director, Officer or key management personnel to promptly notify the Audit Committee or the Company's Corporate Counsel of any interest he or his immediate family member had, has or may have in an RPT. Moreover, he shall disclose all material information concerning the RPT.

The Audit Committee may establish guidelines to oversee conflicts of interest of Management, Board Directors and shareholders, including misuse of corporate assets and abuse in RPTs.

RPTs shall be arms-length and at terms generally available to an unaffiliated third party under the same or similar circumstances. There must be a compelling business reason to enter into such an RPT, taking into account factors like expertise of related party, cost efficiency, among others.

To determine that material/significant RPTs are in the best interests of the Company and Shareholders, our Independent Directors are required to review material/significant RPTs that meet the threshold levels stipulated by regulatory rules and requirements on material RPTs and prescribed guidelines of our RPT Policy. Their review considers such other factors as fairness, market rate, arms-length terms, commercial reasonableness and extent of conflict of interest, actual or apparent, of the related party participating in these RPT.

Management promptly reports to the Board of Directors (Board) on the terms, business purpose, benefits, and other details of a significant RPT for review and approval.

Our Audit Committee also assists in the Board's oversight of RPTs. Our quarterly and annual review of the financial statements includes related party accounts and ensures RPTs are disclosed for the information of the investing public.

In 2016, there were no RPTs of financial assistance or loans to Directors, affiliates or related entities which are not wholly-owned subsidiaries.

Our Related Party Transaction Policy

The Board-approved policy on related party transactions:

- Specifies the guidelines, categories and thresholds requiring review, disclosure and prior approval by the Board of Directors or Shareholders of such transactions
- Defines related party transactions deemed to be pre-approved by the Board in accordance with the Company's Board-approved Table of Authorities
- Requires Independent Directors to review material/significant RPTs to determine whether they are in the best interests of the Company and Shareholders
- Requires that all RPTs be disclosed to the Board. All RPTs are also disclosed in the related Notes to Consolidated Financial Statements of the Company's audited accounts and in required SEC filings.

Share Repurchase

All shareholders are treated equally and fairly regarding share repurchases.

In 2016, our Company repurchased 3,463,570 shares through the Exchange at prevailing market prices. Our share repurchase program was undertaken to enhance shareholder's value.

STAKEHOLDER ROLES AND INTERESTS

For those who deliver.

Our stakeholders are the Company's greatest assets, and to them we owe our continued success and sustainabililty. To them we offer our commitment and promise to deliver, by acknowledging our duties and responsibilities towards them.

We protect the rights and interests of our stakeholders, as defined by the law or through mutual agreements. Through our corporate governance process, we enact stakeholder engagement as a medium for improving our performance, decision-making processes and accountability.

RESPECT FOR THE RIGHTS OF STAKEHOLDERS

We acknowledge our duties to our stakeholders, and their role in our Company.

To ensure continuous communication and cooperation with our various stakeholders, we conduct activities and quarterly meetings with the Multi-Partite Monitoring Team (MMT), regulatory agencies, and concerned sectoral groups.

Employees

Our organizational policies are geared towards protecting the welfare and rights of our employees. Our employee engagement framework emphasizes the importance and synergy of corporate culture, assessment, reward, equality, and safety and health in our operations.

Our Company's remuneration philosophy aims to ensure an overall compensation structure that values individual performance, Company performance and shareholder value. Our remuneration strategy has competitive compensation levels designed to attract, motivate, and retain competent and high-performing individuals.

Reward/compensation policy accounts for Company performance based on a Board-approved Balanced Scorecard (BSC) cascaded to all levels throughout the organization. Performance Objectives, Targets and Programs (OTPs) aligned with the Company's strategic and operational plans of the organization are defined at the beginning of the year throughout the organization. Key Performance Indicators (KPIs) to measure employee engagement in the Company's strategy map are set and agreed with Management. Management conducts performance monitoring through periodic meetings with department heads.

Culture

We empower our employees by creating a culture of integrity and excellence where they can prosper and achieve their full potential. Our talent development programs and performance management mechanisms are aligned with our corporate values and business strategy.

Assessment

Using a competency-based performance management system, we plan and evaluate the performance of our employees.

We adopt a Balanced Scorecard system that considers their technical and behavioral competencies, such as adherence to and support of the Company's Code of Conduct and Business Ethics, good governance program and Environmental, Safety and Health (ESH) policies.

Reward

Our compensation and reward policy is benchmarked against industry and market standards for similar work responsibilities and positions.

We also provide cash incentives based on employee performance and company performance to encourage a high-performance culture that actively strives to grow the business and increase shareholder value.

Equality

We foster the fair treatment of employees and do not tolerate unlawful discrimination and harassment of any nature on the basis of sex, race, religion, age, color or disability.

Our Anti-Corruption and Ethics Program is a robust system of policies, processes and controls, while our whistleblowing platform provides a confidential venue for employees to raise valid, fact-based ethical concerns.

Whistleblowers may report such concerns through our dedicated integrity hotline email address hotline@semirarampc.com.

Safety and Health

Our employees thrive in a workplace that places their safety, health, and welfare first.

In this regard, our Safety and Health policies, processes and employee trainings are aligned with relevant government regulations.

We also utilize modern infrastructure and advanced equipment to further enhance the level and efficacy of our safety and health programs.

Our human resources programs are further discussed in the Corporate Sustainability and Responsibility section of this Integrated Annual Report.

Customers

Providing quality coal that meets our customers' stringent specifications has always been our business' core mission and *raison d'etre*. Excellent implementation of policies, procedures, and practices has allowed us to serve some of the biggest coal consumers in the country.

Continued recertification of the ISO 9001:2008 on Quality Management System affirms our continual improvement of business processes in key performance areas.

OUR CUSTOMER SERVICE MATRIX

Quality Control

- Coal delivery is based on agreed quality and contracted delivery schedule
- Our laboratory is equipped with modern equipment to test the sample from our mine pit up to the customer's vessel. This is to ensure that the coal loaded to our customer's vessel conforms with the International Organization for Standardization and American Society for Testing and Materials, for monitoring purposes
- A third-party surveyor/ laboratory also conducts sampling and testing coal from all shipments, ensuring non-biased results in actual coal quality and shipped quality. These results shall serve as the final basis for billing

Responsible Marketing	Transparency	Customer Satisfaction
• Strict adherence to Codes of Conduct on fair dealings and confidentiality in all transactions and business information, such as customer data • No reported complaints in violation of customer data privacy in 2016	• During mine site visits, all customers are given access to our coal handling, testing, and loading operations so they can inspect and monitor their orders • In 2016, fifty-five (55) customer visits to our mine site were accommodated	• Timely resolution of concerns and complaints

Customer Service

Quality control is the main driver of our best customer service efforts. Our customers play a significant role in our Company, thus, we make sure to deal with them in a fair, professional and responsive manner.

We conduct our operations with the end goal of safely delivering the coal based on the agreed quality and lifting schedule.

Product Delivery

We recognize the unique demands of our customers, and we make sure to fully deliver their requisite coal supply to optimize their plant's performance.

OUR PRODUCT DELIVERY SYSTEM

Measurement	Testing	Inspection and Safety	Feedback
We continuously measure the characteristics of our coal to ensure that customer requirements are clearly determined and understood. Any significant changes with regard to the coal order are communicated to the customer in a timely manner, before effecting any such change.	To establish conformity with the coal requirements of the customer, we conduct the necessary tests and document the pertinent results prior to the scheduled appointment. Coal shall not be loaded and shipped until all the tests are completed and all results pass the agreed specification.	Customers are given access to our operations so they can inspect our facilities, monitor our coal quality and witness the actual loading of the coal. During such visits, we require the strict observance of safety procedures by our customers to ensure their safety while on the mine site.	Periodic customer satisfaction surveys are undertaken to gain client feedback and insights. The surveys are done at least annually to determine customer assessments of our supply delivery, product quality, client responsiveness, and technical support. Customer concerns, if any, are addressed and resolved through corrective action and after-sales settlement guidelines.

Suppliers and Contractors

We establish and nurture our strategic partnerships with suppliers and other business partners by honoring contractual commitments and issuing timely payments for delivered products and services.

Our Code of Conduct & Business Ethics promotes fair dealings with business partners, including the confidential handling of proprietary, non-public information. Such information could include, but are not limited to, contract terms or bids.

Quality Procurement

Our Quality Policy for Procurement activities ensure competitive sourcing and pricing of high-quality goods and services.

Procedures on accreditation, evaluation of new suppliers, and re-evaluation of performance of accredited suppliers of critical materials every twelve months are detailed for consistent quality of purchased products and services.

Sustainable Procurement

We have integrated 'green' initiatives and sustainable practices in our accreditation procedures.

Even among our power subsidiaries, we screen suppliers based on environmental (waste management, environmental and/or regulatory compliance certificates) and human rights criteria (labor practices in supply chain covering child labor, forced labor, and the like).

Our supply chain management system considers the impact and influence of our procurement practices on raw material inputs and natural resource utilization.

Supplier Review and Selection

Suppliers are selected and evaluated based on their track record, price, payment terms, product quality, response to problems, and delivery.

Canvassing procedures ensure competitive pricing, favorable terms, and value-added services without compromising quality.

Controls and procedures for receiving, storing and handling hazardous materials have been established to help protect the environment and our employees, based on applicable laws, regulations, and ISO standards.

Creditors and Business Partners
We value the contributions of our creditors to the growth, development, and sustainability of the Company. Increasing our value means establishing relationships and strengthening rapport with our creditors.

To ensure the timely repayment of our loans and compliance to the covenant terms of our loan agreements, we employ a capital management strategy that safeguards our strong credit rating and healthy capital ratios.

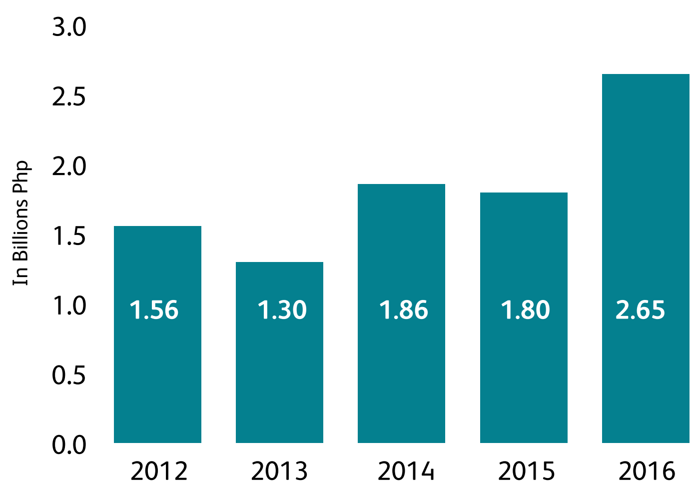
This strategy allows us to support our business operations, while protecting the legal rights and interests of our creditors.

Government
Our partnership with the Philippine government has resulted in the availability of affordable energy to millions of Filipinos.

Moreover, our royalty and other tax payments to various government agencies provide significant and stable revenues to support the socio-economic programs in the country.

Royalties to the Department of Energy, national and various local government units in the Province of Antique amounted to Php2.65 billion in 2016. The royalties shall be divided to the National Government and Local Government Units (LGU) of Php1.59 billion and Php1.06 billion respectively. The LGU share shall be distributed as follows: Php212.07 million to the Province of Antique, Php477.16 million to the municipality of Caluya and Php371.12 million to Barangay Semirara.

Government Royalties



In the last five years, cumulative royalties have amounted to Php9.2 billion.

Our close partnerships with local government units and key sectors have also resulted in community-based emergency preparedness initiatives such as disaster and risk reduction management workshops and drills.

Community and Environment
The sustainability of our host communities and the environment is intrinsic in our operations. We strive to improve the quality of life in our host communities and promote judicious use of natural resources through investments in programs, facilities, and tech.

The Social Development and Management Plan (SDMP) together with our programs and public partnerships, are implemented to help communities in Semirara Island attain sustainable and self-sufficient growth.

Our commitment to the sustainability of Semirara Island is discussed in detail in the Corporate Sustainability and Responsibility section of this Integrated Annual Report.

Continual Improvement
Our Company integrates value chain processes that minimize pollution and damage to the environment through our integrated Environment, Safety and Health (ESH) management system.

Using relevant environmental and social responsibility performance standards, we developed a Risk Assessment process (e.g. Hazard & Operability/HAZOP, ESH Risk Assessment, Awareness and Preparedness for Emergencies at Local Level/APELL) that helps ensure that the environmental impacts of our coal mining activity, power generation, products and services are properly identified and evaluated. In this way, the necessary control measures can be implemented to address the impacts.

ENVIRONMENTAL STEWARDSHIP AND SUSTAINABILITY IN OUR VALUE CHAIN

AIR QUALITY MANAGEMENT

- Installation of air pollution monitoring and control facilities of the Mine Site and Calaca power plants
  - Control of SO_2 and NO_2 on plant emission through limestone injection or dozing methods to regulate allowable limit in the flue gas.
  - Control of Dust Particulate from plant emission – through electrostatic precipitator and bag filters to collect fly ash from the flue gas.
  - Control of Dust from the coal feeding lines – through installation of dust collectors at every coal transfer point to collect dust generated during transfer.
  - Monitoring of Flue Gas Emission – through installation of a Continuous Emission Monitoring System (CEMS) to monitor in real time quality of flue gas emission of the plant.
- Close monitoring of spontaneous combustion activity of coal stockpiles through continuous and thorough compaction or stockpile temperature monitoring
- Inspection of stockpiles every start and middle of the operation shift
- Road watering by six water trucks during dry season and hauling operation
- Setting truck speed limits at the mine site
- Ambient air quality monitoring
- Regular water spraying process during product transfers
- Preventive maintenance program of mobile and air-conditioning equipment

LAND RESOURCES MANAGEMENT

- Reforestation
- Rehabilitation of depleted Unong and Panian mines

WATER RESOURCES MANAGEMENT

- Water management for industrial and domestic use
- Rehabilitation of depleted Unong and Panian mines
- Effluent monitoring
- Freshwater and seawater monitoring

WASTE MANAGEMENT

- Handling, containment, clean-up, and restoration procedures of industrial materials and wastes
- Ash waste management of power plant station
- Consumption of unwashed and low grade coal by new power plants in Semirara Island and Calaca, Batangas
- Waste water monitoring

Our employees and contractors are mandated to comply with our ESH objectives and policies.

Commitment to our Stakeholders
We uphold all laws concerning the proper and fair treatment of our internal and external stakeholders, particularly those identified in this report.

Serious Offense
We consider violations of our country's commercial and competition laws a serious and grievous offense.

Directors, Officers, employees, consultants, suppliers and contractors found to be responsible for such violations are held accountable and shall be dealt with, in accordance with our relevant policies.

Striking a Balance

While we put a premium on profit maximization and shareholder value optimization, we also recognize our duty to strike a proper balance between short-term financial performance and longer-term overall corporate performance.

To achieve long-term sustainability and strength, we will secure the loyalty, commitment and support of our internal and external stakeholders through our programs and policies.

Whistleblowing

Our Integrity Hotline reporting mechanism provides a secure reporting channel for employees, customers, suppliers, and other stakeholders. They can raise and communicate valid complaints and confidential concerns on questionable and unethical transactions in good faith.

We expressly prohibit retaliation, intimidation, harassment, or adverse employment consequences against a reporter who raises a concern or complaint. Any such report shall be treated with due care and utmost confidentiality. Any concern of reprisal and harassment brought to our attention shall be addressed accordingly and duly investigated.

Whistleblowing reporting procedures include the use of a Hotline Report Form to guide the reporter in providing adequate information and basis to enable the Company to effectively investigate, evaluate, and resolve the reported matter.

The whistleblowing mechanism is accessible through our website www.semiraramining.com or our dedicated email address hotline@semirarampc.com.

Investor queries on governance matters may also be raised through a dedicated email address at investor_relations@semirarampc.com.

Anti-Corruption and Ethics Program

Ethics is a core requirement among our employees and embedded in their job responsibilities and performance evaluation.

We promote the highest standards of openness, probity, and accountability throughout the organization through our ethics-related policies, soft controls, and assurance activities.

Every year, corruption and fraud risks are assessed according to risk levels, as part of the Risk Assessment process under our Enterprise Risk Management. In 2016, all business units were assessed as to their vulnerability to such risks. Risk review results are evaluated by the Internal Audit (IA) and considered in the annual audit plan, and subsequently reported to the Audit Committee.

Key IA team members have adequate fraud trainings to conduct related assurance work.

Alternative Dispute Resolution Policy

We promote the use of alternative dispute resolution (ADR) options and processes in the settlement of corporate governance related disputes or differences with shareholders and key stakeholders.

This policy aims to encourage fair, efficient and equitable resolution of disputes, at the earliest stage of a conflict, while avoiding or discouraging recourse to protracted litigation.

Our active engagement and partnership with the community encourages open communication of issues or concerns, if any, with affected stakeholder groups.

Such matters are discussed and readily resolved during community activities or raised during quarterly monitoring meetings with the Multi-Partite Monitoring Team.

Gift and Entertainment Policy

Our Gift and Entertainment policy and guidelines explicitly prohibits employees from receiving any gifts, interest, or benefit from any supplier, customer and business partner that could reasonably be interpreted as inducing favoritism towards a particular business partner over others.

Conflict of Interest Policy

Our Code of Conduct & Business Ethics explicitly provides guidelines on anti-corrupt practices involving conflict of interest, business gifts and entertainment, among others. These guidelines apply to all Directors, Officers, and employees, including their immediate family members, within a degree of affinity or consanguinity.

Conflict of interest situations also refer to ownership of a part of another company or business having interests adverse to the Company, and accepting commissions or share in profits from any supplier, customer, or creditor.

We do not seek competitive advantages through illegal, unethical, or unfair dealing practices. Improper communications with competitors or suppliers regarding bids for contracts are reported to the senior management, Chairman of the Board or the Audit Committee, as appropriate.

To support adherence to the Conflict of Interest policy, a Director, Officer, or employee is required to submit a single transaction Disclosure statement, due before potential conflict of interest arises, of his direct or indirect financial interest in a specific contract or purchase proposed to be entered into by our Company, subsidiaries or its affiliates with or from a particular contractor or supplier. Failure to make proper disclosure as required may result in disciplinary action.

DISCLOSURE AND TRANSPARENCY

A system of openness and trust.

Our Company supports the principle of transparency by committing to a system of timely disclosure of material information regarding our financial performance, ownership, and business updates.

Our Integrated Annual Report, Annual Corporate Governance Report, disclosures, regulatory filings and corporate website provide full details regarding our governance structure, objectives, key risks, financial and non-financial performance indicators, systems, and policies.

Ownership Transparency

We collate, update, and promptly report all significant ownership matters: direct and indirect beneficial ownership of our shares, relationships of related companies, and structure of crossholdings, as well as the extent of our ownership and interests in our subsidiaries.

Shareholders and Beneficial Owners of 5% or more of our Company's shares are disclosed in our SEC structured reports. Likewise, the direct and indirect shareholdings of our Directors and senior management are fully disclosed in the SEC 20-Information Statement, SEC 17-A annual report and SEC Annual Corporate Governance Report.

TIMELY, ACCURATE DISCLOSURE OF MATERIAL INFORMATION

Related Party Transactions (RPTs)

Our RPT Policy requires Independent Directors (ID) to review material or significant RPTs that meet the threshold level stipulated by regulatory requirements on material RPTs to determine that such RPTs are in the best interests of our Company and shareholders.

The Audit Committee also assists the Board in its oversight review of RPTs. In its quarterly review of financial statements, the Committee also examines related party accounts against a number of factors and criteria.

In 2016, the Independent Directors and the Audit Committee ensured that such RPTs are ordinary in the course of our business, under reasonable terms and did not include financial assistance or loans to Board Directors, affiliates or related entities, which are not wholly-owned subsidiaries. RPTs are disclosed and discussed in detail in our SEC 20-Information Statement and 17-A annual report, and Note 19 of Notes to Consolidated Financial Statements of our audited financial statements.

Criteria for Reviewing Related Party Accounts

- Fairness
- Materiality
- Commercial reasonableness of the terms
- Extent of conflict of interest (actual or apparent) of the related party

SIGNIFICANT RELATED PARTY TRANSACTIONS

Related Party	Nature	Amount/Volume (in Million Pesos)
Wholly-Owned Subsidiaries:		
SEM-Calaca Power Corporation	Coal Supply	3,240
Southwest Luzon Power Generation Corporation	Coal Supply	842
Affiliates:		
D. M. Consunji, Inc	Engineering Procurement and Construction-related additional works on power projects and other various civil works projects and services	971
DMC Construction Equipment and Resources, Inc.	Exploratory and confirmatory drilling and hauling services	1,437
St. John Bulk Handlers, Inc.	Coal-handling services	597
DMCI Power Corporation	Power operation and maintenance services	363

SHAREHOLDINGS AND TRADES OF DIRECTORS AND KEY OFFICERS

DIRECTORS AND SENIOR MANAGEMENT	Number of Shares As of Jan 1, 2016	Acquired	Disposed	Nature of Ownership	Number of Shares As of Dec 31, 2016
Isidro A. Consunji Executive Director, Chief Executive Officer	6,036	-	-	Direct	6,036
	969,918	200,000	-	Indirect	1,169,918
Victor A. Consunji Executive Director, President and Chief Operating Officer	36	-	-	Direct	36
	1,581,414	1,300,000	-	Indirect	2,881,414
Jorge A. Consunji Non-Executive Director	36	-	-	Direct	36
	302,559	83,080	-	Indirect	385,639
Herbert M. Consunji Non-Executive Director	32,280	-	-	Direct	32,280
	-	-	-	Indirect	-
Cesar A. Buenaventura Non-Executive Director	18,030	-	-	Direct	18,030
	-	-	-	Indirect	-
Josefa Consuelo C. Reyes Non-Executive Director	103,100	-	-	Direct	103,100
	346,800	-	-	Indirect	346,800
Maria Cristina C. Gotianun Executive Director Executive Vice President	357	-	-	Direct	357
	1,300,659	302,984	-	Indirect	1,603,643
Ma. Edwina C. Laperal Non-Executive Director	1,047	10,000	10,000	Direct	1,047
	1,345,872	10,000	-	Indirect	1,355,872
George G. San Pedro * Executive Director	120,090	-	-	Direct	120,090
	-	-	-	Indirect	-
Victor C. Macalincag Independent Director	811,890	-	3,000	Direct	808,890
	19,100	-	-	Indirect	19,100
Rogelio M. Murga Independent Director	8,010	2,000	-	Direct	10,010
	-	-	-	Indirect	-

**Mr. San Pedro passed away on July 7, 2016*

OTHER KEY OFFICERS	Number of Shares As of Jan 1, 2016	Acquired	Disposed	Nature of Ownership	Number of Shares As of Dec 31, 2016
John R. Sadullo Vice President Legal & Corporate Secretary	-	-	-	Direct	-
	-	-	-	Indirect	-
Junalina S. Tabor Vice President Chief Finance Officer	-	-	-	Direct	-
	-	-	-	Indirect	-
Jaime B. Garcia Vice President Procurement & Logistics	144,108	-	-	Direct	144,108
	-	-	-	Indirect	-
Nena D. Arenas Vice President Chief Governance Officer & Compliance Officer	4,000	-	-	Direct	4,000
	-	-	-	Indirect	-
Antonio R. Delos Santos Vice President Treasury	15,000	-	-	Direct	15,000
	-	-	-	Indirect	-
Jose Anthony T. Villanueva Vice President Marketing	750	-	-	Direct	750
	13,890	-	-	Indirect	13,890
Sharade E. Padilla Assistant Vice President Investor & Banking Relations	1,800	1,800	-	Direct	3,600
	270	-	-	Indirect	270
Ruben P. Lozada Resident Manager	118,800	-	-	Direct	118,800
	-	-	-	Indirect	-

External Audit

An external auditor examines our accounting records to make sure that our financial statements meet government and regulatory requirements.

The Audit Committee oversees the external audit function on behalf of the Board. Its oversight covers the review and approval of the appointment, reappointment or replacement of external auditor, audit work engagement, scope and related fees, among others.

In 2016, our external auditor is SyCip, Gorres, Velayo & Co. (SGV). Since 2013, Cyril Jasmin B. Valencia has been assigned as the Assurance Partner-In-Charge, in compliance with SEC regulatory policy requiring audit partner rotation every five years to ensure independence.

No Director or Key Officer is a former employee or partner of the current external auditor in the past two years.

Total fees for audit and non-audit services paid to our external auditor in 2016 are as follows:

Audit Fee	Non-audit Fee
P6.0 M inclusive of subsidiaries' audit fees of PHP3.4 M	**P89,600** for assurance engagement as an independent party to count and/ or validate the votes by poll cast at the 2016 Annual Stockholders' Meeting.

Information Policy
Corporate information is disclosed in a timely and transparent manner to individual and institutional shareholders using a number of communication channels.

ANNOUNCEMENTS AND UPDATES
We release announcements or disclosures on material business developments and updates, as needed.

PERIODIC REPORTING
We practice the timely issuance of quarterly and annual structured reports, including financial statements that are prepared in accordance with financial reporting and accounting standards.

INVESTOR RELATIONS
We conduct and/or participate in investor relations activities such as analyst briefings, investor conferences, among others.

COMPANY WEBSITE
Our website (www.semiraramining.com) provides up-to-date financial and business information on the results of our business operations, organization structure, corporate governance documents and policies, disclosures, among others.

Investor Relations
Our goal is to provide the investment community with timely, relevant, and accurate information about our financial performance, operating highlights, strategic direction, growth prospects and potential risks.

We recognize our duty to advance the interests of our shareholders. We maintain a policy of open and constant communication, subject to insider information guidelines and other pertinent Company policies.

Engagement Platforms
We actively engage with institutional and prospective investors, investment analysts, fund managers and the financial community through various platforms.

We coordinate with our Corporate Communications and our PR arm in cascading timely business developments to our stakeholders, as needed.

INVESTOR ENGAGEMENT PLATFORMS

- CONFERENCE CALLS
- ANALYST-MEDIA BRIEFING
- REVERSE ROADSHOW
- REGIONAL INVESTOR CONFERENCES
- MINE SITE AND POWER PLANT VISITS FOR INSTITUTIONAL INVESTORS
- OTHERS

2016 INVESTOR RELATIONS ACTIVITIES HIGHLIGHTS

REGIONAL / INTERNATIONAL CONFERENCES
26 Jan - JPM Conference, Makati

16 Feb - DB Philippine Access Day Hong Kong

18 Feb - DB Philippine Access Day Singapore

16-17 Aug - UBS Conference Singapore

PHILIPPINE CONFERENCES
26 Jan - J.P Morgan Philippine Conference Makati City

3 Mar - UBS Conference Makati City

5-6 Oct - DB Philippine Access Day Makati City

INVESTOR/CREDITOR VISITS AT OPERATIONAL SITES
10 May – Mine Site Visit, Semirara Island, Antique

ANALYST BRIEFINGS
18 Mar - Full Year 2015 Results Briefing

10 May - Q1 2016 Results Briefing

12 Aug - H1 2016 joint briefing with parent DMCI Holdings, Inc.

16 Nov - Q3 2016 joint briefing with parent DMCI Holdings, Inc.

Contact Information
Our Investor Relations unit reports directly to the Chief Finance Officer, and may be reached using the following details:

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STOCK TRANSFER AGENT DETAILS
Rizal Commercial Banking Corporation
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Makati City, Philippines
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BOARD RESPONSIBILITIES

Leading the way.

The Board of Directors (Board) is responsible for the overall performance of the Company. It jointly directs and oversees the affairs of the Company, while delivering the associated interests of investors and others stakeholders.

Our Revised Code of Corporate Governance defines the roles, duties and responsibilities of our Board, in accordance with relevant Philippine laws, rules, and regulations.

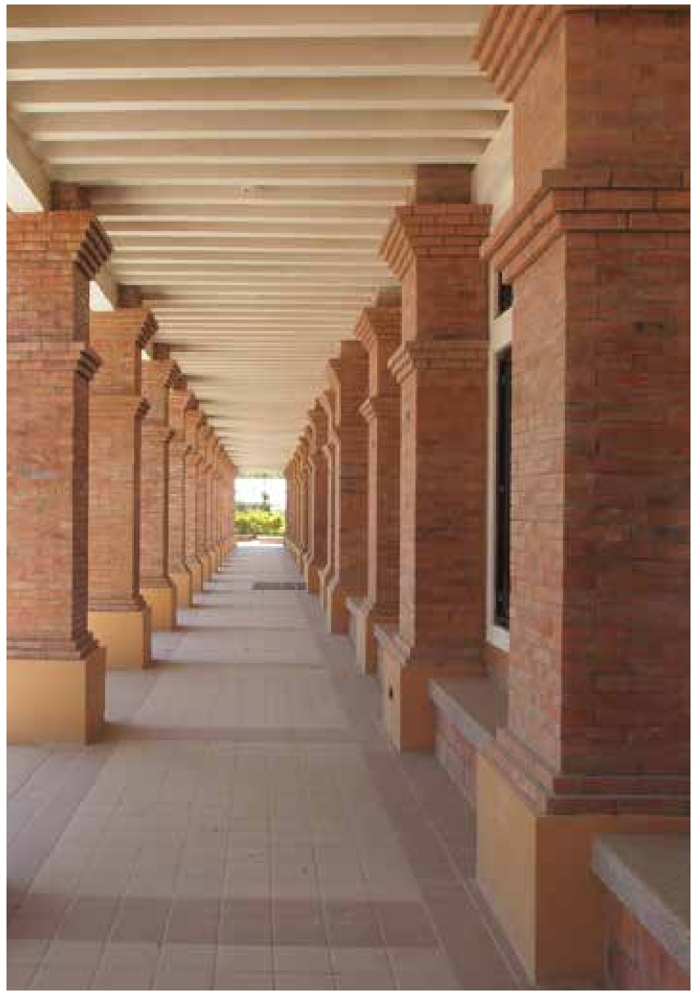
The Board also follows clear and specific guidelines on internal Board processes and types of decisions requiring their approval.

Strategy and Oversight

The Board establishes and approves the vision, mission, strategic objectives, and key policies of the Company.

It also establishes decision-making authority policies, levels, limits, and guidelines for Management, according to its risk appetite level and required Board approvals for governance matters including, but not limited to: debt commitment, capital expenditures, equity investment, divestitures, change in share capital and asset mortgage.

EFFECTIVE BOARD LEADERSHIP AND PERFORMANCE



Board Duties and Responsibilities

- Approves and adopts corporate strategy, and proactively oversees its execution using control mechanisms and risk management systems.

- Formulates and adopts corporate policies, beginning with those related to corporate governance and strategy execution oversight.

- Monitors the financial and non-financial performance of the Company, including oversight of risk management.

- Establishes an accountability system that provides equal emphasis on rewards, incentives, and penalties.

- Promotes a culture of ethics, social responsibility, and good governance by providing keen oversight.

Vision and Mission

Our Board annually affirms our Vision and Mission Statement. Both were last reviewed and approved on November 11, 2015.

Our annual strategic planning exercise includes an understanding and review of the achievement of the Vision, Mission, corporate values, goals and objectives across the organization. We also align and emphasize the integration of our overall strategy map and top-down communication across all levels of the organization.

Our Vision

Coal Towards an Energy-Sufficient Philippines

Our Values

We conduct ourselves and manage our business according to the following:
- Commitment that fuels realization of our mission without compromising Environment, Safety and Health of our stakeholders;
- Excellence that drives us to deliver outstanding results;
- Professionalism that embodies our work quality;
- Teamwork that enables us to work towards common goals;
- Integrity that upholds the cornerstone of our business ethics; and
- Loyalty that keeps us steadfast over challenges and time.

Our Mission

To fulfill its commitment to provide affordable power to the Filipino people through the responsible use of coal as an energy source, Semirara Mining and Power Corporation commits to:

- Adhere to the safety standards and best practices in the mining and power industries

- Remain as the undisputed leader in the coal mining industry and vertically integrated coal-based power producer in the Philippines

- Play a vital role in the energy sector and working in harmony with the government to promote the use of coal as a reliable and economical power source

- Supply its customers with quality coal that meets their stringent specifications

- Provide reasonable economic returns to its investors and business partners

- Empower its employees to prosper in a climate of integrity and excellence

- Work in partnership with its host communities to improve their sustainability while engaging in the judicious use and rational conservation of the country's natural resources

Board's Good Governance Charter and Code of Conduct

The Board, through its stalwart leadership, promotes a culture of ethics, social responsibility and good governance. Our Good Governance Guidelines serve as its Charter.

The Guidelines include policies regarding directorship tenure, service in other company boards, conflict of interest, among others.

Our Code of Conduct and Business Ethics reflects our commitment to conduct our business according to the highest ethical standards, and in accordance with applicable laws, rules and regulations.

The Code covers provisions on the following: conflict of interest, gifts, corporate giving, insider trading, corporate opportunities, accounting and financial reporting, influencing external auditor, political activities, fair dealings, confidentiality, protection, and proper use of company assets, among others.

All Directors and Officers are expected to fully adhere to the principles and provisions set forth in the Code. New Directors undergo Board orientation which includes a knowledge and understanding of the Code and good governance policies. They are required to certify that they have received, read, and understood the Code. All Directors and Officers are required to annually certify their compliance with the Code.

The Audit Committee administers the Code and reviews it periodically for modification to enhance effectiveness. On the other hand, the Good Governance unit assists the Board in the implementation and monitoring of the Code through a robust system of governance and control processes.

In 2016, all Directors and officers have certified their compliance with the Code.

Board Structure and Composition

Our Articles of Incorporation provide for a full Board consisting of eleven (11) Directors. As of December 31, 2016, our Board consisted of ten Directors, with one seat vacancy due to the passing of one regular executive director in July 2016.

Our Board	Number
Regular Executive Directors	3
Regular Non-Executive Directors	5
Non-Executive Independent Directors	2
Total as of Dec 31, 2016	10

Nomination and Election

All Directors are evaluated and nominated by the Nomination and Election Committee as having met the criteria and qualifications, in accordance with regulatory requirements and Good Governance Guidelines for the Board of Directors on tenure policy, term limits, and service to other boards. The Committee considers the qualifications, skills, and experience that are aligned to the Company's strategy and accepts nominations of candidates for election as Board members and to fill Board vacancies as and when they arise, as well as considers issues of potential conflicts of interest for such candidates.

The Committee is authorized to retain or use professional search firms or other external sources when searching for candidates to the Board of Directors. It considers the roster of the Institute of Corporate Directors' Fellows & Graduate Members, among others, when conducting search for candidates to directorships.

All non-executive Directors and executive Directors including the Chief Executive Officer are subject to election or re-election annually at the Annual Shareholders' Meeting.

The procedures, process adopted and criteria are defined in our Securities and Exchange Commission (SEC) Annual Corporate Governance Report, which may also be accessed through our corporate website. The nominations and due dates for submission of such nominations are likewise disclosed to the Philippine Stock Exchange and subsequently found in our website.

Directorships

The number of Board seat memberships held by our Directors are in consonance with best practices espoused by the ASEAN Corporate Governance Scorecard.

No individual Director nor Independent Director has simultaneously served in more than five (5) boards of publicly-listed companies. Moreover, our executive directors do not serve on more than two (2) boards of listed companies outside of our parent company, DMCI Holdings Inc.

Our Board profile with concurrent directorships held are fully disclosed in the SEC 20-IS (Definitive Information Statement), 17-A and SEC Annual Corporate Governance Report.

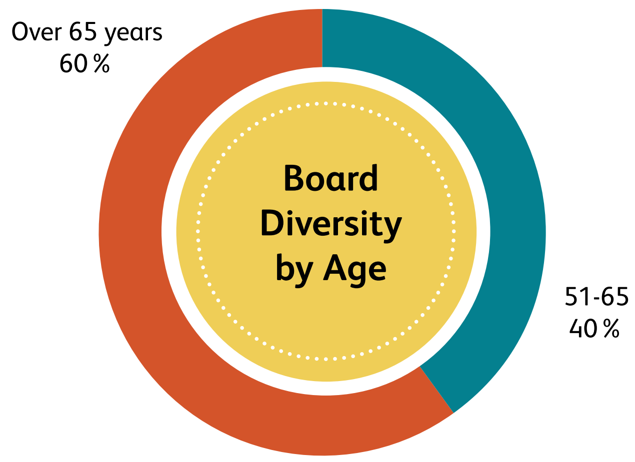
Board Diversity

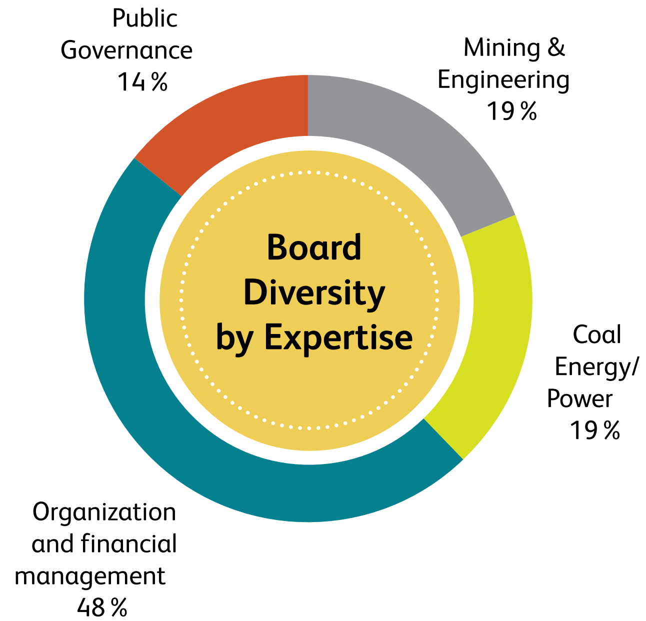
Our Company is committed to creating and embracing diversity in the Board that will effect leadership of the organization. We consider the mix of diversity in determining the optimum composition of our Board - in terms of skills, experience, independence, knowledge, gender, and background. There is also no discrimination of gender, age, and religion in the selection and appointment of our Board.

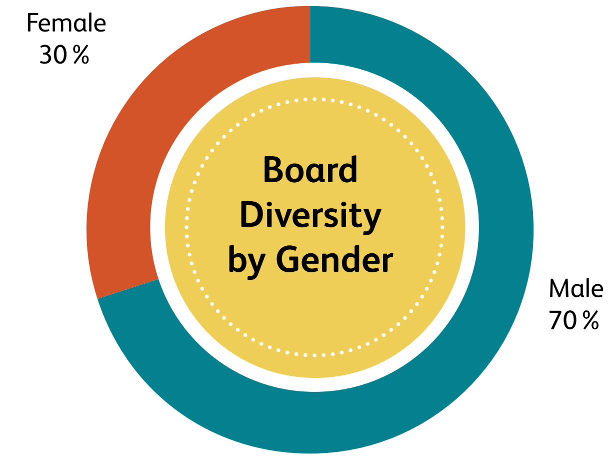
Our Board's Nomination and Election Committee assists in the nomination and selection of suitable candidates for Board appointment with due regard of the diverse competencies to achieve an inclusive and collaborative governance culture.

Our Directors are a diverse mix of highly-qualified individuals, with stature and experience in the related fields of competencies: coal and energy industries, finance sector, government service, and business operations. Their background enables them to effectively participate in Board deliberations and fulfill their fiduciary duties.

Two of our non-executive Directors have prior, extensive work experience in the coal mining and/or energy industries. Majority of our Directors possess mining and engineering core competencies that are aligned with our group's strategy of vertical integration of our coal energy business.







Board and Director Development
Our Board and Director Development program aims to raise the quality and standard of our Board. Our programs and initiatives include: orientation, training, continuing education, committee assignments, and Board evaluations for improvements, among others.

New Directors are given an orientation of our Company's and group's financial and operational and corporate governance aspects of our business.

Directors are encouraged to visit our mine site and power plants, as part of their continuing knowledge and understanding of our operations.

Our Directors have conducted formal self-assessments of their skills and expertise, including identification of development areas of interest.

In 2016, all Directors have fully complied with the corporate governance orientation and seminars as required by SEC regulations.

	Orientation	Continuing Development
Focus Areas	Corporate History Financial and Operating performance Products Significant Milestones Board and Good Governance policies Regulatory requirements Corporate Social Responsibility projects	Varies according to the Director's requirements and the quality and relevance of the available training Management courses
Knowledge Materials	Orientation kit with relevant reading and video materials	Reference materials on global best practices and governance issues
Other Learning Support	Familiarization tours of mine site, power plants, etc	Membership of Directors and key officers in the Institute of Corporate Directors (ICD), a professional organization committed to the professional practice of corporate directorship

Chairman and Chief Executive Officer (CEO)

Unified and centralized leadership
The Chairman and CEO roles are unified to centralize leadership as at this time. The Board noted the strategic challenges and opportunities in our Company's sustainability as a vertically-integrated coal mining and energy enterprise, thus making critical a cohesive leadership of the Board and Management unified in meeting business objectives toward greater shareholder value for our company group.

Our Company's governance structure ensures a check and balance of power, independent thinking, and accountability through defined roles and responsibilities of the Board, CEO and Management in our Amended By-Laws and Revised Code of Corporate Governance, good governance framework, annual Board and CEO performance evaluation process, among others.

Independent Directors
An Independent Director (ID) is defined as one with no interest or relationship with the Company that may hinder his independence from the Company or its management, or may reasonably be perceived to materially interfere in the exercise of his independent judgment in carrying out the responsibilities expected of a director.

Our Company's IDs possess the qualifications and none of the disqualifications under existing Philippine regulatory rules and requirements for IDs. They have been nominated by a non-controlling shareholder during the nomination process, and are independent of Management and major shareholders of the Company. More importantly, they bring objectivity and independent mindset during Board deliberations and discussions.

We endorse only those individuals who can and do exercise independent judgment. In line with our policy, we exclude from our list of IDs those with any close relationship, either by blood (within the second degree of consanguinity) or marriage, with significant stockholders, the CEO or any member of our company's top management team. We likewise exclude from the list of candidates those who may have served our company as an officer or significant service provider, unless two years have elapsed since the termination of that service.

The number of IDs is in compliance with the Philippine regulatory requirement for boards of publicly–listed companies. Their cumulative tenure complies with the SEC's prescribed ten (10) year-limit for Independent Directors, and their election as such in no more than five (5) companies in each conglomerate, both terms effective last 2012. They have also been elected as IDs to the Board of our Company's wholly-owned subsidiary, SEM-Calaca Power Corporation.

Our IDs have been re-elected with high regard for their exemplary performance in leadership, broad-based governance expertise, extensive experience in finance and/or coal energy industries and their significant contribution to our Board and Company's strategy map.

Board Meetings
The Board had fifteen (15) meetings, including its organizational meeting, in 2016. All of the meetings were open and candid, with independent views given due consideration.

All Directors fully complied with the SEC minimum Board meeting attendance requirement of 50%.

To enhance best practices in Board performance effectiveness, our amended By-Laws require a Board attendance quorum requirement from majority as per regulatory requirement to two-thirds (2/3).

2016 BOARD MEETING PERFORMANCE

Board Role and Appointment	Directors	Board and Organizational Meetings	Annual Shareholders' Meeting
Executive Director, Chairman and CEO	Isidro A. Consunji	15/15 100%	1/1 100%
Executive Director, Vice Chairman and President	Victor A. Consunji	14/15 93%	1/1 100%
Non-Executive Director	Jorge A. Consunji	15/15 100%	1/1 100%
Non-Executive Director	Cesar A. Buenaventura	15/15 100%	1/1 100%
Non-Executive Director	Herbert M. Consunji	15/15 100%	1/1 100%
Executive Director	George G. San Pedro*	8/8*	1/1 100%
Executive Director	Maria Cristina C. Gotianun	14/15 93%	1/1 100%
Non-Executive Director	Ma. Edwina C. Laperal	14/15 93%	1/1 100%
Non-Executive Director	Josefa Consuelo C. Reyes	15/15 100%	1/1 100%
Independent Director	Victor C. Macalincag	15/15 100%	1/1 100%
Independent Director	Rogelio M. Murga	15/15 100%	1/1 100%

**Mr. San Pedro attended 8 Board meetings prior to his passing on July 7, 2016*

2016 BOARD COMMITTEE MEETING PERFORMANCE

Members	Audit	Compensation and Remuneration	Risk	Nomination and Election
Total number of meetings	7	2	4	3
Independent Directors				
Rogelio M. Murga	7	2	3*	3
Victor C. Macalincag	7	2	4	3
Executive Directors				
Maria Cristina C. Gotianun		2	4	
Isidro A. Consunji			3	3
Victor A. Consunji	7		4	
Non-Executive Director				
Herbert M. Consunji			1**	

**Committee chairmanship and membership effective May 2, 2016*
***Committee chairmanship and membership up to May 1, 2016*

Corporate Secretary

At the beginning of each year, the Corporate Secretary provides a schedule of regular Board meetings and Board committee meetings, in line with our regulatory reporting dates. Special Board meetings may be called as the need arises.

The Corporate Secretary assists the Chairman in setting the Board agenda and provides Directors with meeting agenda and related materials at least five (5) days in advance of Board meeting date. This is to provide Directors with accurate and sufficient information to make educated decisions during the Board Meeting.

The Corporate Secretary likewise provides ready and reasonable access to information that Directors may need for their deliberation on issues listed on the Board agenda.

In addition to ensuring that all Board procedures, rules and regulations are strictly observed, the Corporate Secretary safeguards and preserves the integrity of the minutes of Board meetings. He also provides updates to the Directors and Management regarding statutory and regulatory changes.

The Corporate Secretary and Vice President – Legal, Atty. John R. Sadullo, possesses the legal qualifications and competencies to effectively perform the secretarial and related duties of the position. We provide Atty. Sadullo access to legal, accountancy, and company secretarial best practices training, to equip and aid him in carrying out his duties as Corporate Secretary.

Director Remuneration

The remuneration of the Board of Directors consists of an annual retainer fee, per diem, reimbursement of allowances and, when appropriate, short-term cash incentive for regular Executive Directors.

Director fee and per diem are subject to shareholder approval, while the Board approves, upon recommendation of the Compensation and Remuneration Committee, short-term corporate performance-based bonuses for the Executive Directors.

The retainer fee of the Independent Directors (IDs) and Non-Executive Directors (NEDs) was approved by the shareholders at the May 2015 ASM. The adjusted fee gave due regard to the significant contribution and role of the IDs and NEDs, and to align to market.

Executive Director Remuneration Summary

Fixed Retainer Fee
P240,000 per annum*
Fixed Meeting Per Diem
P20,000 /Committee Meeting attended*

*Date of Shareholder approval - May 4, 2009

Non-Executive Director and Independent Director Remuneration Summary

Fixed Retainer Fee
P150,000/month (or P 1,800,000 per annum)**
Fixed Meeting Per Diem
P20,000/Committee Meeting attended*

**Date of Shareholder approval - May 4, 2015
*Date of Shareholder approval - May 4, 2009

Our Amended By-Laws prescribe a limit on the aggregate amount of Director bonuses, which shall not exceed two percent (2%) of the Company's profit before tax during the previous year.

The limit to total yearly compensation package of Directors, including bonuses, shall not exceed ten percent (10%) of the Company's net income before tax during the previous year.

In 2016, the aggregate amount of cash bonus variable pay related to the preceding year's financial performance and total compensation package received by executive and non-executive Directors, including Independent Directors and the CEO, did not exceed abovementioned limits set by the Company's Amended By-Laws.

Details of Director compensation are disclosed in relevant sections of our SEC 20-IS (Information Statement), Form 17-A (Annual Report) and Annual Corporate Governance Report.

Executive Succession Planning
Our commitment to leadership continuity is embodied in our Board-approved Executive Succession Plan policy, which ensures the stability and accountability of the Company to its stakeholders.

This policy covers the assessment of leadership needs and preparation for an eventual permanent leadership change.

It also outlines succession procedures for the CEO, including the process of appointment and timeframe in case of an interim leadership. The time frame for appointing a board transition committee and its roles is likewise defined in the Executive Succession Plan policy.

In addition to this policy, we also have succession protocols to ensure leadership continuity at key positions in the Company.

We develop a pool of candidates and encourage the professional advancement of our current employees, by identifying leadership gaps and assessing potential candidates based on their strengths, developmental needs, and readiness for the position. Moreover, we equip them with the training and support they need to assume more challenging roles in the organization.

Chief Executive Officer and Chief Operating Officer Performance Evaluation
The Board conducts annual performance reviews of the CEO and COO based on key result areas, which consist of Board-approved financial and non-financial performance metrics.

Financial Metrics
Business and Operational objectives

Non-financial Metrics
Strategic objectives, ethics and governance, risk management, internal controls and processes, business development and corporate social responsibility

The Chief Governance Officer administers the performance evaluation process, tabulates the rating results, and summarizes the evaluation comments.

Evaluation results are submitted to and/or discussed with the CEO, COO, Nomination and Election Committee, and Compensation and Remuneration Committee, for proper disposition or action.

In 2016, the Board evaluated the performance of the CEOand COO in the preceding financial year.

Board Performance Evaluation
The annual performance evaluation process of the Board covers the full Board and individual peer director appraisal.

The formal questionnaire for the full Board self-assessment includes the Board responsibilities, structure, meetings, processes, and management support.

On the other hand, the individual director performance evaluation areas take into account leadership, interpersonal skills, strategic thinking and participation in Board meetings and committee assignments.

In 2016, full Board and peer director evaluations were administered by the Chief Governance Officer and reported to the Nomination and Election Committee.

Aside from the overall rating results, the highlights of the Board's strengths and areas in need of attention are reported to the Board. Private feedback based on peer assessments is likewise provided to each Director.

Board Committees and Appraisal
To support the performance of its fiduciary functions, the Board established four (4) good governance Committees, namely: Nomination and Election Committee, Compensation and Remuneration Committee, Risk Committee and Audit Committee.The Corporate Secretary, Chief Governance Officer and Legal department provide full support to the Board and good governance committees.

Committee Charter
The Committees are guided by Board-approved Charters in the discharge of their roles and oversight responsibilities. These Charters are disclosed in our corporate website (www.semiraramining.com).

Board Committee	Main Oversight Areas
Nomination and Election	• Nomination process and criteria for the directorship • Independence of directors • Board and Director performance and development • Board and executive succession planning • Appointment of key officers
Compensation and Remuneration	• Compensation philosophy and policies consistent with the Company's culture, strategy, and control environment • Remuneration framework of directors and executives • CEO and COO performance appraisal
Risk	• Enterprise-wide risk management framework • Risk governance • Risk management practices and policies
Audit	• Financial reporting • Internal control environment • External audit • Internal audit • Compliance and governance

Committee Performance
The Board Committees annually review their respective Charters for effectiveness, and endorse changes, if any, to the Board for its approval. The Committees conduct annual reviews of the effectiveness of their Committees' performance using formal self-assessment questionnaires. The questionnaires are based on their respective Charters and benchmarked against best practices. The Chief Governance Officer/Compliance Officer facilitates the self-assessment process. Results of the review are discussed and addressed accordingly by the Committees.

In 2016, all Chairmen and Members of the Board Committees attended the Annual Shareholders' Meeting (ASM) to address possible queries on matters relating to their respective Committees.

Nomination and Election Committee
The Nomination and Election Committee (NOMELEC) has three (3) members, chaired by an Independent Director (ID), and with majority membership of IDs in accordance with best practices.

Committee Members
Chairman:
Rogelio M. Murga
Independent Director

Members:
Victor C. Macalincag
Independent Director

Isidro A. Consunji
Executive Director

The Committee reviews each Director's continuation on the Board every year, taking into account meeting performance, participation, and contribution to the Board. It considers the roster of the Institute of Corporate Directors for potential candidates as replacement for vacancy in directorship.

Meeting Performance
The Committee held three (3) meetings with the Corporate Secretary/VP Legal, Senior Management and Chief Governance Officer. Meetings were presided by the Committee Chair with full Committee attendance on February 15, March 10 and December 6, 2016.

Work Done and Issues Addressed

Nomination and Selection	Succession Planning and Leadership	Board Performance and Development
Reviewed with the Corporate Secretary the nomination process, criteria, qualifications, and final selection of Board nominees for directorship as stated in the Amended By-Laws, Revised Code of Corporate Governance and pertinent SEC rules, and ensuring that they meet the requisite qualifications and taking into account their qualifications, experience, knowledge and expertise meet the needs of the Board and are aligned to SMPC Group's strategy.	Reviewed and endorsed changes in the roles, membership, and leadership of the Board and its Committees. Discussed and reviewed with senior management the organizational development program, executive succession planning and leadership needs of SMPC Group, as well as discussed movement of key officers.	Reviewed the annual appraisal of the full Board and individual Board Director performance to assess Board effectiveness. Exercised oversight of Board orientation with C-suite and management team Senior Management to familiarize the new Non-Executive Director with SMPC Group's strategic plans, financial and operating performance, significant milestones and corporate governance matters. Exercised oversight of the continuing professional development of Board Directors and key officers through leadership programs, affiliation with or memberships in professional organizations, compliance and participation in corporate governance seminars and fora, among others.

Compensation and Remuneration Committee

The Compensation and Remuneration Committee has three (3) Board Directors, chaired by an Independent Director (ID), and with majority membership of IDs in consonance with best practices.

The Committee annually reviews and recommends for Board approval the remuneration for Directors. Remuneration is set within the maximum level indicated in the Company's Amended By-Laws, and as approved by the shareholders.

The Committee also requires new Directors and Officers to declare a full business interest disclosure of all their existing interests or shareholdings that may directly or indirectly cause conflict of interest in the performance of their duties.

Compensation and Remuneration Committee
Chairman:
Victor C. Macalincag
Independent Director

Members:
Rogelio M. Murga
Independent Director

Ma. Cristina C. Gotianun
Executive Director

Meeting Performance

The Committee held two (2) meetings with Senior Management, Human Resources Management and the Chief Governance Officer. Meetings were presided by the Committee Chair with full Committee attendance on March 9 and December 6, 2016.

Work Done and Issues Addressed

Board and Executive Remuneration	CEO & COO Performance Appraisal	Corporate Governance
Reviewed and discussed significant updates on Board and executive remuneration levels and compensation programs to ensure alignment with SMPC Group's compensation strategy, sustainable business, pay for performance culture and link to risk management of attraction and retention risks.	Reviewed and discussed results of the Board's evaluations of the CEO's and COO's performance based on Board-approved Balanced Scorecard and key result areas encompassing financial and non-financial performance metrics which are linked to strategic and business objectives, including business development, risk management, internal controls, ethics and governance, and corporate social responsibility.	Reviewed the compensation-related disclosures of Directors and Executives in the Company's annual reports and information statements per regulatory requirements and reporting standards.

Risk Committee

The Risk Committee is chaired by an Independent Director and is a mix of five (5) regular and non-regular Directors. All Members have the relevant technical and financial expertise in risk disciplines.

Our Company's Risk Advisory function provides regular risk monitoring and reporting assurance to the Risk Committee and Senior Management.

Risk Committee
Chairman:
Rogelio M. Murga
Independent Director

Members:
Victor C. Macalincag
Independent Director

Isidro A. Consunji
Executive Director

Victor A. Consunji
Executive Director

Ma. Cristina C. Gotianun
Executive Director

Meeting Performance

The Committee held four (4) meetings and were presided by the Committee Chairman. Meetings were fully attended on March 9, August 24, and December 6, 2016, except in June 10, 2016 when meeting was held with a quorum.

Work Done and Issues Addressed

- Exercised oversight of the risk management of SMPC Group's top business risks (i.e. operational, market, safety, environmental compliance, reputation, people & talent, and cyber security), and the appropriate treatment of such risks.
- Ensured timely management response and allocation of resources to support risk management efforts and remediation.
- Reviewed and discussed with Management SMPC Group's enterprise-wide risk management (ERM) framework and roadmap implementation towards a resilient risk management maturity level.
- The Committee Chair attended the Annual Shareholders' Meeting on May 2, 2016 to address possible shareholder queries on Committee matters.
- The Committee Members attended the quarterly investors' briefings on March 18, July 23, August 12 and November 16, 2016 to address possible analyst and investor queries on risk oversight matters.
- Reviewed the Risk Committee Charter for continual improvement and alignment with leading practices.

Audit Committee

The Audit Committee has three (3) Board Directors, majority of whom are Independent Directors.

Qualifications

The Committee is chaired by an Independent Director who is a Certified Public Accountant.

Its Members possess the requisite levels of financial and accounting competencies, experience and other qualification requirements set by the SEC. They also have adequate understanding of the mining business, energy, and related industries of the Company.

The Independent Directors have prior extensive working experiences and held key positions in various private, government, and government-owned and controlled corporations.

Meeting Performance

Committee Meetings are scheduled at appropriate points to address matters in a timely basis.

Audit Committee

Chairman:
Victor C. Macalincag
Independent Director

Members:
Rogelio M. Murga
Independent Director

Victor A. Consunji
Executive Director

In 2016, the Committee held seven (7) meetings, including private sessions with the Internal Audit in conformance with best practices. Meetings were presided by the Committee Chair with full Committee attendance in all meetings.

Written agenda and materials are distributed in advance to facilitate meaningful review and discussion during meetings. Minutes of the Committee meetings are provided to the Board.

The Compliance Committee, Chief Governance Officer/Compliance Officer and the management team of Finance, Legal, Internal Audit, and officers of power subsidiaries are regularly invited to Committee Meetings to discuss updates in regulatory developments, financial reporting, taxation, and compliance matters.

Work Done and Issues Addressed

The Committee reviewed and discussed the financial performance, annual budget, strategic issues, equity investments, risk management, conflict-of-interest, related party accounts, tax planning, equity issues, and market/industry developments of the Company.

Financial Reporting Process and Financial Statements	External Audit	Internal Audit
Reviewed, approved and endorsed quarterly unaudited and annual audited consolidated financial statements for Board approval. Ensured financial statements are in accordance with the required accounting and reporting standards. Reviewed the adequacy of financial reporting disclosures, including significant related party transactions to provide a transparent and fair view that meet shareholder needs.	Discussed and approved the external audit work engagement, scope, fees, and terms. Discussed with SGV & Co. and Management significant financial reporting issues, audit observations, and overall quality of the financial reporting process as well as regulatory updates in financial and tax reporting. Recommended to the Board the reappointment of SGV & Co. as external auditor in 2017 based on SGV's performance, independence, qualifications and with due regard of Management's feedback. Reviewed and approved the Management representation letter before submission to SGV & Co. to ensure all representations are in line with the understanding of the Committee.	Reviewed and approved Internal Audit's annual plan based on a risk-based approach. Ensured that Management has provided adequate resources to support the function and maintain its independence. Met in executive sessions with the Internal Audit Manager to review and discuss Internal Audit's assurance and advisory work including its organization structure.

Internal Control	Compliance, Risk and Governance
Reviewed and discussed with Management, SGV & Co., Internal Audit and Compliance Committee the audit findings, internal control and compliance issues for the continual improvement of controls and risk management processes.	Discussed and reviewed with the Compliance Committee significant updates and actions on SEC, PSE, legal, tax, claims, litigations, environmental, safety and other regulatory matters. Discussed in a joint meeting with the Risk Committee the results of risk reviews and interdependencies of such risks to the Audit Committee's oversight responsibilities. Reviewed its Charter for effectiveness. Conducted a performance self-evaluation using a formal questionnaire with a quantitative rating and corresponding qualitative criteria , and reported, the results to the SEC. Results indicated an overall compliance level in consonance with SEC's Audit Committee performance guidelines on effectiveness.

The 2016 Audit Committee Report to the Board of Directors is included in the Consolidated Financial Statements section of the Integrated Annual Report.

Internal Controls and Risk Management Systems

Our Board is responsible for the internal controls and risk management systems of our Company. Its Audit Committee assists in the oversight of the internal controls, financial reporting process, internal audit, external audit, and compliance functions, while its Risk Committee assists in the oversight of the risk management process.

Risk Governance

Our risk governance structure adopts the globally-recognized Institute of Internal Auditors' *Three Lines of Defense in Effective Risk Management and Control*, which focuses on risk ownership, controls, compliance, and assurance activities.

Our risk management policy, processes, and systems are further described in the Risk Management section of this Integrated Annual Report.

The 2016 Board Statement on the adequacy and effectiveness of internal controls and risk management systems is included in the Consolidated Financial Statements section of the Integrated Annual Report.

Board's Statement on Adequacy of Internal Controls and Risk Management Systems

Based on the assurance work performed by the internal and external auditors and the oversight duties performed by the Board's Audit Committee and Risk Committee, the Board is of the opinion that the Company's internal controls and risk management systems are adequate and effective.

Internal Audit

The Internal Audit (IA) provides our Board and Management with independent and objective assurance and consulting services on the business processes, controls, governance, and risk management practices of SMPC and its subsidiaries.

Internal Audit

Carla Cristina T. Levina
IA Manager

Karmine Andrea B. San Juan
IA Manager

Joseph D. Susa
IA Manager

IA Function

Our Internal Audit (IA), led by IA Managers, Carla Cristina T. Levina, Karmine Andrea B. San Juan and Joseph D. Susa, functionally reports to the Audit Committee. IA is guided by a Board-approved Internal Audit Charter and adopts

Duties and Responsibilities of IA

- Provides the Audit Committee and Management with independent and objective assurance and consulting services on business processes, controls, governance and risk management practices of SMPC and its subsidiaries
- Reports to the Audit Committee the status of its audit activities in relation to its annual audit plan, including the significant results of the audit
- Verifies and attests to the Board whether a robust internal audit, control, and compliance system is in place and working effectively within the Company
- Monitors audit clients regarding the implementation of action plans to address the risks and control gaps identified upon completion of the audit

a risk-based audit approach aligned with the professional auditing standards mandated by SEC's Revised Code of Corporate Governance and as set by The Institute of Internal Auditors (IIA).

The appointment, performance evaluation, and replacement of the internal auditors require the approval of the Audit Committee.

IA Performance

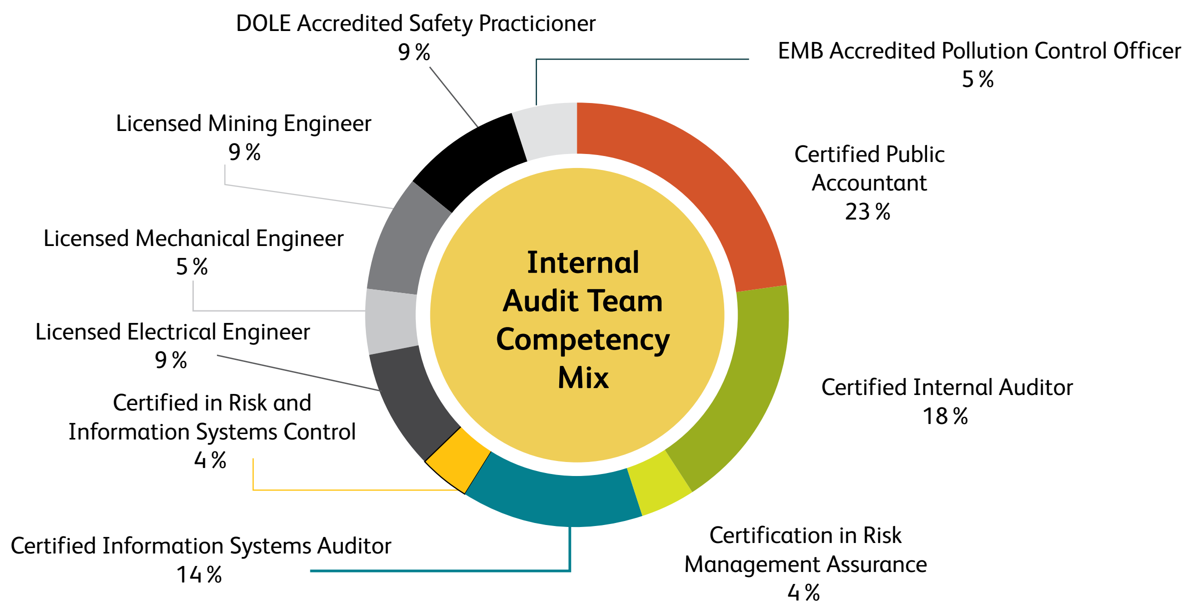
IA's Quality Assurance and Improvement Program (QAIP) aims to provide assurance on the audit quality and value-added services to its stakeholders as well as to ensure operating efficiency and effectiveness of its organization and resources.

Formal IA policies and procedures comply with IIA Standards. IA conducts an annual internal assessment of its own performance against the IA Charter and the IIA Standards, the results of which are reported annually to the Audit Committee. Audit quality feedback is obtained through a formal survey upon completion of an individual engagement to assess IA's effectiveness in meeting the needs of its audit clients and to identify opportunities for improvement.

In 2016, our IA team underwent an internal quality assessment conducted by DMCI Holdings' outsourced Internal Audit with Punongbayan & Araullo. This activity improved SMPC IA's adherence to the IIA Standards. They will be subjected to an external quality assessment in 2017.

In 2016, IA outsourced the assessment of SMPC's Enterprise Risk Management (ERM) to evaluate the effectiveness of the design and implementation of our risk management activities. The assessment results also determined SMPC's current ERM maturity level and identified opportunities for improvements.

Moreover, our Audit Committee evaluated IA's overall performance based on IA's primary mandate of reassurance and value protection and in providing value-added services through consideration of the Company's strategic focus in their audit engagements. The assessment aims to seek continual improvement of the function's strategic role, independence, objectivity and performance effectiveness covering areas on IA's responsibilities and accountability, charter, organization structure, skills, experience, communication and quality.



IA Team Competency Mix

IA hires professionals with backgrounds and expertise on business, technical, and operational aspects. The team is composed of certified public accountants, certified internal auditors, certified information systems auditors, certified in risk and information systems control, Department of Labor and Employment (DOLE) accredited safety practitioners, Environmental Management Bureau (EMB) accredited pollution control officer and licensed engineers (i.e., mining, electrical and mechanical). This diversity in the group helps to effectively cover not only business processes but also significant technical areas such as operations, safety, and environment. This also increases IA's capability to deliver valuable inputs to the top management and Audit Committee in addressing the organization's risks and improving the internal controls.

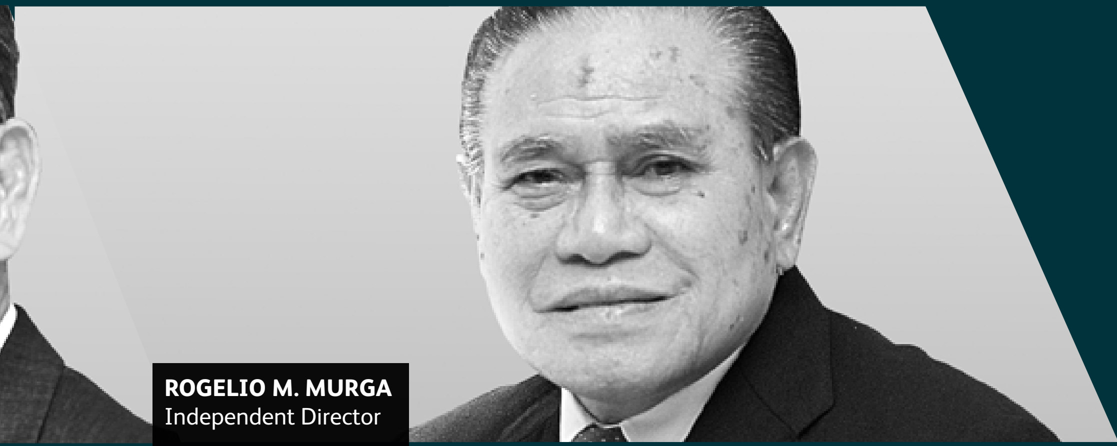
OUR BOARD OF DIRECTORS

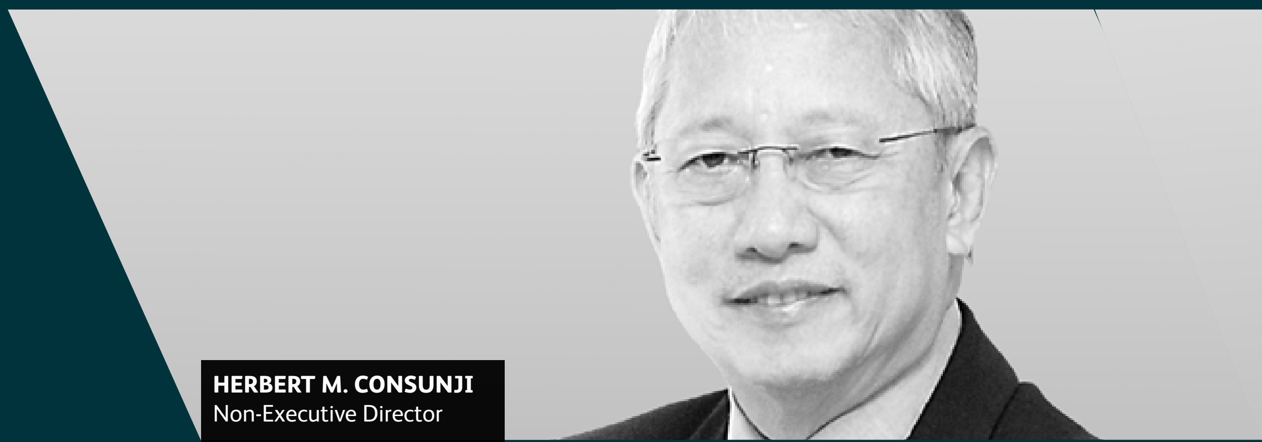

ISIDRO A. CONSUNJI
Chairman of the Board
Chief Executive Officer


VICTOR A. CONSUNJI
Vice-Chairman
President and COO


MARIA CRISTINA C. GOTIANUN
Executive Director
Executive Vice President


VICTOR C. MACALINCAG
Independent Director


ROGELIO M. MURGA
Independent Director


HERBERT M. CONSUNJI
Non-Executive Director


JORGE A. CONSUNJI
Non-Executive Director


CESAR A. BUENAVENTURA
Non-Executive Director


JOSEFA CONSUELO C. REYES
Non-Executive Director


MA. EDWINA C. LAPERAL
Non-Executive Director

OUR KEY OFFICERS


ISIDRO A. CONSUNJI
Chief Executive Officer


VICTOR A. CONSUNJI
President and Chief Operating Officer


MARIA CRISTINA C. GOTIANUN
Executive Vice President


JUNALINA S. TABOR
Vice President and Chief Finance Officer


ATTY. JOHN R. SADULLO
Vice President, Legal and Corporate Secretary


JAIME B. GARCIA
Vice President, Procurement and Logistics


JOSE ANTHONY T. VILLANUEVA
Vice President, Marketing


NENA D. ARENAS
Vice President, Chief Governance Officer and Compliance Officer


ANTONIO R. DELOS SANTOS
Vice President, Treasury


RUBEN P. LOZADA
Resident Manager


SHARADE E. PADILLA
Assistant Vice President, Investor and Banking Relations


ANDREO O. ESTRELLADO
Assistant Vice President, Market and Commercial Operations - Power

MINESITE OPERATIONS
MANAGEMENT

CORE MINING

MARK LOUIS A. BENTAYO, Department Head, Product Department; JANESTO S. DIAZ, Pollution Control Officer; JERRY O. CELO, Department Head, Electrical Department; LETO T. MACLI-ING, Department Head, Mine Truck & Shovel Operation Department; VICENTE T. LANTACA, Reforestation In-Charge; JASON O. DAVID, HR Manager; BARRY C. LEWIS, Equipment & Maintenance Consultant; VINCENT CESAR V. MALIG, Administration Division Manager; RENE C. GONZALES, Department Head, Mobile Maintenance Department

EDNA A. GAYONDATO, Department Head, Analytical Laboratory Department; PETER M. TINK, Safety Consultant; EVANGELINE G. GARDON, Administration Manager; RUBEN P. LOZADA, Resident Manager; JOSE LEO S. VALDEMAR, Department Head, Power Plant Department; RODANTE Q. MOLINA, Department Head, Mechanical Services Department; EDUARDO T. POTAYRE, Mine Planning Engineer; GERRY M. MARCELLANA, HR Manager; ARNEL P. JADORMIO, Safety Manager; LEANDRO D. COSTALES, Comptroller

NOT IN PHOTO: NESTOR V. AGAPITO, Department Head, Materials Control Department; ELSON J. CRISOLOGO, Department Head, Geology Department; ROGELIO S. DURO, Security Officer; RONNIE P. ESTRELLADA, Marine Biology Consultant; MAXIMO V. SADURAL, Mine Planning & Engineering Department; MAGNO V. VILLAFLORES, Mine Operations Audit Manager

NON-CORE MINING

AGUSTIN D. GONZALES, Department Head, Shipbuilding; ISIDRO C. DACANAY, Shipping Consultant; MELISSA TERESITA M. CUCUECO, Food Court Manager; DAISY R. POTAYRE, Head, Humic Plant; MARK C. MUNAR, Officer-in-Charge, Civil Works Department; REDEMPTOR D. MACARAAN, Administration Division Manager

NOT IN PHOTO: JOSE D. GUEVARA, Plant Manager, SCI; BERNARD M. CADIGAL, Officer-in-Charge, Social Development Office

OTHER KEY OFFICERS

MINING MANAGEMENT

ARNEL P. JADORMIO
Safety Manager

JANESTO S. DIAZ JR.
Environmental Head

VINCENT CESAR V. MALIG
Division Manager - Core Mining

POWER PLANT MANAGEMENT

DENEL C. MATEO
AVP, O&M / Plant Manager

EDGARDO S. LAGMAN
AVP, Facilities

FREDDIE S. DELMENDO
AVP, Procurement and Logistics

CHARLIE V. ROBLES
SLPGC Plant Manager

CHRISTOPHER THOMAS C. GOTIANUN
Technical Assistant to the COO

OTHER OFFICERS

TERESITA B. ALVAREZ
Consultant, ICT

CAMILLE CHRISTINE I. CONSUNJI
Process Re-engineering Manager

LEANDRO D. COSTALES
Comptroller

MARK V. EVANGELISTA
Purchasing Manager

ANTONIO C. JAYME
Consultant, Group Accounts Audit

JOANNE MARIE C. GOTIANUN
Special Projects Manager

CARLA CRISTINA T. LEVINA
Internal Audit Manager

ERNESTO P. PACULAN
Consultant, Logistics

CORINNE ANN G. RENES
Corporate Communications Officer

MELINDA V. REYES
Risk and Insurance Officer

CRISGUNDY D. SABADO
Risk Advisory Manager

KARMINE ANDREA B. SAN JUAN
Internal Audit Manager

RACHELL BELLE F. SANTOS
Human Resources Officer

JOSEPH D. SUSA
Internal Audit Manager

RANDEE M. DELOS SANTOS
SCPC Accounting Manager

POWER OPERATIONS MANAGEMENT- SCPC

MARCELLA V. ELLAO
Comptroller

JOVENAL M. LAFUENTE
Maintenance Manager

MELCHOR D. BORBON
General Services Manager

EDGARDO V. ARAYA
Senior HR Manager

PEDRO R. DE PADUA
Manager, Environmental

RUCHIL M. PONGCOL
Coal Handling Maintenance, Senior Supervisor

REYNALDO C. SEVERINO
Coal Handling Operations Manager

BERNARD I. CARPIO
Planning and Scheduling Superintendent

PROCOPIO T. PANUNCILLON
Electrical Maintenance Superintendent

JIM B. JAYME
IMMC Manager

NOT IN PHOTO: RONILO R. BAUTISTA, Operations Shift Superintendent; ISMAELITO V. ALMAZAN, Operations Shift Superintendent; ADOLFO M. MENDOZA, Operations Shift Superintendent; GILBERTO D. PANGANIBAN, Acting Operations Shift Superintendent; RONNIE M. MARBELLA, Acting Performance Head

POWER OPERATIONS MANAGEMENT- SLPGC

RENE N. CORDERO
Technical Services Manager

HOPE D. PICSON
HR Head

GIL D. ENAMNO
Maintenance Manager

NOEL N. SALAMAT
Operations Manager

JOSEPHINE G. OLARTE
Accounting and Finance Manager

DIVINO C. VERGARA
Acting Chemical Operation Superintendent

RANDY C. TORRES
Instrumentation and Control Superintendent

ROSSINI B. MARASIGAN
Learning and Development Head

EDGAR C. MARIANO
IMMC Head

FRED F. FAJARILLO
Performance Head

DANNY P. REYES
Mechanical Maintenance Head

CLODUALDO G. BALA
Operations Superintendent

HERMENEGILDA N. MAYOR
Chemical Operations Superintendent

EDUARDO S. DUNGCA
I&C Superintendent

BAYANI Q. SAN PEDRO
Electrical Engineering

NOT IN PHOTO: RIZALDY S. MANLUSOC, Operations Shift Superintendent; DANILO J. BAUTISTA, Operations Shift Superintendent; VERMOND PAULO D. LAINEZ, Acting Operations Shift Superintendent; RICHARD V. ENDAYA, Acting Planning & Scheduling Superintendent; RUPERTO C. DEMITION, Plant Engineering Head

FINANCIAL STATEMENTS

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
(Formerly Semirara Mining Corporation and Subsidiaries)

Consolidated Financial Statements
December 31, 2016 and 2015 and Years Ended December 31, 2016, 2015 and 2014 and Independent Auditors' Report

Contents

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of SEMIRARA MINING AND POWER CORPORATION is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2016 and 2015, in accordance with prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intents to liquidate the Company or to cease operations, or has not realistic alternative but to do so.

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

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

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

Signed this 23rd day of February 2017.

Isidro A. Consunji
Chairman of the Board &
Chief Executive Officer

Junalina S. Tabor
Chief Finance Officer

STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITY FOR INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS

The Board of Directors ("Board") of SEMIRARA MINING AND POWER CORPORATION is responsible for the internal controls and risk management systems.The Board's Audit Committee assists in the oversight of the internal controls, financial reporting process, internal audit, external audit and compliance functions, while the Risk Committee assists in the oversight of the risk management process.

During the year, Management has established adequate and effective internal controls and risk management systems to provide reasonable assurance that:

• financial transactions are properly authorized, recorded and maintained to enable the preparation of financial statements that give a true, fair and transparent view of the Company's financial position and operating results; and

• governance processes and internal controls are strengthened, and significant risks are managed to ensure the achievement of the Company's business objectives.

Based on the assurance work performed by the internal and external auditors and the oversight duties performed by the Board's Audit Committee and Risk Committee, the Board is of the opinion that the Company's internal controls and risk management systems are adequate and effective.

February 23, 2017

Isidro A. Consunji
Chairman and Chief Executive Officer

Victor A. Consunji
Vice Chairman and President

AUDIT COMMITTEE REPORT TO THE BOARD OF DIRECTORS

For the Year Ended December 31, 2016

The Audit Committee ("Committee") oversees, on behalf of the Board of Directors ("Board"), the following matters as defined in its Board-approved Audit Committee Charter:

- Financial reporting process and integrity of the financial statements,
- Internal control environment,
- External audit performance,
- Internal audit performance,
- Compliance and governance

The Committee is comprised of three (3) Members of the Board, two of whom are Independent Directors. It is chaired by an Independent Director. The Committee Members meet the experience and other qualification requirements of the Securities and Exchange Commission (SEC).

In 2016, the Audit Committee had seven (7) meetings, including private sessions with the Internal Audit in conformance with SEC's Corporate Governance Guidelines for Publicly-Listed Companies. Meetings were presided by the Committee Chairman with full attendance by its Members.

The Management Committee officers, external auditor SGV & Co., Internal Audit, Chief Governance Officer/Compliance Officer and the Compliance Committee are regularly invited to Committee meetings to discuss and review financial results,as well as updates in regulatory developments, financial reporting, taxation and compliance.

In compliance with its Charter, the Audit Committee confirms that:

- The Committee reviewed and discussed with Management and SGV & Co. the quarterly unaudited and annual audited consolidated financial statements of Semirara Mining and Power Corporation and Subsidiaries (SMPC Group) as of and for the year ended December 31, 2016. These activities were done in the context that Management has the primary responsibility for the financial statements and the reporting process, and that SGV & Co. is responsible for expressing an opinion on the conformity of the Company's audited consolidated financial statements with Philippine Financial Reporting Standards;

- The Committee's Independent Directors exercised oversight and review of related party transactions (RPTs) that meet the threshold level stipulated per SEC regulations and requirements of material RPTs, to determine whether they are in the best interests of the Company and shareholders;

- The Committee reviewed and approved the Management representation letter before submission to SGV & Co. to ensure all representations are in line with the understanding of the Committee;

- The Committee reviewed and approved SGV & Co.'s overall audit scope, plan and audit-related services, fees and terms of engagements. It recommended to the Board the re-appointment of SGV & Co. as the Company's independent external auditor for 2017 based on SGV's performance, independence, qualifications and due regard of Management feedback;

- The Committee reviewed and approved SMPC Group Internal Audit's 2016 plan and scope based on a risk-based approach and results of assurance work and ensured Management provided adequate resources to support the function and maintain its independence. It reviewed and evaluated the effectiveness of the internal audit function, and met in private sessions with Internal Audit during the year;

- The Committee reviewed and discussed with Management, SGV & Co., Internal Audit and Compliance Committee the adequacy and effectiveness of internal control and ensured Management responded appropriately for the continual improvement of processes and controls. The oversight is done in the context that Management has the responsibility and accountability for addressing internal control;

- The Committee, in a joint meeting with the Risk Committee, discussed with Management and Internal Audit the results of risk reviews, and interdependencies of such risks to the Committee's oversight responsibilities. The oversight is done in the context that Management has the primary responsibility for the risk management process;

- The Committee reviewed and discussed with the Compliance Committee significant updates and Management actions on SEC, PSE, legal, tax, claims, litigations, environmental, safety and other regulatory matters. The oversight is done in the context that Management has the responsibility and accountability for compliance with legal and regulatory matters;

- The Committee reviewed its Charter to determine and/or strengthen the Committee's effectiveness. It conducted an assessment of its own performance whichindicated an overall compliance level in consonance with SEC's Audit Committee performance assessment guidelines for publicly-listed companies;

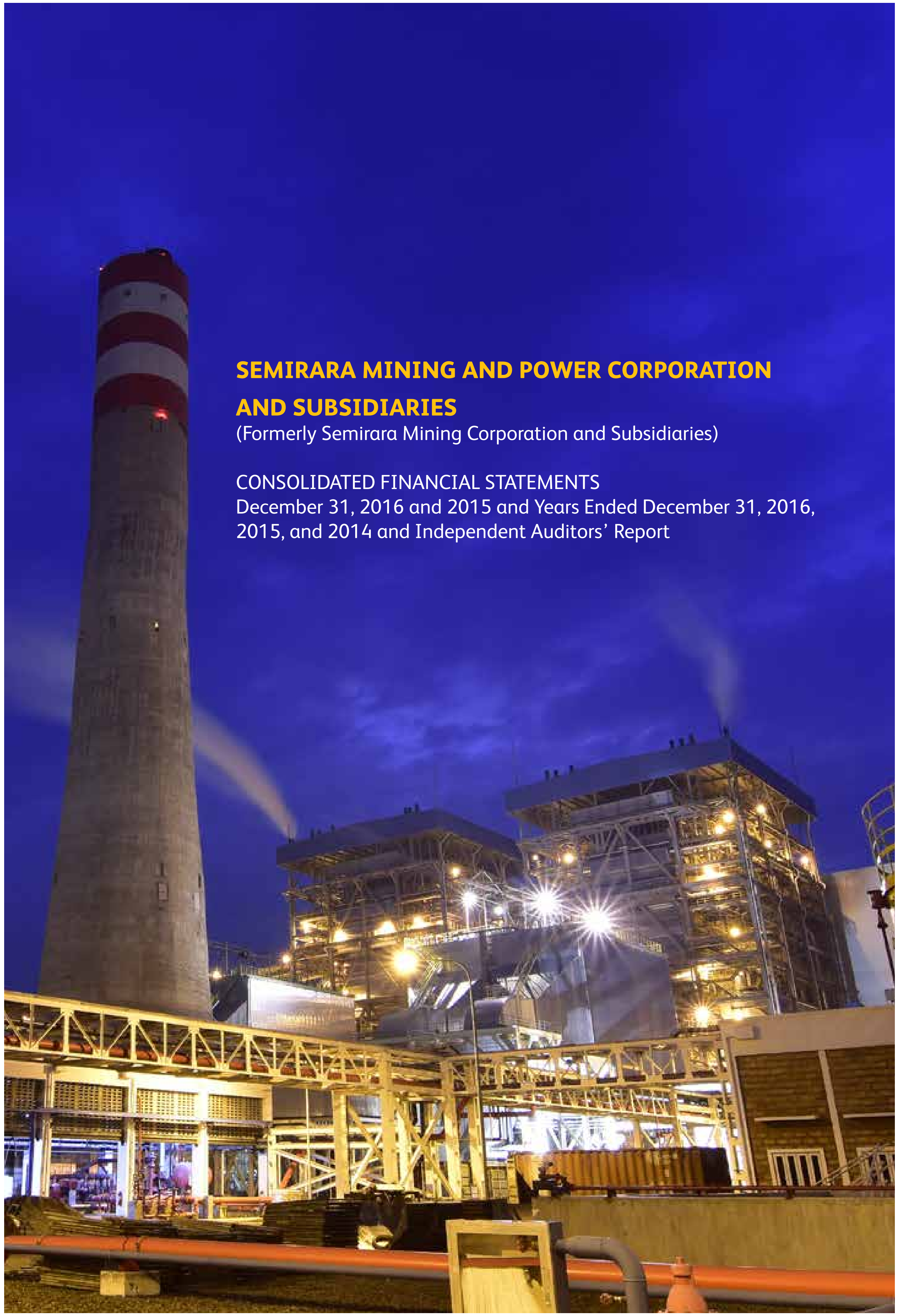
- The Committee Chair and Members attended the Annual Stockholders' Meeting on May 2, 2016 to address possible shareholder queries on Committee matters; and

- The Committee continued to support the Company's governance framework through oversight evaluation of the Code of Conduct for Management and endorsement to the Board of good governance policies and best practices.

Based on the reviews and discussions referred to above, and subject to the limitations on the Committee's roles and responsibilities referred to above, the Audit Committee recommends to the Board of Directors the inclusion of the Company's audited consolidated financial statements as of and for the year ended December 31, 2016 in the Company's Annual Report to the Stockholders and for filing with the Securities and Exchange Commission.

February 23, 2017

Victor C. Macalincag
Committee Chairman, Independent Director



SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
(Formerly Semirara Mining Corporation and Subsidiaries)

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and 2015 and Years Ended December 31, 2016, 2015, and 2014 and Independent Auditors' Report

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Semirara Mining and Power Corporation
2/F DMCI Plaza
2281 Don Chino Roces Avenue
Makati City

Opinion

We have audited the consolidated financial statements of Semirara Mining and Power Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2016, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Estimation of Decommissioning and Site Rehabilitation Costs

As disclosed in Notes 3 and 16 to the consolidated financial statements, the Group has recognized provisions for decommissioning and site rehabilitation costs for its open pit mines totaling ₱1,606 million as of December 31, 2016. This matter is important to our audit because the amounts involved are material and the estimation of the provisions requires the exercise of significant management judgment and estimation, including the use of assumptions, such as the costs of backfilling, reforestation, rehabilitation activities on marine and rainwater conservation and maintenance of the rehabilitated area, inflation rate, and discount rate.

Audit response

We obtained an understanding of management's processes and controls in the estimation of future decommissioning and site rehabilitation costs, which involved the Group's engineers. We performed tests of controls on the management processes and controls. We evaluated the competence, capabilities and objectivity of the engineers and reviewed the comprehensive mine rehabilitation plans prepared by the Group's Reforestation Department. We obtained an understanding from the engineers about their bases for identifying and estimating the costs for various mine rehabilitation and closure activities, such as backfilling, reforestation and maintenance of the rehabilitated area. We compared the cost estimates to billings, invoices and official receipts. We also evaluated the discount and inflation rates used by comparing these to external data.

Estimation of Mineable Ore Reserves

As discussed in Notes 3 and 9 to the consolidated financial statements, the Group's mining properties and stripping activity asset totaling ₱5,183 million as of December 31, 2016 are amortized using the units of production method. Under this method, management is required to estimate the volume of mineable ore reserves for the remaining life of the mine which is a key input to the amortization of mining properties. This matter is significant to our audit because the estimation of the mineable ore reserves for the Group's Narra and Molave mines for the remaining life of the mines requires significant estimation from management's specialist.

Audit response

We obtained an understanding of management's processes and controls in the estimation of mineable ore reserves. We performed tests of controls on the management processes and controls. We evaluated the competence, capabilities and objectivity of the external specialist engaged by the Group to perform an independent assessment of the ore reserves. We reviewed the specialist's report and obtained an understanding of the nature, scope and objectives of their work and basis of estimates including any changes in the reserves during the year. We also tested the application of the estimated ore reserves in the amortization of mining properties and stripping activity asset.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Cyril Jasmin B. Valencia.

SYCIP GORRES VELAYO & CO.

Cyril Jasmin B. Valencia

Cyril Jasmin B. Valencia Jasmin B. Valencia
Partner
CPA Certificate No. 90787
SEC Accreditation No. 1229-AR-1 (Group A),
May 12, 2015, valid until May 11, 2018
Tax Identification No. 162-410-623
BIR Accreditation No. 08-001998-74-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5908770, January 3, 2017, Makati City

February 23, 2017

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 31 and 32)	**₱6,993,039,850**	₱4,745,608,379
Receivables (Notes 5, 19, 30 and 31)	**5,685,581,598**	2,780,770,361
Inventories (Notes 6 and 9)	**5,386,460,570**	4,382,606,923
Investment in joint venture (Note 7)	**52,385,054**	–
Investment in sinking fund (Notes 10, 14, 30 and 31)	**68,716,379**	460,234,017
Other current assets (Notes 8 and 29)	**2,968,146,401**	2,723,488,856
Total Current Assets	**21,154,329,852**	15,092,708,536
Noncurrent Assets		
Property, plant and equipment (Note 9)	**43,352,166,628**	36,742,656,343
Exploration and evaluation asset (Note 11)	**–**	3,015,464,959
Deferred tax assets - net (Note 26)	**518,516,979**	535,544,818
Other noncurrent assets (Notes 12, 29, 30 and 31)	**735,463,043**	1,770,662,589
Total Noncurrent Assets	**44,606,146,650**	42,064,328,709
	₱65,760,476,502	₱57,157,037,245
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 15, 19, 30 and 31)	**₱12,220,953,070**	₱7,371,993,321
Short-term loans (Notes 13, 30 and 31)	**1,600,000,000**	2,993,000,994
Current portion of long-term debt (Notes 14, 30 and 31)	**1,831,583,887**	5,190,727,400
Total Current Liabilities	**15,652,536,957**	15,555,721,715
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 14, 30 and 31)	**13,258,162,966**	11,359,881,203
Provision for decommissioning and site rehabilitation (Note 16)	**1,606,287,759**	513,701,432
Pension liabilities (Note 20)	**114,034,778**	86,982,778
Other noncurrent liabilities (Notes 12 and 19)	**843,142,793**	2,739,667,958
Total Noncurrent Liabilities	**15,821,628,296**	14,700,233,371
Total Liabilities	**31,474,165,253**	30,255,955,086
Equity		
Capital stock (Notes 17 and 30)	**1,068,750,000**	1,068,750,000
Additional paid-in capital (Notes 17 and 30)	**6,675,527,411**	6,675,527,411
Retained earnings (Notes 18 and 30):		
Unappropriated	**19,152,984,511**	13,887,314,523
Appropriated	**7,800,000,000**	5,300,000,000
Remeasurement losses on pension plan (Notes 20 and 30)	**(23,403,645)**	(30,509,775)
Treasury shares (Notes 17 and30)	**(387,547,028)**	–
Total Equity	**34,286,311,249**	26,901,082,159
	₱65,760,476,502	₱57,157,037,245

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2016	2015	2014
REVENUE (Note 33)			
Coal	**₱20,079,462,056**	₱11,781,825,168	₱16,276,929,798
Power	**16,504,913,084**	12,898,346,411	12,308,411,291
	36,584,375,140	24,680,171,579	28,585,341,089
COST OF SALES (Notes 21 and 33)			
Coal	**11,013,499,805**	6,387,819,465	10,228,011,439
Power	**7,687,521,521**	4,154,272,904	8,699,475,102
	18,701,021,326	10,542,092,369	18,927,486,541
GROSS PROFIT	**17,883,353,814**	14,138,079,210	9,657,854,548
OPERATING EXPENSES (Notes 22 and 33)	**(4,998,866,240)**	(4,389,084,485)	(3,220,999,377)
INCOME FROM OPERATIONS	**12,884,487,574**	9,748,994,725	6,436,855,171
OTHER INCOME (CHARGES) - Net			
Finance income (Notes 24 and 33)	**83,238,696**	57,563,749	41,452,768
Finance costs (Notes 23 and 33)	**(598,992,706)**	(278,187,914)	(323,228,324)
Foreign exchange losses - net (Note 33)	**(403,425,989)**	(300,056,178)	(52,140,999)
Other income - net (Notes 25 and 33)	**938,441,998**	440,678,630	205,488,733
	19,261,999	(80,001,713)	(128,427,822)
INCOME BEFORE INCOME TAX	**12,903,749,573**	9,668,993,012	6,308,427,349
PROVISION FOR (BENEFIT FROM) INCOME TAX (Notes 26 and 33)	**863,079,585**	1,182,083,931	(552,867,130)
NET INCOME	**12,040,669,988**	8,486,909,081	6,861,294,479
OTHER COMPREHENSIVE INCOME (LOSS)			
Items not to be reclassified to profit or loss in subsequent periods			
Remeasurement gains (losses) on pension plan (Note 20)	**10,151,614**	(24,340,625)	(10,849,524)
Income tax effect	**(3,045,484)**	7,302,187	3,254,857
	7,106,130	(17,038,438)	(7,594,667)
TOTAL COMPREHENSIVE INCOME	**₱12,047,776,118**	₱8,469,870,643	₱6,853,699,812
Basic/Diluted Earnings per Share (Note 27)	**₱11.28**	₱7.94	₱6.42

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 17)	Additional Paid in Capital (Note 17)	Retained Earnings: Unappropriated (Note 18)	Retained Earnings: Appropriated (Note 18)	Remeasurement Losses on Pension Plan (Note 20)	Treasury Shares (Note 17)	Total
				For the Year Ended December 31, 2016			
Balances as of January 1, 2016	**₱1,068,750,000**	**₱6,675,527,411**	**₱13,887,314,523**	**₱5,300,000,000**	**(₱30,509,775)**	**₱–**	**₱26,901,082,159**
Acquisition of treasury shares	–	–	–	–	–	**(387,547,028)**	**(387,547,028)**
Comprehensive income							
Net income	–	–	**12,040,669,988**	–	–	–	**12,040,669,988**
Other comprehensive income	–	–	–	–	**7,106,130**	–	**7,106,130**
Total comprehensive income	–	–	**12,040,669,988**	–	**7,106,130**	–	**12,047,776,118**
Cash dividends declared	–	–	**(4,275,000,000)**	–	–	–	**(4,275,000,000)**
Appropriations	–	–	**(2,500,000,000)**	**2,500,000,000**	–	–	–
Balances as of December 31, 2016	**₱1,068,750,000**	**₱6,675,527,411**	**₱19,152,984,511**	**₱7,800,000,000**	**(₱23,403,645)**	**(₱387,547,028)**	**₱34,286,311,249**
				For the Year Ended December 31, 2015			
Balances as of January 1, 2015	₱1,068,750,000	₱6,675,527,411	₱12,675,405,442	₱2,300,000,000	(₱13,471,337)	₱–	₱22,706,211,516
Comprehensive income							
Net income	–	–	8,486,909,081	–	–	–	8,486,909,081
Other comprehensive loss	–	–	–	–	(17,038,438)	–	(17,038,438)
Total comprehensive income	–	–	8,486,909,081	–	(17,038,438)	–	8,469,870,643
Cash dividends declared	–	–	(4,275,000,000)	–	–	–	(4,275,000,000)
Appropriations	–	–	(3,000,000,000)	3,000,000,000	–	–	–
Balances as of December 31, 2015	₱1,068,750,000	₱6,675,527,411	₱13,887,314,523	₱5,300,000,000	(30,509,775)	₱–	₱26,901,082,159
				For the Year Ended December 31, 2014			
Balances as of January 1, 2014	₱356,250,000	₱6,675,527,411	₱10,801,610,963	₱2,300,000,000	(₱5,876,670)	₱–	₱20,127,511,704
Comprehensive income							
Net income	–	–	6,861,294,479	–	–	–	6,861,294,479
Other comprehensive loss	–	–	–	–	(7,594,667)	–	(7,594,667)
Total comprehensive income	–	–	6,861,294,479	–	(7,594,667)	–	6,853,699,812
Stock dividends declared	712,500,000	–	(712,500,000)	–	–	–	–
Cash dividends declared	–	–	(4,275,000,000)	–	–	–	(4,275,000,000)
Balances as of December 31, 2014	₱1,068,750,000	₱6,675,527,411	₱12,675,405,442	₱2,300,000,000	(₱13,471,337)	₱–	₱22,706,211,516

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱12,903,749,573**	₱9,668,993,012	₱6,308,427,349
Adjustments for:			
Depreciation and amortization (Notes 9, 12, 21 and 22)	**3,680,181,127**	1,742,035,951	1,984,125,281
Finance costs (Note 23)	**598,992,706**	278,187,914	323,228,324
Provision for doubtful accounts (Notes 5 and 22)	**149,533,034**	925,151,744	–
Pension expense (Note 20)	**45,927,827**	19,392,265	17,284,869
Provision for (reversal of) allowance for inventory obsolescence (Note 6)	**1,239,090**	20,902,458	(12,154,784)
Loss (gain) on sale of equipment (Notes 9 and 25)	**174,667**	(76,461,975)	(336,750)
Loss on disposal and write-down of property, plant and equipment (Notes 9 and 22)	**–**	16,087,500	110,976
Reversal of impairment losses (Notes 12 and 22)	**–**	(10,683,653)	–
Net unrealized foreign exchange losses (gain)	**(47,305,303)**	331,743,560	57,873,085
Finance income (Note 24)	**(83,238,696)**	(57,563,749)	(41,452,768)
Operating income before changes in operating assets and liabilities	**17,249,254,025**	12,857,785,027	8,637,105,582
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	**(3,054,344,271)**	421,890,473	92,816,713
Inventories	**(847,783,647)**	(1,499,056,144)	1,853,389,992
Other current assets	**(258,648,262)**	(427,040,042)	(862,837,500)
Increase in trade and other payables	**4,744,643,151**	386,149,582	2,481,608,982
Cash generated from operations	**17,833,120,996**	11,739,728,896	12,202,083,769
Contributions to the fund (Note 20)	**(8,724,213)**	(5,780,005)	(10,749,863)
Interest received	**83,238,696**	57,472,448	41,822,817
Interest paid	**(696,337,575)**	(264,564,378)	(299,397,199)
Income taxes paid	**(790,821,132)**	(842,987,927)	(8,116,083)
Net cash provided by operating activities	**16,420,476,772**	10,683,869,034	11,925,643,441
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, plant and equipment (including borrowing cost) (Notes 9 and 32)	**(5,302,606,832)**	(4,467,465,139)	(9,418,691,745)
Exploration and evaluation asset (Notes 9 and 11)	**(1,932,281,360)**	(566,470,643)	(1,317,485,410)
Investment in joint venture (Note 7)	**(52,385,054)**	–	–
Computer software (Note 12)	**(7,220,424)**	(2,803,293)	(3,318,631)
Proceeds from sale of equipment (Note 9)	**3,000,000**	76,461,975	336,750
Decrease (increase) in:		–	–
Investment in sinking fund (Note 10)	**391,517,638**	61,546,856	(4,177,649)
Other noncurrent assets (Note 12)	**1,039,651,801**	(223,135,347)	32,997,722
Increase (decrease) in other noncurrent liabilities (Note 12)	**(829,158,729)**	6,237,623	39,075,247
Net cash used in investing activities	**(6,689,482,960)**	(5,115,627,968)	(10,671,263,716)

(Forward)

	Years Ended December 31		
	2016	2015	2014
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of loans (Notes 13 and 14)	**₱10,823,782,102**	₱9,884,196,533	₱10,357,708,086
Acquisition of treasury shares	**(387,547,028)**	–	–
Payments of:			
Loans (Notes 13 and 14)	**(13,478,092,863)**	(10,076,979,391)	(8,470,867,131)
Dividends (Note 18)	**(4,275,000,000)**	(4,275,000,000)	(4,275,000,000)
Net cash used in financing activities	**(7,316,857,789)**	(4,467,782,858)	(2,388,159,045)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(166,704,552)**	(37,975,373)	(2,402,401)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**2,247,431,471**	1,062,482,835	(1,136,181,721)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**4,745,608,379**	3,683,125,544	4,819,307,265
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱6,993,039,850**	₱4,745,608,379	₱3,683,125,544

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Semirara Mining and Power Corporation (the Parent Company) is a corporation incorporated in the Philippines on February 26, 1980. The Parent Company's registered and principal office address is at 2/F DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City. The Parent Company's shares of stock are listed and currently traded at the Philippine Stock Exchange (PSE). The Parent Company is 56.51% owned subsidiary of DMCI Holdings, Inc. (DMCI-HI), a publicly listed entity in the Philippines and its ultimate Parent Company.

The Parent Company and its subsidiaries will be collectively referred herein as "the Group".

The Group's primary purpose is to search for, prospect, explore, dig and drill, mine, exploit, extract, produce, mill, purchase or otherwise acquire, store, hold transport, use experiment with, market, distribute, exchange, sell and otherwise dispose of, import, export and handle, trade, and generally deal in, ship coal, coke, and other coal products of all grades, kinds, forms, descriptions and combinations and in general the products and by-products which may be derived, produced, prepared, developed, compounded, made or manufactured there; to acquire, own, maintain and exercise the rights and privileges under the coal operating contract within the purview of Presidential Decree No. 972, *"The Coal Development Act of 1976"*, and any amendments thereto and to acquire, expand, rehabilitate and maintain power generating plants, develop fuel for generation of electricity and sell electricity to any person or entity through electricity markets among others.

On August 18, 2014, the Securities and Exchange Commission (SEC) approved the change in the corporate name of Semirara Mining Corporation to "Semirara Mining and Power Corporation". This change was sought to reflect the forward integration of the Parent Company's business as a coal supplier or producer to power generation through its wholly owned subsidiaries.

The consolidated financial statements as of December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016 were authorized for issue by the Executive Committee of the Board of Directors (BOD) on February 23, 2017.

2. Summary of Significant Accounting Policies

Basis of Preparation
The consolidated financial statements have been prepared using the historical cost basis. The consolidated financial statements are prepared in Philippine Peso (₱), which is also the Parent Company's functional currency. All amounts are rounded off the nearest peso, except when otherwise indicated.

Statement of Compliance
The accompanying consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Group as of December 31, 2016 and 2015, and for each of the three years in the period ended December 31, 2016.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intra-group assets and liabilities, equity, income, expenses, dividends and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Non-controlling interests (NCI) pertain to the equity in a subsidiary not attributable, directly or indirectly to the Parent Company. NCI represent the portion of profit or loss and net assets in subsidiaries not owned by the Group and are presented separately in consolidated statement of comprehensive income, consolidated statement of changes in equity and within equity in the consolidated statement of financial position, separately from equity holders' of the Parent Company.

Any equity instruments issued by a subsidiary that are not owned by the Parent Company are non-controlling interests including preferred shares and options under share-based transactions.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

The consolidated financial statements include the financial statements of the Parent Company and the following wholly owned subsidiaries (which are all incorporated in the Philippines):

	Effective Percentages of Ownership		
	2016	2015	2014
Subsidiaries			
Sem-Calaca Power Corporation (SCPC)	**100.00 %**	100.00 %	100.00 %
Sem-Calaca RES Corporation (SCRC)*	**100.00**	100.00	100.00
Southwest Luzon Power Generation Corporation (SLPGC)	**100.00**	100.00	100.00
SEM-Cal Industrial Park Developers, Inc. (SIPDI)	**100.00**	100.00	100.00
Semirara Claystone, Inc. (SCI)	**100.00**	100.00	100.00
Semirara Energy Utilities, Inc. (SEUI)	**100.00**	100.00	100.00
Southeast Luzon Power Generation Corporation (SELPGC)	**100.00**	100.00	100.00
St. Raphael Power Generation Corporation (SRPGC)	**–**	100.00	100.00

**Wholly owned subsidiary of SCPC*

Except for SCPC and SLPGC, the Parent Company's subsidiaries have not yet started commercial operations as of December 31, 2016.

Southeast Luzon Power Generation Corporation (SELPGC) was formerly named as SEM-Balayan Power Generation Corporation (SBPGC).

In 2016, SRPGC become a joint venture when Meralco PowerGen Corporation (MGen) subscribed to the remaining unissued capital stock of SRPGC (see Note 7).

Business Combination and Goodwill
Business combinations are accounted for using the acquisition method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any noncontrolling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed in the consolidated statement of comprehensive income.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with Philippine Accounting Standards (PAS) 39, *Financial Instrument - Recognition and Measurement*, either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units.

Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with PFRS 8, *Operating Segment.*

Where goodwill forms part of a cash generating unit (group of cash generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognized in the consolidated statement of comprehensive income.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill or profit or loss is recognized as a result.

Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended standards and improvements to PFRS which the Group has adopted starting January 1, 2016. Unless otherwise indicated, the adoption did not have any significant impact to the consolidated financial statements of the Group.

- Amendments to PFRS 10, PFRS 12 and PAS 28, *Investment Entities: Applying the Consolidation Exception*
- Amendments to PFRS 11, *Accounting for Acquisitions of Interests in Joint Operations*
- PFRS 14, *Regulatory Deferral Accounts*
- Amendments to PAS 1, *Disclosure Initiative*
- Amendments to PAS 16 and PAS 38, *Clarification of Acceptable Methods of Depreciation and Amortization*
- Amendments to PAS 16 and PAS 41, *Agriculture: Bearer Plants*
- Amendments to PAS 27, *Equity Method in Separate Financial Statements*
- Annual Improvements to PFRSs 2012 - 2014 Cycle
  - Amendment to PFRS 5, *Changes in Methods of Disposal*
  - Amendment to PFRS 7, *Servicing Contracts*
  - Amendment to PFRS 7, *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  - Amendment to PAS 19, *Discount Rate: Regional Market Issue*
  - Amendment to PAS 34, *Disclosure of Information 'Elsewhere in the Interim Financial Report'*

Standards Issued But Not Yet Effective

The Group has not applied the following PFRS, PAS and Philippine Interpretations which are not yet effective as of December 31, 2016. The Group intends to adopt those standards when they become effective. Unless otherwise indicated, adoption of these standards and interpretations are not expected to have any significant impact on the consolidated financial statements of the Group.

Effective beginning on or after January 1, 2017

- Amendment to PFRS 12, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

- Amendments to PAS 7, *Statement of Cash Flows*, *Disclosure Initiative*
  The amendments to PAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. Early application of the amendments is permitted.

  Application of amendments will result in additional disclosures in the 2017 consolidated financial statements of the Group.

- Amendments to PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses*
  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.
  Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact. Early application of the amendments is permitted. The Group is currently assessing the impact of these amendments on its financial statements.

Effective beginning on or after January 1, 2018

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*
  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

  This is not applicable to the Group because it does not have share-based payment arrangements.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*
  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the forthcoming insurance contracts standard. They allow entities to choose between the overlay approach and the deferral approach to deal with the transitional challenges. The overlay approach gives all entities that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9 is applied before the new insurance contracts standard is issued. On the other hand, the deferral approach gives entities whose activities are predominantly connected with insurance an optional temporary exemption from applying PFRS 9 until the earlier of application of the forthcoming insurance contracts standard or January 1, 2021.

  The overlay approach and the deferral approach will only be available to an entity if it has not previously applied PFRS 9.

  The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- PFRS 15, *Revenue from Contracts with Customers*
  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.
  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. The Group is currently assessing the impact of these amendments on its financial statements.

- PFRS 9, *Financial Instruments*
  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities. The adoption will also have an effect on the Group's application of hedge accounting and on the amount of its credit losses. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. The amendments should be applied retrospectively, with earlier application permitted. The Group is currently assessing the impact of adopting this standard.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*
  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the

beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration*
  The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. The interpretation may be applied on a fully retrospective basis. Entities may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*
  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with PAS 17, *Leases*. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under PAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  Entities may early adopt PFRS 16 but only if they have also adopted PFRS 15. When adopting PFRS 16, an entity is permitted to use either a full retrospective or a modified retrospective approach, with options to use certain transition reliefs.

  The Group is currently assessing the impact of adopting PFRS 16.

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council postponed the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Significant Accounting Policies and Disclosures

Cash and Cash Equivalents
Cash and cash equivalents in the consolidated statement of financial position comprise cash in banks and on hand and short-term deposits with an original maturity of three months or less, but excludes any restricted cash that is not available for use by the Group and therefore is not considered highly liquid.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Financial Assets and Financial Liabilities
Date of recognition
The Group recognizes a financial asset or a financial liability on the consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments
Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial instruments measured at fair value through profit or loss (FVPL). Financial assets in the scope of PAS 39 are classified as either financial assets at FVPL, loans and receivables, held-to-maturity (HTM) financial assets, or available-for-sale (AFS) financial assets, as appropriate.

Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities.

As of December 31, 2016 and 2015, the Group's financial assets and financial liabilities are of the nature of loans and receivables and other financial liabilities.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

'Day 1' difference
For transactions other than those related to customers' guaranty and other deposits, where the transaction price in a non-active market is different to the fair value from 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 the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where the valuation technique used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income 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 amount.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL. These are included in current assets if maturity is within 12 months from reporting date otherwise, these are classified as noncurrent assets. This accounting policy relates to the consolidated statement of financial position accounts 'Cash and cash equivalents', 'Receivables', 'Investment in sinking fund' and 'Environmental guarantee fund' under other noncurrent assets.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR and transaction costs. The amortization is included in 'Finance income' in the consolidated statement of comprehensive income.

Gains and losses are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired as well as through amortization process.

Other financial liabilities
Other financial liabilities pertain to issued financial instruments that are not classified or designated as financial liabilities at FVPL and contain contractual obligations to deliver cash or other financial assets to the holder or to settle the obligation other than the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

Other financial liabilities include trade and other payables, short-term loans and long-term debt. All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, short-term loans, trade and other payables and long-term debts are subsequently measured at amortized cost using the EIR method. Gains or losses are recognized in consolidated statement of comprehensive income when liabilities are derecognized, as well as through the amortization process. Any effects of restatement of foreign currency-denominated liabilities are recognized under the 'Foreign exchange (gains) losses - net' in consolidated statement of comprehensive income.

Deferred Financing Costs
Deferred financing costs represent debt issue costs arising from the fees incurred to obtain project financing. This is included in the initial measurement of the related debt. The deferred financing costs are treated as a discount on the related debt and are amortized using the EIR method over the term of the related debt.

Fair Value Measurement
The Group discloses the fair value of financial instruments measured at amortized cost such as loans and receivables and other financial liabilities at each reporting date. Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

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

Impairment of Financial Assets
The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has 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 the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, customer type, customer location, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of the invoice.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets' original EIR (i.e., the EIR computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the consolidated statement of comprehensive income during the period in which it arises. Interest income continues to be recognized based on the original EIR of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery has been realized and all collateral has been realized or has been transferred to the Group.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

<u>Derecognition of Financial Instruments</u>
Financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

<u>Offsetting of Financial Instruments</u>
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right to offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

<u>Inventories</u>
Inventories are valued at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale for coal inventory or replacement cost for spare parts and supplies. Cost is determined using the weighted average production cost method for coal inventory and the moving average method for spare parts and supplies.

The cost of extracted coal includes stripping costs and other mine-related costs incurred during the period and allocated on per metric ton basis by dividing the total production cost with total volume of coal produced. Except for shiploading cost, which is a period cost, all other production related costs are charged to production cost.

Spare parts and supplies are usually carried as inventories and are recognized in the consolidated statement of comprehensive income when consumed. Inventories transferred to property, plant and equipment are used as a component of self-constructed property, plant and equipment and are recognized as expense during useful life of that asset. Transfers of inventories to property, plant and equipment do not change the carrying amount of the inventories.

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 an identified resource.

Exploration and evaluation activity includes:

- Researching and analyzing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

License costs paid in connection with a right to explore in an existing exploration area are capitalized and amortized over the term of the permit. Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to consolidated statement of comprehensive income as incurred, unless the Group's management concludes that a future economic benefit is more likely than not to be realized. These costs include materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating whether the expenditures meet the criteria to be capitalized, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

Expenditure is transferred from 'Exploration and evaluation asset' to 'Mine properties, mining tools and other equipment' which is included under 'Property, plant and equipment' once the work completed to date supports the future development of the property and such development receives appropriate approvals.

After transfer of the exploration and evaluation asset, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalized in 'Mine properties, mining tools and other equipment'.

Stripping Costs
As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalized as part of the cost of mine properties and subsequently amortized over its useful life using the units of production method over the mine life. The capitalization of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

After the commencement of production further development of the mine may require a phase of unusually high stripping that is similar in nature to development phase stripping. The costs of such stripping are accounted for in the same way as development stripping (as discussed above).

Stripping costs incurred during the production phase are generally considered to create two benefits, being either the production of inventory or improved access to the coal body to be mined in the future. Where the benefits are realized in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits are realized in the form of improved access to ore to be mined in the future, the costs are recognized as a noncurrent asset, referred to as a stripping activity asset, if the following criteria are met:

- Future economic benefits (being improved access to the coal body) are probable;
- The component of the coal body for which access will be improved can be accurately identified; and
- The costs associated with the improved access can be reliably measured.

If all of the criteria are not met, the production stripping costs are charged to the consolidated statement of comprehensive income as operating costs as they are incurred.

In identifying components of the coal body, the Group works closely with the mining operations department for each mining operation to analyze each of the mine plans. Generally, a component will be a subset of the total coal body, and a mine may have several components. The mine plans, and therefore the identification of components, can vary between mines for a number of reasons. These include, but are not limited to: the type of commodity, the geological characteristics of the coal body, the geographical location, and/or financial considerations.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of coal body, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset. If the costs of the inventory produced and the stripping activity asset are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset. This production measure is calculated for the identified component of the coal body and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place.

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset, and is included as part of 'Mine properties, mining tools and mining equipment' under 'Property, plant and equipment' in the consolidated statement of financial position. This forms part of the total investment in the relevant cash generating unit, which is reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

The stripping activity asset is subsequently depreciated using the units of production method over the life of the identified component of the coal body that became more accessible as a result of the stripping activity. Economically recoverable reserves, which comprise proven and probable reserves, are used to determine the expected useful life of the identified component of the coal body. The stripping activity asset is then carried at cost less depreciation and any impairment losses.

Mineable Ore Reserves
Mineable ore reserves are estimates of the amount of coal that can be economically and legally extracted from the Group's mining properties. The Group estimates its mineable ore reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the coal body, and require 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 coal body. Changes in the reserve or resource estimates may impact the amortization of mine properties included as part of 'Mine properties, mining tools and other equipment' under 'Property, plant and equipment'.

Property, Plant and Equipment
Upon completion of mine construction, the assets are transferred into property, plant and equipment. Items of property, plant and equipment except land are carried at cost less accumulated depreciation and any impairment in value.

The initial cost of property, plant and equipment also comprises its purchase price or construction cost, including non-refundable import duties, taxes, borrowing costs and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to operations in the year when the costs are incurred. 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, plant and equipment beyond its originally assessed standard of performance, and the costs of these items can be measured reliably, the expenditures are capitalized as an additional cost of the property, plant and equipment. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Equipment in transit and construction in progress, included in property, plant and equipment, are stated at cost. Construction in progress includes the cost of the construction of property, plant and equipment and, for qualifying assets, borrowing cost. Equipment in transit includes the acquisition cost of mining equipment and other direct costs.

Mine properties consists of stripping activity asset and expenditures transferred from 'Exploration and evaluation asset' once the work completed supports the future development of the property. Mine properties are depreciated or amortized on a units of production basis over the economically mineable reserves of the mine concerned. Mine properties are included as part of 'Mine properties, mining tools and other equipment' under 'Property, plant and equipment' in the consolidated statement of financial position.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation of property, plant and equipment commences once the assets are put into operational use.

Depreciation of property, plant and equipment are computed on a straight-line basis over the estimated useful lives (EUL) of the respective assets or over the remaining life of the mine, whichever is shorter, as follows:

	Years
Mining tools and other equipment	2 to 13
Power plant and buildings	10 to 25
Roads and bridges	17

The EUL and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Land is stated at historical cost less any accumulated impairment losses. Historical cost includes the purchase price and directly attributable costs.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. When assets are retired, or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the year the item is derecognized.

Intangible Assets
Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the consolidated statement of comprehensive income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.
If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

Research and development costs
Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales of the consolidated statement of comprehensive income. During the period of development, the asset is tested for impairment annually.

The Group has assessed the useful life of the development costs based on the expected usage of the asset. The useful life of capitalized development costs is twenty (20) years.

<u>Input Value-Added Taxes (VAT)</u>
Input tax represents the VAT due or paid on purchases of goods and services subjected to VAT that the Group can claim against any future liability to the Bureau of Internal Revenue (BIR) for output VAT on sale of goods and services subjected to VAT. The input tax can also be recovered as tax credit under certain circumstances against future income tax liability of the Group upon approval of the BIR and/or Bureau of Customs. Input tax is stated at its estimated net realizable values. A valuation allowance is provided for any portion of the input tax that cannot be claimed against output tax or recovered as tax credit against future income tax liability. Input tax is recorded under current and noncurrent assets in the consolidated statement of financial position.

<u>Investment in Joint Venture</u>
A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries. The Group's investment joint venture is accounted for using the equity method.

Under the equity method, the investment in joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortized and is not tested for impairment individually.

<u>Other Assets</u>
Other assets pertain to resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group.

<u>Impairment of Nonfinancial Assets</u>
The Group assesses at each reporting date whether there is an indication that its nonfinancial assets (inventories, investment in joint venture, intangible asset, input VAT, exploration and evaluation asset and property, plant and equipment) may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

Inventories
NRV tests are performed at least annually and represent the estimated sales price based on prevailing price at reporting date, less estimated cost necessary to make the sale for coal inventory or replacement costs for spare parts and supplies. If there is any objective evidence that the inventories are impaired, impairment losses are recognized in the consolidated statement of comprehensive income, in those expense categories consistent with the function of the assets, as being the difference between the cost and NRV of inventories.

Investment in joint venture
The Group determines at each reporting date whether there is any objective evidence that the investments in joint venture is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value and the carrying value of the investee company and recognizes the difference in the consolidated statement of comprehensive income.

Exploration and evaluation assets
Exploration and evaluation assets should be assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. Under PFRS 6, one or more of the following facts and circumstances could indicate that an impairment test is required. The list is not intended to be exhaustive: (a) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed; (b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned; (c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and (d) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Property, plant and equipment
An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.
In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If such is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

For property, plant and equipment, reversal is recognized in the consolidated statement of comprehensive income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Current and Noncurrent Classification

The Group presents assets and liabilities in consolidated statement of financial position based on current/noncurrent classification. An asset is current when:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after reporting date; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after reporting date.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after reporting date.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of coal

Revenue from coal sales is recognized upon acceptance of the goods delivered when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Revenue from local and export coal sales are denominated in Philippine Peso and US Dollar, respectively.

Contract energy sales

Revenue from contract energy sales are derived from providing and selling electricity to customers of the generated and purchased electricity. Revenue is recognized based on the actual energy received or actual energy nominated by the customer, net of adjustments, as agreed upon between parties.

Spot electricity sales

Revenue from spot electricity sales are derived from the sale to the spot market of excess generated electricity over the contracted energy using price determined by the spot market, also known as Wholesale Electricity Spot Market (WESM), the market where electricity is traded, as mandated by Republic Act (RA) No. 9136 of the Department of Energy (DOE). Revenue is recognized based on the actual excess generation delivered to the WESM.

Finance income

Finance income is recognized as it accrues (using the EIR method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial assets).

Cost of Sales

Cost of coal

Cost of coal includes directly related production costs such as materials and supplies, fuel and lubricants, outside services, depreciation and amortization, provision for decommissioning and site rehabilitation, direct labor and other related production overhead. These costs are recognized when incurred.

Cost of power

Cost of power includes costs directly related to the production and sale of electricity such as cost of coal, coal handling expenses, bunker, lube, diesel, depreciation and other related production overhead costs. Cost of power are recognized at the time the related coal, bunker, lube and diesel inventories are consumed for the production of electricity. Cost of power also includes electricity purchased from the spot market and its related market fees. These costs are recognized when the Group receives the electricity and simultaneously sells to its customers.

Operating Expenses

Operating expenses are expenses that arise in the course of the ordinary operations of the Group. These usually take the form of an outflow or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distribution to equity participants. Expenses are recognized in the consolidated statement of comprehensive income as incurred.

Borrowing Costs

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalized and added to the project cost during construction until such time the assets are considered substantially ready for their intended use i.e., when they are capable of commercial production. Where funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. Where surplus funds are available for a short term, out of money borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalized and deducted from the total capitalized borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

All other borrowing costs are recognized in the consolidated statement of comprehensive income in the period in which they are incurred.

Pension Cost

The Group has a noncontributory defined benefit plan. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit liability at the end of reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service costs
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by an independent qualified actuary.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to consolidated statement of comprehensive income in subsequent periods

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related liabilities). If the fair value of the plan assets is higher than the present value of the defined benefit liability, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit liability is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly within twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of reporting date.

Income Tax

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or 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
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from MCIT and NOLCO can be utilized. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference 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.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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 re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits 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 in the year when the asset is realised 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 relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax 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.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

Provisions

Provisions are recognized only when the Group has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Provision for decommissioning and site rehabilitation

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes closure of plants, dismantling and removing of structures, backfilling, reforestation, rehabilitation activities on marine and rainwater conservation and maintenance of rehabilitated area.

The obligation generally arises when the asset is installed or the ground environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets and restoration of power plant sites. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statements of comprehensive income as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of comprehensive income.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. It requires consideration as to whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement; A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
b. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
c. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of the renewal or extension period for scenario (b).

A lease is classified as an operating lease if it does not transfer substantially all of the risks and rewards incidental to ownership. Operating lease payments are recognized in 'Outside services' under 'Cost of coal sales' in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Foreign Currency - denominated Transactions and Translation

The consolidated financial statements are presented in Philippine peso, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate at reporting date. All differences are taken to the consolidated statement of comprehensive income.

Equity
The Group records common stocks at par value and amount of contribution in excess of par value is accounted for as an additional paid-in capital. Incremental costs incurred directly attributable to the issuance of new shares are deducted from proceeds.

Retained earnings represent accumulated earnings of the Group less dividends declared, if any. Dividends on common stocks are recognized as a liability and deducted from equity when they are declared. Dividends for the year that are approved after reporting date are dealt with as an event after reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Earnings per Share (EPS)
Basic EPS is computed by dividing the net income for the year attributable to common shareholders (net income less dividends on convertible redeemable preferred shares) by the weighted average number of common shares issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period.

Diluted EPS is computed by dividing the net income for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of dilutive convertible redeemable preferred shares. Diluted EPS assumes the conversion of the outstanding preferred shares. When the effect of the conversion of such preferred shares is anti-dilutive, no diluted EPS is presented.

Treasury Shares
Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued, and to retained earnings for the remaining balance.

Operating Segments
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Group generally accounts for intersegment revenues and expenses at agreed transfer prices. Income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of income after taxes. Financial information on operating segments is presented in Note 33 to the consolidated financial statements.

Contingencies
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 disclosed when an inflow of economic benefits is probable.

Events after Reporting Date
Post year-end events up to the date of the auditors' report that provides additional information about the Group's position at reporting date (adjusting events) are reflected in the consolidated financial statements. Any post year-end event that is not an adjusting event is disclosed when material to the consolidated financial statements.

3. **Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the accompanying consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgment
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations which have the most significant effect on the amounts recognized in the consolidated financial statements:

a. *Exploration and evaluation expenditure*
The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment to determine whether future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

In 2016, the Group has assessed that it has completed all the activities necessary to commence commercial operations, including the appropriate regulatory approvals, for the Narra and Molave minesites and has reclassified all the exploration and evaluation expenditure to 'Property, plant and equipment' (see Note 11).

b. *Determination of components of ore bodies and allocation measures for stripping cost allocation*
The Group has identified that each of its two active mine pits, Narra and Molave, is a whole separate ore component and cannot be further subdivided into smaller components due to the nature of the coal seam orientation and mine plan.

Judgment is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each component. The Group considers that the ratio of the expected volume of waste to be stripped for an expected volume of ore to be mined for a specific component of the coal body (i.e., stripping ratio) is the most suitable production measure. The Group recognizes stripping activity asset by comparing the actual stripping ratio during the year for each component and the component's mine life stripping ratio.

c. *Contingencies*
The Group is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Group currently believes that these proceedings will not have a material adverse effect on its current financial position and results of operations. It is possible,

however, that future results of operations and financial position could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 29).

Management's Use of Estimates and Assumptions

The key assumptions concerning the future and other sources of estimation uncertainty at reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a. *Estimating mineable ore reserves*
   The Group estimates its mineable ore reserves by using estimates provided by third party, and professionally qualified mining engineers and geologist. These estimates on the mineable ore resource and reserves are determined based on the information obtained from activities such as drilling, core logging or geophysical logging, coal sampling, sample database encoding, coal seam correlation and geological modelling.

b. *Revenue recognition*
   The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of the revenues and receivables.

   The Group's coal sales arrangement with its customers includes reductions of invoice price to take into consideration charges for penalties and upward adjustments due to quality of coal. These price adjustments may arise from the actual quantity and quality of delivered coal. There is no assurance that the use of estimates may not result in material adjustments in future periods.

c. *Estimating allowance for doubtful accounts*
   The Group maintains an allowance for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to debtors' ability to pay all amounts due according to the contractual terms of the receivables being evaluated, historical experience and any regulatory actions. The Group regularly performs a review of the age and status of receivables and identifies accounts that are to be provided with allowance.

   The amount and timing of recorded impairment loss for any period would differ if the Group made different judgments or utilized different estimates. An increase in the allowance for doubtful accounts would increase the recorded operating expenses and decrease the current assets.

   The above assessment resulted to an additional allowance of ₱140.42 million and ₱925.15 million in 2016 and 2015, respectively.

   The allowance for doubtful accounts for receivables is disclosed in Note 5.

d. *Estimating stock pile inventory quantities*
   The Group estimates the coal stock pile inventory by conducting a topographic survey which is performed by in-house surveyors and third-party surveyors. The survey is conducted on a monthly basis. The process of estimation involves a predefined formula which considers an acceptable margin of error of plus or minus 5%. Thus, an increase or decrease in the estimation threshold for any period would differ if the Group utilized different estimates and this would either increase or decrease the cost of sales for the year.

   The amount of coal pile inventory is disclosed in Note 6.

e. *Estimating allowance for obsolescence in spare parts and supplies*
   The Group provides 100% allowance for obsolescence on items that are specifically identified as obsolete.

   The amount of recorded inventory obsolescence for any period would differ if the Group made different judgments or utilized different estimates. An increase in the allowance for inventory obsolescence would increase the Group's recorded operating expenses and decrease its current assets.

   The carrying amount of spare parts and supplies is disclosed in Note 6.

f. *Estimating recoverability of capitalized development costs*
   Initial capitalization of costs is based on management's judgment that technological and economic feasibility is confirmed. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

   Capitalized development costs are disclosed in Note 12.

g. *Estimating decommissioning and site rehabilitation costs*
   The Group is legally required to fulfill certain obligations under its Department of Environment and Natural Resources (DENR) issued Environmental Compliance Certificate when its activities end in the depleted mine pits. The Group also provides for decommissioning cost for the future clean-up of its power plant under Section 8 of the Land Lease Agreement upon its termination or cancellation. Significant estimates and assumptions are made in determining the provision for decommissioning and site rehabilitation as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities given the approved decommissioning and site rehabilitation plan, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. An increase in decommissioning and site rehabilitation costs would increase the carrying amount of the related assets and increase noncurrent liabilities. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Assumptions used to compute the decommissioning and site rehabilitation costs are reviewed and updated annually.

   The estimated provision for decommissioning and site rehabilitation is disclosed in Note 16.

h. *Estimating useful lives of property, plant and equipment (except land)*
   The Group estimated the useful lives of its property, plant and equipment based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives of property, plant and equipment based on factors that include asset utilization, internal technical evaluation, and technological changes, environmental and anticipated use of the assets.

   It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned.

   The carrying values of the property, plant and equipment are disclosed in Note 9.

i. *Deferred tax assets*
The Group reviews the carrying amounts of deferred tax assets at each reporting date. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Group will generate taxable earnings in future periods and in reference to its income tax holiday status in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realize the net deferred tax assets recorded at reporting date could be impacted.

In 2016 and 2015, the Group has various deductible temporary differences and NOLCO for which deferred tax assets are not recognized (see Note 26).

j. *Estimating pension and other employee benefits*
The cost of defined benefit pension plan and the present value of the pension liabilities are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These assumptions are described in Note 20 and include among others, the determination of the discount rates and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit liability.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates.

4. Cash and Cash Equivalents

This account consists of:

	2016	2015
Cash on hand and in banks	**₱2,586,289,267**	₱1,845,316,200
Cash equivalents	**4,406,750,583**	2,900,292,179
	₱6,993,039,850	₱4,745,608,379

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents include short-term placements made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the respective prevailing short-term placement rates ranging from 0.25% to 2.50% and 0.75% to 2.50% in 2016 and 2015, respectively.

In 2016, 2015 and 2014, total interest income earned from cash and cash equivalents amounted to ₱78.49 million, ₱47.89 million and ₱34.33 million, respectively (see Note 24).

5. Receivables

This account consists of:

	2016	2015
Trade receivables - outside parties	**₱7,021,032,378**	₱4,056,410,128
Trade receivables - related parties (Note 19)	**76,578,145**	68,830,272
Others	**132,742,665**	83,670,947
	7,230,353,188	4,208,911,347
Less allowance for doubtful accounts	**1,544,771,590**	1,428,140,986
	₱5,685,581,598	₱2,780,770,361

Trade receivables - outside parties
These are receivables from electricity sales and coal sales.

Receivables from electricity sales are claims from power distribution utilities, spot market operator and other customers for the sale of contracted energy and spot sales transactions. This also includes advances to Philippine Electricity Market Corporation (PEMC) for the adjustment of bills amounting to ₱674.00 million and ₱533.72 million as of December 31, 2016 and 2015, respectively. These are generally on a 30-day credit term and are carried at original invoice amounts less discounts and rebates.

Receivables from coal sales are noninterest-bearing and generally have 30 to 45 days credit terms. These receivables arise from export sales for coal sold to international market which are priced in US Dollar and local sales for coal sold to domestic market which are priced in Philippine Peso.

Trade receivables - related parties
Receivables from related parties are noninterest-bearing and collectible over a period of one year. These are generally settled in cash.

Others
Others include advances to officers, employees and receivables from sale of fly ashes. These are generally non-interest bearing. Advances to officers and employees are recovered through salary deduction and receivables from sale of fly ash is generally settled in 30 to 45 days credit terms.

Movements in the allowance for doubtful accounts are as follows:

	2016		
	Trade receivables - outside parties	**Others**	**Total**
At January 1	**₱1,422,325,627**	**₱5,815,359**	**₱1,428,140,986**
Provision (Note 22)	**140,417,501**	**−**	**140,417,501**
Reversal	**(23,786,897)**	**−**	**(23,786,897)**
At December 31	**₱1,538,956,231**	**₱5,815,359**	**₱1,544,771,590**

	2015		
	Trade receivables - outside parties	Others	Total
At January 1	₱497,173,882	₱5,815,359	₱502,989,241
Provision (Note 22)	925,151,745	–	925,151,745
At December 31	₱1,422,325,627	₱5,815,359	₱1,428,140,986

In 2016, the Group has directly written off trade receivables amounting to ₱32.90 million which is also included in 'Provision for doubtful accounts' (see Note 22).

6. Inventories

This account consists of:

	2016	2015
Spare parts and supplies - at NRV	**₱3,564,480,064**	₱2,734,982,148
Coal pile inventory - at cost	**1,821,980,506**	1,647,624,775
	₱5,386,460,570	₱4,382,606,923

Coal pile inventory are stated at cost, which is lower than NRV. The cost of coal inventories recognized as 'Cost of coal sales' in the consolidated statements of comprehensive income amounted to ₱10,564.12 million, ₱6,184.99 million and ₱9,788.40 million in 2016, 2015 and 2014, respectively (see Note 21).

Coal pile inventory at cost included capitalized depreciation of ₱157.31 million, ₱112.12 million and ₱39.11 million in 2016, 2015 and 2014, respectively (see Note 9).

The rollforward analysis for inventory obsolescence follows:

	2016	2015
Beginning balance	**₱66,154,796**	₱45,252,338
Provision for the year (Note 22)	**1,239,090**	20,902,458
Ending balance	**₱67,393,886**	₱66,154,796

7. Investment in Joint Venture

On September 10, 2013, SRPGC was incorporated to acquire, construct, erect, assemble, rehabilitate, expand, commission, operate and maintain power-generating plants and related facilities for the generation of electricity, including facilities to purchase, manufacture, develop or process fuel for the generation of such electricity, to sell electricity to any person or entity through electricity markets, by trading, or by contract, to administer, conserve and manage the electricity generated by power-generating plants, owned by SRPGC or by a third party, to invest in or acquire corporations or entities engaged in any of the foregoing activities.

SRPGC has authorized capital stock of ₱50.00 million and is divided into 50.00 million shares with a par value of ₱1.00 per share, to which the Parent Company has subscribed 12.50 million of the authorized capital and paid ₱3.13 million of said capital stock.

On April 27, 2016, Meralco PowerGen Corporation (MGen), a wholly owned subsidiary of Meralco, entered into a Joint Venture Agreement (JVA) with the Parent Company. MGen obtained 50% ownership interest on SRPGC through subscription of the remaining unissued capital stock of SRPGC. This resulted to the Parent Company's loss of control on SRPGC. The management assessed that SRPGC is jointly controlled by the Parent Company and MGen and accounted SRPGC as a joint venture.

On April 28, 2016, the Parent Company paid the remaining ₱9.38 million of the previously subscribed 12.50 million shares of stock with a par value of ₱1.00 per share.

On May 27, 2016, the Parent Company paid a total of ₱46.00 million where ₱12.50 million as additional investment and ₱33.50 million as deposit for future subscription.

As of December 31, 2016, SRPGC has not yet started commercial operations.

8. Other Current Assets

This account consists of:

	2016	2015
Input VAT	**₱1,635,147,559**	₱790,488,345
Advances to suppliers (Note 19)	**819,358,241**	1,452,584,075
Creditable withholding tax	**434,767,144**	441,037,255
Prepaid insurance	**37,414,993**	11,327,741
Prepaid rent (Notes 12 and 29)	**7,553,004**	4,553,004
Others	**33,905,460**	23,498,436
	₱2,968,146,401	₱2,723,488,856

Input VAT
Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is applied against output VAT. The balance is recoverable in future periods. Non-current portion of input VAT is included in 'Other noncurrent assets' (see Note 12).

Advances to suppliers
Advances to suppliers account represent payments made in advance for the construction in progress and acquisition of materials and supplies. These advances are applied against supplier monthly billings and portion are applied within one year from the date the advances have been made.

Creditable withholding tax
Creditable withholding tax pertains to the amount withheld by the Group's customers from their income payment. This will be claimed as tax credit and will be used against future income tax payable.

Others
Others include prepayments on real property taxes and other charges.

9. **Property, Plant and Equipment**

The rollforward of this account follows:

	2016					
	Land	**Mine Properties, Mining Tools and Other Equipment**	**Power Plant and Buildings**	**Roads and Bridges**	**Equipment in Transit and Construction in Progress**	**Total**
Cost						
At January 1	**₱376,811,469**	**₱18,277,631,300**	**₱22,343,024,066**	**₱827,359,725**	**₱19,302,295,902**	**₱61,127,122,462**
Additions (Note 16)	–	**3,048,827,993**	**263,418,735**	–	**2,854,023,863**	**6,166,270,591**
Reclassifications (Note 11)	–	**5,009,565,376**	**20,176,641,568**	–	**(20,238,460,625)**	**4,947,746,319**
Disposals (Notes 22 and 25)	–	**(13,675,439)**	**(382,220,660)**	–	–	**(395,896,099)**
Adjustment (Note 16)	–	**(8,770,171)**	–	–	**(171,742,214)**	**(180,512,385)**
At December 31	**376,811,469**	**26,313,579,059**	**42,400,863,709**	**827,359,725**	**1,746,116,926**	**71,664,730,888**
Accumulated Depreciation						
At January 1	–	**15,968,478,768**	**8,006,621,961**	**409,365,390**	–	**24,384,466,119**
Depreciation and amortization (Notes 21 and 22)	–	**1,960,073,095**	**2,305,916,765**	**54,829,714**	–	**4,320,819,574**
Disposals (Notes 22 and 25)	–	**(10,500,773)**	**(382,220,660)**	–	–	**(392,721,433)**
At December 31	–	**17,918,051,090**	**9,930,318,066**	**464,195,104**	–	**28,312,564,260**
Net Book Value	**₱376,811,469**	**₱8,395,527,969**	**₱32,470,545,643**	**₱363,164,621**	**₱1,746,116,926**	**₱43,352,166,628**

	2015					
	Land	Mine Properties, Mining Tools and Other Equipment	Power Plant and Buildings	Roads and Bridges	Equipment in Transit and Construction in Progress	Total
Cost						
At January 1	₱376,811,469	₱16,926,630,972	₱21,490,788,294	₱827,359,725	₱17,625,557,933	₱57,247,148,393
Additions (Note 16)	–	2,091,545,869	594,705,103	–	2,010,840,433	4,697,091,405
Reclassifications (Note 11)	–	15,652,414	257,530,669	–	(273,183,083)	–
Disposals (Notes 22 and 25)	–	(813,190,874)	–	–	–	(813,190,874)
Adjustment (Note 16)	–	56,992,919	–	–	(60,919,381)	(3,926,462)
At December 31	376,811,469	18,277,631,300	22,343,024,066	827,359,725	19,302,295,902	61,127,122,462
Accumulated Depreciation						
At January 1	–	15,509,188,220	6,931,383,761	354,535,676	–	22,795,107,657
Depreciation and amortization (Notes 21 and 22)	–	1,256,393,922	1,075,238,200	54,829,714	–	2,386,461,836
Disposals (Notes 22 and 25)	–	(797,103,374)	–	–	–	(797,103,374)
At December 31	–	15,968,478,768	8,006,621,961	409,365,390	–	24,384,466,119
Net Book Value	₱376,811,469	₱2,309,152,532	₱14,336,402,105	₱417,994,335	₱19,302,295,902	₱36,742,656,343

'Mine properties, mining tools and other equipment' include the expected cost of decommissioning and site rehabilitation of minesites and future clean-up of its power plants. The impact of annual re-estimation is shown in the rollforward as an adjustment (see Note 16). 'Mine properties, mining tools and other equipment' also includes the stripping activity asset. In 2016, the amount of ₱4,947.75 million was reclassified from exploration and evaluation assets due to completion of development phase of Narra and Molave mines. As of December 31, 2016 and 2015, mine properties included in 'Mine properties, mining tools and other equipment' amounted to ₱5,183.44 million and ₱389.26 million, respectively.

There is also a reclassification from construction in progress to power plant and building in the amount of ₱20,176.64 million for the completion of construction of 2x150MW coal-fired thermal power plant of SLPGC which started commercial operations in April 1, 2016; 1x15MW power plant of the Parent Company which started commercial operations in August 2016 and rehabilitation of Unit 2 power plant of SCPC from November 2015 to April 2016.

Equipment in transit and construction in progress accounts mostly pertain to purchased mining equipment that are in transit and various buildings and structures that are under construction as of December 31, 2016 and 2015.

The capitalized borrowing cost included in the construction in progress account amounted to ₱112.94 million and ₱451.31 million in 2016 and 2015, respectively. The average capitalization rate is 4.00% and 4.08% in 2016 and 2015 (see Note 14). In 2016, 2015 and 2014, the Group sold various equipment at a gain (loss) amounting to (₱0.17) million, ₱76.46 million and ₱0.34 million, respectively (see Note 25). The Group incurred a loss from property, plant and equipment write-down due to the replacement of generation units and retirement of mining equipment amounted
₱16.09 million and ₱0.11 million in 2015 and 2014, respectively (see Note 22).

The cost of fully depreciated assets that are still in use amounted to ₱12,906.73 million and ₱11,585.92 million as of December 31, 2016 and 2015, respectively.

As security for timely payment, discharge, observance and performance of the loan provisions, SCPC creates, establishes, and constitutes in favor of the Security Trustee, for the benefit of all secured parties, a first ranking real estate and chattel mortgage on present and future real assets and chattels owned by SCPC. The carrying values of these mortgaged assets amounted to ₱14,925.15 million and ₱14,859.94 million as of December 31, 2016 and 2015, respectively
On August 24, 2016 and February 24, 2017, Bank of Philippine Islands (BPI) and Banco de Oro Unibank, Inc. (BDO), respectively, approved the SCPC release of all security arrangements. However, Philippine National Bank (PNB) has not given its approval.

As security for timely payment, discharge, observance and performance of the loan provisions, SLPGC creates, establishes, and constitutes in favor of the Security Trustee, for the benefit of all secured parties, a first ranking real estate and chattel mortgage on present and future real assets and chattels owned by SLPGC. The carrying values of these mortgaged assets amounted to ₱18,206.51 million and ₱17,446.05 million as of December 31, 2016 and 2015, respectively.

Depreciation and amortization follow:

	2016	2015	2014
Included under:			
Inventories (Note 6)	**₱157,309,090**	₱112,122,124	₱39,109,356
Mine properties, mining tools and other equipment	**463,416,913**	382,953,462	64,703,005
Stripping activity asset	**22,680,612**	–	–
Cost of coal sales (Note 21):			
Depreciation and amortization	**1,157,006,529**	519,842,448	822,278,521
Hauling and shiploading costs	**26,830,788**	32,253,172	70,017,097
Cost of power sales (Note 21):			
Cost of coal			
Depreciation and amortization	**268,925,354**	291,951,404	262,866,200
Depreciation	**2,170,627,728**	1,006,345,938	926,330,083
Operating expenses (Note 22)	**56,790,728**	43,246,105	51,655,398
	₱4,323,587,742	₱2,388,714,653	₱2,236,959,660
Depreciation and amortization of:			
Property, plant and equipment	**₱4,320,819,574**	₱2,386,461,836	₱2,234,185,981
Computer software (Note 12)	**2,768,168**	2,252,917	2,773,679
	₱4,323,587,742	₱2,388,714,753	₱2,236,959,660

Depreciation and amortization included in the 'Mine properties, mining tools and other equipment' pertains to the depreciation and amortization capitalized during the development stage of Narra and Molave minesites which were eventually reclassified to 'Property, plant and equipment' after completion of development stage and start of commercial operations.

10. Investment in Sinking Fund

In a special meeting of the BOD of SCPC held on March 9, 2010, the BOD authorized the SCPC to establish, maintain, and operate trust and investment management accounts with BDO Unibank, Inc. - Trust and Investment Group. The Omnibus Agreement (see Note 14) provided that the Security Trustee shall invest and reinvest the monies on deposit in Collateral Accounts. All investments made shall be in the name of the Security Trustee and for the benefit of the Collateral Accounts. BDO Unibank, Inc. - Trust and Investment Group made an investment in Sinking Fund amounting ₱68.72 million and ₱460.23 million as of December 31, 2016 and 2015, respectively.

Interest from sinking fund amounted to ₱4.31 million, ₱8.99 million and ₱6.67 million in 2016, 2015 and 2014, respectively (see Note 24).

11. Exploration and Evaluation Asset

	2016	2015
At January 1	**₱3,015,464,959**	₱1,914,437,638
Addition	**1,932,281,360**	1,101,027,321
Transfer to property, plant and equipment (Note 9)	**(4,947,746,319)**	–
At December 31	**₱–**	₱3,015,464,959

These costs are related to exploratory drilling and activities in Narra and Molave minesites which have started the development phase in 2013 and 2016, respectively. Both minesites have started commercial operation on the last quarter of the year after the full depletion of Panian minesite in September 2016. The end of the development phase of the Narra and Molave minesite resulted to the reclassification of capitalized cost to 'Mine properties, mining tools and other equipment' which is included in the 'Property, plant and equipment' (see Note 9).

12. Other Noncurrent Assets and Other Noncurrent Liabilities

Other Noncurrent Assets

	2016	2015
Input VAT	**₱306,323,998**	₱1,371,371,326
Claims for refunds and tax credits - net	**175,208,925**	175,208,925
Capitalized development costs for clay business	**156,068,623**	128,170,838
Prepaid rent (Note 29)	**80,869,301**	85,422,305
Computer software - net	**9,228,509**	4,776,257
Environmental guarantee fund (Notes 30 and 31)	**3,520,000**	1,500,000
Others	**8,765,942**	8,765,942
	739,985,298	1,775,215,593
Less current portion of prepaid rent (Note 8)	**4,522,255**	4,553,004
	₱735,463,043	₱1,770,662,589

Input VAT
Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is applied against output VAT. The noncurrent portion of input VAT includes deferred input VAT, which is the unamortized portion of input VAT on purchase of capital goods spread evenly between the life of the capital goods or five years, whichever is lower. The balance is recoverable in future periods.

Claims for refunds and tax credits
This amount pertain to claims for refund and issuance of tax credit certificates from BIR on erroneously withheld VAT on VAT-exempt coal sales which were ruled by the Supreme Court in favor of the Group. The balance as of December 31, 2016 and 2015 is presented net of allowance for impairment losses amounting to ₱15.29 million.

Capitalized development costs for clay business
Development costs for potter earthenware, stoneware, bricks, tiles, roofs and other merchandise produce from clay are recognized as an intangible asset. Development activities are on-going in preparation for commercial operations.

Prepaid rent
Prepaid rent under other noncurrent assets pertain to the long-term portion of rent of SCPC to Power Sector Assets and Liabilities Management (PSALM) starting December 2, 2009 for the 25 years lease of land. Long-term portion of the prepaid rent amounted to ₱76.35 million and ₱80.87 million in 2016 and 2015, respectively (see Note 29).

Computer software
Movements in computer software account follow:

	2016	2015
At Cost		
At January 1	**₱35,906,383**	₱33,103,090
Additions	**7,220,420**	2,803,293
At December 31	**43,126,803**	35,906,383
Accumulated Amortization		
At January 1	**31,130,126**	28,877,209
Amortization (Note 9)	**2,768,168**	2,252,917
At December 31	**33,898,294**	31,130,126
Net Book Value	**₱9,228,509**	₱4,776,257

Environmental guarantee fund
Environmental guarantee fund represents the funds designated to cover all costs attendant to the operation of the Multi-partite Monitoring Team of the Group's environmental unit.

Others
Others include various types of deposits and prepaid taxes which are recoverable over more than one year.

Other Noncurrent Liabilities
Other noncurrent liabilities pertain to the non-current portion of retention contract payment that is being withheld from the contractors as guaranty for any claims against them. As of December 31, 2016 and 2015, retention payable amounted to ₱843.14 million and ₱2,739.67 million, respectively (see Note 19).

13. **Short-term Loans**

Short-term loans represent various unsecured promissory notes from local banks with interest rates ranging from 2.40% to 2.50% and 1.20% to 2.50% in 2016 and 2015, respectively, and are payable within one year.

The carrying amount of these short-term loans as of December 31, 2016 and 2015 amounted to ₱1,600.00 million and ₱2,993.00 million, respectively.

The interest expense on these short-term loans recognized under 'Finance cost' amounted to ₱77.92 million, ₱57.99 million and ₱63.34 million in 2016, 2015 and 2014, respectively (see Note 23).

14. **Long-term Debt**

This account consists of long-term debt availed by the Group as follows:

	2016	2015
Mortgage payable	**₱9,471,439,192**	₱13,334,874,205
Bank loans	**5,618,307,661**	3,215,734,398
	15,089,746,853	16,550,608,603
Less current portion of:		
Mortgage payable	**1,831,583,887**	3,224,034,097
Bank loans	**–**	1,966,693,303
	1,831,583,887	5,190,727,400
	₱13,258,162,966	₱11,359,881,203

Mortgage Payable

SLPGC
On February 4, 2012, SLPGC entered into an ₱11,500.00 million Omnibus Loan Service Agreement with BDO Unibank, BPI and China Banking Corporation (CBC) as Lenders. As security for the Omnibus Agreement, the 67% of issued and outstanding shares of SLPGC owned by the Parent Company were pledged on this loan. The proceeds of the loan are used for the engineering, procurement and construction of 2x150 MW coal-fired thermal power plant.

Breakdown of the original principal of project loan is as follows:

BDO	₱6,000,000,000
BPI	3,000,000,000
CBC	2,500,000,000
	₱11,500,000,000

As of December 31, 2015, the entire credit facility was fully drawn.

Details of the loan follow:

a. Interest: At applicable interest rate (PDST-F + Spread or BSP Overnight Rate, whichever is higher). Such interest shall accrue from and including the first day of each interest period up to the last day of such interest period. The Facility Agent shall notify all the Lenders of any adjustment in an interest payment date at least three banking days prior to the adjusted interest payment date.

b. Repayment: The principal amount shall be paid in twenty-seven equal consecutive quarterly installments commencing on the fourteenth quarter from the initial borrowing date. Final repayment date is ten (10) years after initial borrowing.

As of December 31, 2016 and 2015, outstanding loan payable is ₱9,344.56 million and ₱11,037.11 million, respectively.

Rollforward of the deferred financing cost follows:

	2016	2015
At January 1	**₱36,959,208**	₱42,558,302
Additions	**–**	5,056,860
Amortization	**(10,147,847)**	(10,655,954)
At December 31	**₱26,811,361**	₱36,959,208

Amortization of financing cost during the commissioning of the plant on the first quarter of 2016 amounting to ₱2.67 million was charged to 'Construction in progress'. The remaining ₱7.48 million was charged to finance costs (see Note 23) as construction activities were completed in the first quarter of 2016 ceasing capitalization of borrowing cost.

In addition to the pledging of SLPGC shares, the mortgage payable by SLPGC provides, certain restrictions and requirements with respect to, among others, maintain and preserve its corporate existence, comply with all of its material obligations under the project agreements, maintain at each testing date a Debt-to-Equity ratio not exceeding two times, grant loans or make advances and disposal of major property. These restrictions and requirements were complied with by SLPGC as of December 31, 2016 and 2015.

Provision in the loan indicates that the borrower shall pay to the lenders, a commitment fee equivalent to one-half (1/2)% per annum of any portion of a scheduled drawdown amount that remains undrawn after the lapse of the relevant scheduled drawdown. In 2015, SLPGC paid commitment fee amounting to ₱1.31 million and this was recognized under the 'Finance costs' account in the 2015 consolidated statement of comprehensive income.

SCPC
On May 20, 2010, SCPC entered into a ₱9,600.00 million Omnibus Loan Security Agreement ("Agreement") with BDO, BPI and PNB as Lenders, the Parent Company as Pledgor, BDO Capital and Investment Corporation as Lead Arranger and Sole Bookrunner, BPI Capital Corporation and PNB Capital and Investment Corp. as Arrangers, and BDO Unibank, Inc., Trust and Investments Group as Security Trustee, Facility Agent and Paying Agent. The loan was fully drawn by SCPC on the same date.

Mortgage payable by SCPC was collateralized by all monies in the Collateral accounts, supply receivables, proceeds of any asset and business continuity insurance, project agreements and first-ranking mortgage on present and future real assets. Further, 67% of issued and outstanding shares in SCPC owned by the Parent Company were also pledged on this loan.

Breakdown of the original principal of syndicated loan is as follows:

BDO Unibank	₱6,000,000,000
BPI	2,000,000,000
PNB	1,600,000,000
	₱9,600,000,000

The Agreement was entered into to finance the payments made to PSALM pursuant to the Asset Purchase Agreement (APA) and Land Leased Agreement (LLA), and ongoing plant rehabilitation and capital expenditures.

Details of the loan follow:

a. Interest: At a floating rate per annum equivalent to the three (3) months Philippine Dealing System Treasury-Fixing (PDST-F) benchmark yield for treasury securities as published on the PDEx page of Bloomberg (or such successor electronic service provider) at approximately 11:30a.m. (Manila Time) on the banking day immediately preceding the date of initial borrowing or start of each interest period, as applicable, plus a spread of 175 basis points. Starting August 2015 amortization, interest is at floating rate per annum equivalent to three (3) months Philippine Dealing System Treasury Reference Rate PM (PDST-R2), plus a spread of 195 basis points.

b. Repayment: The principal amount shall be payable in twenty-five (25) equal consecutive quarterly installments commencing on the twelfth month from the initial borrowing date. Final repayment date is seven (7) years after initial borrowing. The loan may be prepaid voluntarily provided the conditions in the Omnibus Agreement are satisfied.

Rollforward of the deferred financing cost follows:

	2016	2015
At January 1	**₱6,240,661**	₱17,191,598
Amortization (Note 23)	**(6,120,844)**	(10,950,937)
At December 31	**₱119,817**	₱6,240,661

Amortization of debt finance cost recognized under ‘Finance cost’ account in the consolidated statements of comprehensive income amounted to ₱6.12 million, ₱10.95 million and ₱16.36 million for the years 2016, 2015 and 2014, respectively (see Note 23).

In 2016, 2015 and 2014, the SCPC incurred interest expense on long-term debt amounting to ₱22.15 million, ₱124.49 million and ₱143.20 million, respectively (see Note 23).

On February 29, 2016, SCPC prepaid the ₱1,600.88 million of the long-term portion of the debt.

As of December 31, 2016 and 2015, outstanding loan payable is ₱127.88 million and ₱2,297.76 million, respectively.

As of December 31, 2016, there is no more available borrowing facility that can be drawn.

Bank Loans - Parent Company

Loan Type	Date of Availment	Outstanding Balance 2016	2015	Maturity	Interest Rate	Payment Terms	Covenants
Peso loan 1	2016	**₱2,100,000,000**	₱–	2021	Floating rate to be repriced every 3 months based on 3-months "PDST-R2" plus a spread of one percent (1%)	Interest payable every 3 months, principal to be paid on maturity date	Current Ratio not less than 1:1 and Debt-Equity Ratio not to exceed 2:1
Dollar loan 1	2016	**1,345,286,774**	–	2019	Floating rate to be repriced every 3 months based on 3-months LIBOR plus a spread of 0.86%	Interest payable every 3 months, principal to be paid on maturity date	Current Ratio not less than 1:1 and Debt-Equity Ratio not to exceed 2:1
Dollar loan 2	2015	**1,319,641,378**	1,383,979,053	2018	Floating rate to be repriced every 3 months based on the prevailing lending rates of Commercial Banking Group of The Hongkong and Shanghai Banking Corporation Limited (HSBC)	Interest payable every 3 months, principal to be paid on maturity date	None
Dollar loan 3	2016	**853,379,509**	–	2019	Floating rate to be repriced every 3 months based on 3-months LIBOR plus a spread of 0.86%	Interest payable every 3 months, principal to be paid on maturity date	Debt Service Coverage Ratio not less than 1:1 and Debt-Equity Ratio not to exceed 2:1
Dollar loan 4	2014	–	1,317,680,000	2016	Floating rate to be repriced every 3 months LIBOR plus a spread of 1.2%	Interest payable every 3 months, principal to be paid on maturity date	Current Ratio not less than 1:1 and Debt-Equity Ratio not to exceed 2:1
Dollar loan 5	Various availments in 2013 and 2014	–	438,116,431	2016	Floating rate to be repriced every 3 months based on 3-months LIBOR plus a spread of 0.86%	Interest payable every 3 months, principal to be paid on maturity date	Current Ratio not less than 1:1 and Debt-Equity Ratio not to exceed 2:1
Dollar loan 6	2014	–	75,958,914	2016	Floating rate to be repriced every 3 months based on 3-months LIBOR plus a spread of 0.86%	Interest payable every 3 months, principal to be paid on maturity date	Current Ratio not less than 1:1 and Debt-Equity Ratio not to exceed 2:1
		₱5,618,307,661	₱3,215,734,398				

All bank loans are clean and are compliant with loan covenants.

Interest expense on long-term debt recognized under ‘Finance cost’ amounted to ₱128.85 million, ₱44.09 million and ₱53.57 million in 2016, 2015 and 2014, respectively (see Note 23).

The remaining borrowing facility that can be drawn as of December 31, 2016 and 2015 amounts to ₱5,625.00 million and ₱4,700.00 million, respectively.

The maturities of long-term debt as of December 31, 2016 and 2015 follow:

	2016	2015
Due in:		
2016	**₱–**	₱5,190,727,400
2017	**1,831,583,887**	2,462,370,728
2018	**3,014,411,119**	2,945,721,719
2019	**3,895,084,530**	1,698,330,989
2020	**3,798,128,281**	1,700,042,952
2021	**1,699,902,153**	1,701,818,824
2022	**850,636,883**	851,595,991
	₱15,089,746,853	₱16,550,608,603

15. **Trade and Other Payables**

This account consists of:

	2016	2015
Trade:		
Payable to suppliers and contractors	**₱6,218,171,878**	₱4,000,643,528
Related parties (Note 19)	**2,983,409,739**	1,383,876,235
Payable to DOE and local government units (LGU) (Note 28)	**1,647,719,455**	1,121,541,027
Output VAT Payable	**789,399,098**	528,518,567
Accrued expenses and other payables (Note 19)	**582,252,900**	337,413,964
	₱12,220,953,070	₱7,371,993,321

Trade payable to suppliers and contractors
Trade payable to suppliers and contractors arises from progress billings of completed work as of cut-off period. The amount include liabilities amounting to ₱739.57 million (US$14.87 million) and ₱585.44 million (US$12.44 million) as of December 31, 2016 and 2015, respectively, to various foreign suppliers for open account purchases of equipment and equipment parts and supplies.

Trade payables are noninterest-bearing and are normally settled on 30- to 60-day credit terms.

Payable to DOE and LGU
Payable to DOE and LGU represent the share of DOE and LGU in the gross revenue of the Parent Company's coal production computed in accordance with the Coal Operating Contract (COC) between the Parent Company, DOE and LGU dated July 11, 1977 and as amended on January 16, 1981 (see Note 28).

Output VAT payable
Output VAT pertains to the VAT due on the sale of electricity net of input VAT.

Accrued expenses and other payables
Details of the accrued expenses and other payables account follow:

	2016	2015
Taxes, permits and licenses	**₱343,909,575**	₱186,894,959
Salaries and wages	**33,410,317**	12,488,933
Interest	**32,812,917**	58,860,871
Financial benefit payable	**17,387,946**	8,832,874
Rental (Note 19)	**7,187,400**	7,187,400
Professional fees	**1,782,019**	2,172,907
Dredging services	**–**	17,764,371
Others	**145,762,726**	43,211,649
	₱582,252,900	₱337,413,964

Accrued expenses and other payables are noninterest-bearing and are normally settled on a 30-to 60-day terms.

Others
Others include accruals on contracted services, utilities, supplies and other administrative expenses.

16. **Provision for Decommissioning and Site Rehabilitation**

	2016	2015
At January 1	**₱513,701,432**	₱175,295,942
Additions (Note 9)	**1,089,423,459**	285,013,181
Effect of change in estimates (Notes 9 and 21)	**(8,770,171)**	56,992,919
Usage	**(13,286,852)**	(10,996,190)
Accretion of interest (Note 23)	**25,219,891**	7,395,580
At December 31	**₱1,606,287,759**	₱513,701,432

Discount rates used by the Group to compute for the present value of liability for decommissioning and site rehabilitation cost range from 3.86% to 8.77% and 4.81% to 5.24% in 2016 and 2015, respectively.

The Group is expecting to rehabilitate 1,030 hectares, 836 hectares and 943 hectares of Panian, Narra and Molave minesites. Panian has completed and closed its operations in September 2016.

The addition of ₱1,089.42 million in 2016 pertains to a significant change in rehabilitation plan of Panian mine pit. The previous plan include partial backfilling of open areas while portion will be converted into a lake. In 2016, the rehabilitation plan of Panian minepit was changed, such that the entire open pit will be covered with overburden from Narra and Molave mine pits. The additional costs represent the incremental cost of moving the overburden from Narra and Molave pits which is included in the 'Cost of coal sales' in 2016 given that Panian has closed operations (see Note 21).

17. **Capital Stock**

The details of the Parent Company's capital stock as of December 31, 2016 and 2015 are as follows:

	2016	
	Shares	**Amount**
Capital stock - ₱1 par value		
Authorized :	**3,000,000,000**	**₱3,000,000,000**
Issued and outstanding :		
Balance at beginning	**1,068,750,000**	**₱1,068,750,000**
Treasury shares acquired	**(3,463,570)**	**(387,547,028)**
Balance at end of year	**1,065,286,430**	**₱681,202,972**

	2015	
	Shares	Amount
Capital stock - ₱1 par value		
Authorized :	3,000,000,000	₱3,000,000,000
Issued and outstanding :		
Balance at beginning and end of year	1,068,750,000	₱1,068,750,000

On November 28, 1983, the SEC approved the issuance and public offering of 55,000.00 million common shares of the Parent Company at an offer price of ₱0.01 per share. Additional public offering was also approved by SEC on February 4, 2005 for 46.87 million common shares at an offer price of ₱36.00 per share.

On August 18, 2014, SEC approved the increase in authorized capital stock of the Parent Company from ₱1,000.00 million to ₱3,000.00 million divided into 3,000.00 million common shares with a par value of ₱1 per share.

On August 15, 2016, the BOD approved the share buy-back program wherein the Parent Company will buy-back shares at prevailing market price not exceeding 20 million shares for a period of 60 days beginning August 18, 2016. As of December 31, 2016, the Parent Company has bought-back a total of 3,463,570 shares for a total consideration of ₱387.55 million. This is presented as treasury shares in the consolidated financial statements.

The Parent Company's track record of capital stock is as follows:

	Number of shares registered	**Issue/offer price**	**Date of approval**	**Number of holders as of yearend**
At January 1, 2001	1,630,970,000	₱1/share		
Add (deduct):				
Additional issuance	19,657,388	₱1/share	July 2, 2004	
Conversion of preferred shares to common shares	225,532	₱1/share	July 2, 2004	
Decrease in issued and outstanding common share from capital restructuring	(1,625,852,920)			
Share dividends	225,000,000	₱1/share	July 2, 2004	
Public offering additional issuance	46,875,000	₱36/share	February 4, 2005	
December 31, 2010	296,875,000			632
Add: Share rights offering	59,375,000	₱74/share	June 10, 2010	7

(Forward)

	Number of shares registered	**Issue/offer price**	**Date of approval**	**Number of holders as of yearend**
December 31, 2011	356,250,000			639
Add: Movement	–			24
December 31, 2012	356,250,000			663
Add: Movement	–			–
December 31, 2013	356,250,000			663
Add: Stock dividends	712,500,000		August 22, 2014	5
December 31, 2014	1,068,750,000			668
Add: Movement	–			9
December 31, 2015	1,068,750,000			677
Add: Movement	(3,463,570)			16
December 31, 2016	1,065,286,430			693

18. **Retained Earnings**

In 2016 and 2015, retained earnings amounted to ₱26,952.98 million and ₱19,187.31 million, respectively. The amounts include the accumulated equity in undistributed net earnings of subsidiaries which are not available for dividends until declared by the BOD of the respective subsidiaries.

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2016 amounted to ₱10,573.08 million.

Cash Dividends
On April 29, 2016, the Parent Company's BOD authorized the Parent Company to declare and distribute cash dividends of ₱4.00 per share or ₱4,275.00 million to stockholders of record as of May 17, 2016. The said cash dividends were paid on May 27, 2016.

On April 22, 2015, the Parent Company's BOD authorized the Parent Company to declare and distribute cash dividends of ₱4.00 per share or ₱4,275.00 million to stockholders of record as of May 7, 2015. The said cash dividends were paid on May 20, 2015.

On April 29, 2014, the Parent Company's BOD authorized the Parent Company to declare and distribute cash dividends of ₱12.00 per share or ₱4,275.00 million to stockholders of record as of May 15, 2014. The said cash dividends were paid on May 28, 2014.

Stock Dividends
On May 5, 2014, the stockholders of the Parent Company approved the 200% stock dividends amounting to ₱712.50 million, divided into 712.50 million shares at the par value of ₱1.00 per share, or two (2) common shares for every one common share held, from the unrestricted retained earnings of the Parent Company as of December 31, 2013, and to be issued from the increase in the authorized capital stock of the Parent Company. On August 22, 2014, SEC approved and fixed the record date on September 8, 2014.

Appropriations
On November 8, 2016, the BOD approved the appropriation of ₱2,500.00 million from the unappropriated retained earnings as of December 31, 2015 as additional capital expenditure for the Phase 2 Power Plant expansion project of SRPGC which is expected to be completed in 2021.

On November 11, 2015, the BOD approved the appropriation of ₱3,000.00 million from the unappropriated retained earnings as of December 31, 2015 to be used for the Phase 2 power plant expansion project of its wholly-owned subsidiary, SLPGC. The said power plant was completed last April 2016.

19. Related Party Transactions

The Group in its regular conduct of business has entered into transactions with related parties. Parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making the financial and operating decisions, the parties are subject to common control or the party is an associate or a joint venture. The Group has affiliates under common control of DMCI-HI and Dacon Corporation.

Except as indicated otherwise, the outstanding accounts with related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties.

The significant transactions with related parties follow:

	2016				
	Reference	**Amount/Volume**	**Receivable (Payable)**	**Terms**	**Conditions**
Trade receivables (Note 5)					
Entities under common control					
Transfer of materials, services and reimbursement of shared expenses	(a)	**₱32,118,987**	**₱76,578,145**	**Non-interest bearing, due and demandable**	**Unsecured, no impairment**
Advances to suppliers - current (Note 8)					
Entities under common control					
Construction and outside services	(c)	**₱165,442,477**	**₱234,206,485**	**Non-interest bearing, recoupment through monthly and final billings**	**Unsecured, no impairment**
Trade payables (Note 15)					
Entities under common control					
Reimbursement of shared expenses	(a)	**₱–**	**(₱44,705)**	**30 days, non-interest bearing**	**Unsecured**
Operation and maintenance fees	(d)	**362,640,742**	**(21,704,777)**	**30 days, non-interest bearing**	
Coal handling services	(e)	**596,877,187**	**(109,561,084)**	**30 days, non-interest bearing**	**Unsecured**
Mine exploration and hauling services	(f)	**1,437,260,355**	**(751,942,643)**	**30 days, non-interest bearing**	**Unsecured**
Construction and other outside services	(g)	**971,238,050**	**(1,640,659,137)**	**30 days for monthly billings and portion after expiration of, retention period, non-interest bearing**	**Unsecured**
Purchases of office supplies and refreshments	(h)	**–**	**(1,500)**	**30 days, non-interest bearing**	**Unsecured**
Office, parking and warehouse rental expenses	(i)	**8,485,610**	**(1,902,754)**	**30 days, non-interest bearing**	**Unsecured**
Aviation services	(j)	**–**	**(12,725,108)**	**30 days, non-interest bearing**	**Unsecured**
Trade payables (Note 15)					
Entities under common control					
Arrastre and Cargo Services	(k)	**1,905,527**	**(1,666,049)**	**30 days, non-interest bearing**	**Unsecured**
Retention payable	(l)	**15,780,000**	**(443,201,982)**	**30 days, non-interest bearing**	**Unsecured**
		₱3,394,187,471	**(₱2,983,409,739)**		

(Forward)

	2016				
	Reference	**Amount/Volume**	**Receivable (Payable)**	**Terms**	**Conditions**
Other noncurrent liabilities (Note 12)					
Entities under common control					
Retention payable	(l)	**₱152,468,242**	**(₱423,813,611)**	**Non-interest bearing**	**Unsecured**

	2015				
	Reference	Amount/Volume	Receivable (Payable)	Terms	Conditions
Trade receivables (Note 5)					
Entities under common control					
Transfer of materials, services and reimbursement of shared expenses	(a)	₱40,923,381	₱68,830,272	Non-interest bearing, due and demandable	Unsecured, no impairment
Advances to suppliers - current (Note 8)					
Entities under common control					
Deposit for services	(b)	₱42,267,857	₱42,267,857	Non-interest bearing, due and demandable	Unsecured, no impairment
Construction and outside services	(c)	659,749,677	756,442,697	Non-interest bearing, recoupment through monthly and final billings	Unsecured, no impairment
		₱702,017,534	₱798,710,554		
Trade payables (Note 15)					
Entities under common control					
Reimbursement of shared expenses	(a)	₱702,141	(₱702,141)	30 days, non-interest bearing	Unsecured
Operation and maintenance fees	(d)	324,000,000	(39,271,558)	30 days, non-interest bearing	Unsecured
Coal handling services	(e)	370,324,932	(101,740,918)	30 days, non-interest bearing	Unsecured
Mine exploration and hauling services	(f)	916,403,369	(1,340,292)	30 days, non-interest bearing	Unsecured
Construction and other outside services	(g)	1,783,916,987	(1,220,909,110)	30 days for monthly billings and portion after expiration of retention period , non-interest bearing	Unsecured
Purchases of office supplies and refreshments	(h)	6,645,198	(700,418)	30 days, non-interest bearing	Unsecured
Office, parking and warehouse rental expenses	(i)	7,990,559	(2,104,480)	30 days, non-interest bearing	Unsecured
Aviation services	(j)	246,589	(12,725,108)	30 days, non-interest bearing	Unsecured
Arrastre and Cargo Services	(k)	773,840	(773,840)	30 days, non-interest bearing	Unsecured
Retention payable	(l)	720,647	(3,608,370)	30 days, non-interest bearing	Unsecured
		₱3,411,724,262	(₱1,383,876,235)		
Other noncurrent liabilities (Note 12)					
Entities under common control					
Retention payable	(l)	₱73,332,374	(₱1,498,829,715)	Non-interest bearing	Unsecured

a. This pertains to the services rendered, deliveries of goods and reimbursement of expenses advanced by the Group to its affiliates. This includes contracted services, share in rental expenses, office materials and supplies and maintenance and renewal expenses of information systems.

   All outstanding balances from affiliates are included in receivables under 'Trade receivable - related parties' in the consolidated statements of financial position.

b. The Group made advances to DMCI Consunji, Inc. (DMCI) for the ongoing construction project for which the balance is included in 'Advances to suppliers' account (see Note 8).

c. DMCI was engaged by SLPGC in the construction of the 2x150MW coal-fired power plant. Billings of DMCI was charged to 'Construction in progress' account. As of December 31, 2016 and 2015, advances to contractors amounting to ₱234.21 million and ₱756.44 million is classified under 'Advances to suppliers and others' in the consolidated statements of financial position (see Note 8). These advances are recouped through monthly and final billings as the work progresses.

d. SCPC engaged DMCI Power Corporation (DMCI Power), an entity under common control of DMCI-HI, for the management, operation and maintenance of the power plant. The outstanding balances due to DMCI Power are included in the 'Trade payable - related parties' account in the consolidated statements of financial position (see Note 15).

e. SCPC and SLPGC entered into a voyage charter agreement with DMC Construction Equipment and Resources, Inc. (DMC CERI). The outstanding balances due to DMC CERI are included in the 'Trade payable - related parties' account in the consolidated statements of financial position (see Note 15).

   SLPGC and SCPC hired St. John Bulk Handlers, Inc. (SJBHI) for its coal handling services. Cost of coal handling services provided by SJBHI to SLPGC are offset against commissioning revenue during the commissioning stage and included in the 'Cost of power sales' after start of commercial operations. While for SCPC, these are included in the 'Cost of power sales'. The outstanding balances are included in the 'Trade payable - related parties' account in the consolidated statements of financial position (see Note 15).

f. DMC-CERI had transactions with the Parent Company for services rendered relating to the Parent Company's coal operations. These include services for the confirmatory drilling for coal reserve and evaluation of identified potential areas, exploratory drilling of other minerals within Semirara Island, dewatering well drilling along cut-off wall of Panian mine and fresh water well drilling for industrial and domestic supply under an agreement. Expenses incurred for said services are included in cost of sales under 'Outside services' in the consolidated statements of comprehensive income (see Note 21).

   DMC-CERI operate, maintain and manage Parent Company's marine vessel for use in shiploading and delivery of coal to its various costumer. The coal freight billing is on a per metric ton basis plus demurrage charges for delays in loading and unloading of coal cargoes. Expenses incurred for these services are included in cost of sales under 'Hauling and shiploading costs' in the consolidated statements of comprehensive income (see Note 21).

   Furthermore, DMC-CERI provides the Parent Company labor services relating to coal operations including those services rendered by consultants. Expenses incurred for said services are included in cost of sales under 'Direct labor' in the consolidated statements of comprehensive income (see Note 21).

   Labor costs related to manpower services rendered by DMC-CERI represent actual salaries and wages covered by the period when the services were rendered to Parent Company in its coal operations. Under existing arrangements, payments of said salaries and wages are given directly to personnel concerned.

   All outstanding balances to DMC-CERI are included in trade and other payables under 'Trade payable - related parties' in the consolidated statements of financial position (see Note 15).

g. The Group contracted DMCI for the construction of its 1 x 15 MW Power Plant located at Semirara Island and the construction of SLPGC's 2 x 150 MW coal-fired power plants in Batangas. Other services include on-going rehabilitation of existing power plant, and other constructions in compliance with its Corporate Social Responsibility (CSR) such as construction of covered tennis courts, track and field, perimeter fence and others. All outstanding balances to DMCI are lodged in trade and other payables under 'Trade payable - related parties' in the consolidated statements of financial position (see Note 15).

h. The Group engaged Prominent Fruits, Inc. and Sirawi Plywood & Lumber Corp. to supply various raw materials, office supplies and refreshments. The outstanding balance to Prominent Fruits, Inc. and Sirawai Plywood & Lumber Corp. is lodged in trade and other payables under 'Trade payable - related parties' in the consolidated statements of financial position (see Note 15).

i. In 2016 and 2015, DMC Urban Property Developers, Inc. (DMC-UPDI) had transactions with the Group representing long-term lease on office space and other transactions rendered to the Parent Company necessary for the coal operations. Office rental expenses are included in cost of sales under 'Outside services' in the consolidated statements of comprehensive income (see Note 21). The outstanding balance to DMC-UPDI is lodged in trade and other payables under 'Trade payable - related parties' in the consolidated statements of financial position (see Note 15).

j. Royal Star Aviation Inc. provide maintenance services and hangarage for the Parent Company's aircraft use to transport supplies, employees and visitors in and out the minesite. The related expenses are included in cost of sales under 'Production overhead' in the consolidated statements of comprehensive income (see Note 21).

   The outstanding balance to Royal Star Aviation, Inc. is lodged in trade and other payables under 'Trade payable - related parties' in the consolidated statements of financial position (see Note 15).

k. In 2016, Vincent Arrastre and Cargo Services, Inc. had transactions with the Parent Company for shipsiding services. The outstanding balance to Vincent Arrastre and Cargo Services, Inc. is lodged in trade and other payables under 'Trade payables - related parties' in the consolidated statements of financial position (see Note 15).

l. In 2016, SLPGC have retention payable to DMCI which represents amounts withheld from payments to contractors as guaranty for any claims against them. These are noninterest-bearing and will be remitted to contractors at the end of the contracted work. Outstanding balances are lodged under 'Other noncurrent liabilities' in the consolidated statements of financial position (see Note 15).

Terms and conditions of transactions with related parties
There have been no guarantees and collaterals provided or received for any related party receivables or payables. These accounts are noninterest-bearing and are generally unsecured. Impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. As of December 31, 2016 and 2015, there were no impairment losses recognized on related party balances.

Compensation of key management personnel of the Group amounted to ₱167.98 million and ₱159.42 million in 2016 and 2015, respectively.

There are no other agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's pension plan.

20. Pension Plan

The Group has a funded, noncontributory defined benefit plan covering substantially all of its regular employees. The date of the latest actuarial valuation is as of December 31, 2016.

The Group accrues retirement costs (included in 'Pension liabilities' in the consolidated statements of financial position) based on an actuarially determined amount using the projected unit credit method.

The funds are administered by a trustee bank under the supervision of the BOD of the plan. The BOD is responsible for the investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of the significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the plan's objectives, benefit obligation and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy). The BOD delegates the implementation of the investment policy in accordance with the investment strategy as well as various principles and objectives to an Investment Committee, which also consists of members of the BOD, Vice-President for Treasury and Chief Finance Officer. The Vice-President for Treasury and Chief Finance Officer oversee the entire investment process.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Provisions for pension liabilities are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. The Group updates the actuarial valuation every year by hiring the services of a third party professionally qualified actuary.

There are no plan amendments, curtailments or settlements in 2016, 2015 and 2014.

The cost of defined benefit pension plans and the present value of the pension liabilities are determined using actuarial valuations.

The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension liabilities for the defined benefit plan are shown below:

	2016	2015	2014
Discount rate	**5.28% - 5.87%**	5.27% - 6.36%	4.82% - 5.67%
Salary increase rate	**3.00%**	3.00%	3.00%

The following table summarizes the components of pension expense in the consolidated statements of comprehensive income:

	2016	2015	2014
Current service cost	**₱39,628,111**	₱16,657,360	₱15,635,036
Interest expense related to the defined benefit liability	**10,684,019**	6,611,027	5,197,340
Interest income related to plan assets	**(4,384,303)**	(3,876,122)	(3,547,507)
	₱45,927,827	₱19,392,265	₱17,284,869

The above pension expense is included in 'Personnel costs' under 'Operating expenses' and 'Direct labor' under 'Cost of sales' in the consolidated statements of comprehensive income (see Notes 21 and 22).

The following tables provide analyses of the movement in the defined benefit liability, fair value of plan assets and pension liabilities recognized on consolidated statements of financial position:

	2016	2015
Defined benefit liability at beginning of year	**₱155,918,352**	₱118,014,431
Current service cost	**39,628,111**	16,657,360
Interest expense	**10,684,019**	6,611,027
Remeasurement of defined benefit liability:		
Arising from changes in financial assumptions	**3,991,299**	(3,705,892)
Experience gains (losses)	**(15,888,555)**	25,366,613
Benefits directly paid by the Group	**(8,724,213)**	(5,780,005)
Benefits paid from plan asset	**–**	(1,245,182)
Defined benefit liability at end of year	**₱185,609,013**	₱155,918,352
Fair value of plan assets at beginning of year	**₱68,935,574**	₱68,984,538
Return on plan assets (excluding amounts included in interest income)	**(1,745,642)**	(2,679,904)
Interest income	**4,384,303**	3,876,122
Benefits paid	**–**	(1,245,182)
Fair value of plan assets at end of year	**₱71,574,235**	₱68,935,574
Net pension liability at beginning of year	**₱86,982,778**	₱49,029,893
Net periodic pension cost	**45,927,827**	19,392,265
Amounts recognized in other comprehensive income	**(10,151,614)**	24,340,625
Benefit payments - paid by the Group	**(8,724,213)**	(5,780,005)
Net pension liability at end of year	**₱114,034,778**	₱86,982,778

The Group does not expect any contribution into the pension fund in 2017.

The composition and fair value of plan assets as at the end of reporting date are as follows:

	2016	2015
Cash and cash equivalents	**₱368,703**	₱3,384,528
Equity instruments		
Financial institutions	**7,209,020**	5,490,000
Real Estate	**5,430,000**	–
Debt instruments		
Government securities	**45,301,117**	47,059,505
Unquoted debt securities	**12,118,696**	11,983,783
Receivables	**1,146,699**	1,017,758
Fair value of plan assets	**₱71,574,235**	₱68,935,574

Trust fee in 2016 and 2015 amounted to ₱35,486 and ₱34,013, respectively.

The composition of the fair value of the plan assets includes:

Cash and cash equivalents - include savings and time deposit with banks and special deposit account with Bangko Sentral ng Pilipinas

Investment in equity securities - includes investment in common and preferred shares of financial institutions traded in the Philippine Stock Exchange

Investment in debt securities - government securities - include investment in Philippine Retail Treasury Bonds and Fixed Rate Treasury Notes

Investments in debt securities - unquoted - include investment in long-term debt notes and retail bonds

Receivables - pertain to interest and dividends receivable on the investments in the fund

The management performs a study of how to match its existing assets versus the pension liabilities to be settled. The overall investment policy and strategy of the Group's defined benefit plan is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risks of the plan. The Group's current guiding strategic investment strategy consists of 80% of debt instruments, 18% of equity instruments and 2% of others.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit liability as of the end of reporting date, assuming if all other assumptions were held constant:

	2016		2015	
	Increase (Decrease)	**Effect on Defined Benefit Liability**	Increase (Decrease)	Effect on Defined Benefit Liability
Discount rates	**+0.5% to 1%**	**(₱15,082,880)**	+0.5% to 1%	(₱5,359,754)
	-0.5% to 1%	**18,155,286**	-0.5% to 1%	5,977,391
Future salary increases	**+1%**	**16,931,804**	+1%	5,150,821
	-1%	**(14,463,121)**	-1%	(4,723,272)

Shown below is the maturity analysis of the undiscounted benefit payment up to ten years:

	2016	2015
Less than 1 year	**₱59,302,155**	₱43,117,743
More than 1 year to 5 years	**47,215,986**	24,366,519
More than 5 years to 10 years	**90,918,414**	66,153,865
	₱197,436,555	₱133,638,127

The Group has no other transactions with the fund.

21. Cost of Sales

Cost of coal sales consists of:

	2016	2015	2014
Materials and supplies (Note 19)	**₱4,371,052,573**	₱3,024,001,394	₱3,897,257,081
Fuel and lubricants	**1,489,016,376**	1,163,408,917	2,991,475,911
Outside services (Note 19)	**1,549,788,146**	695,999,390	1,075,701,964
Depreciation and amortization (Notes 9 and 12)	**1,157,006,529**	519,842,448	822,278,521
Provision for decommissioning and site rehabilitation (Note 16)	**1,089,423,459**	–	–
Direct labor (Note 19)	**700,275,846**	446,316,290	577,879,037
Production overhead (Note 19)	**207,552,739**	335,423,295	423,809,451
Cost of coal (Note 6)	**10,564,115,668**	6,184,991,734	9,788,401,965
Hauling and shiploading costs (Note 19)	**449,384,137**	202,827,731	439,609,474
	₱11,013,499,805	₱6,387,819,465	₱10,228,011,439

Cost of power sales consists of:

	2016	2015	2014
Coal	**₱2,559,889,904**	₱2,679,503,585	₱2,499,389,790
Energy spot purchases	**2,495,357,262**	107,406,243	4,778,979,591
Depreciation and amortization (Note 9)	**2,170,627,728**	1,006,345,938	926,330,084
Bunker	**137,044,067**	93,581,560	255,037,688
Coal handling expense (Note 19)	**127,518,172**	110,269,630	73,718,525
Lube	**42,912,606**	40,993,979	27,747,305
Diesel	**43,426,757**	38,503,060	97,291,733
Market fees	**28,091,496**	59,041,865	39,485,318
Others	**82,653,529**	18,627,044	1,495,068
	₱7,687,521,521	₱4,154,272,904	₱8,699,475,102

The cost of coal on power sales consists of:

	2016	2015	2014
Materials and supplies (Note 19)	**₱1,015,972,538**	₱1,268,480,210	₱952,361,524
Fuel and lubricants	**346,095,070**	488,016,040	731,018,380
Depreciation and amortization (Notes 9 and 12)	**268,925,354**	291,951,404	262,866,200
Outside services (Note 19)	**360,220,375**	218,058,715	200,937,841
Direct labor (Note 19)	**162,766,523**	187,216,640	141,214,641
Hauling and shiploading costs (Note 19)	**104,451,259**	85,080,306	107,426,105
Production overhead (Note 19)	**301,458,785**	140,700,270	103,565,099
	₱2,559,889,904	₱2,679,503,585	₱2,499,389,790

22. Operating Expenses

	2016	2015	2014
Government share (Note 28)	**₱2,649,979,160**	₱1,796,046,847	₱1,858,189,613
Taxes and licenses	**549,068,101**	283,992,995	198,611,913
Operation and maintenance (Note 19)	**411,460,868**	324,559,835	328,296,434
Personnel costs (Notes 19 and 20)	**362,922,245**	295,467,153	275,249,168
Repairs and maintenance	**330,609,401**	121,330,131	104,316,433
Provision for doubtful accounts - net (Note 5)	**149,533,034**	925,151,745	–
Office expenses (Note 19)	**146,989,002**	133,046,584	126,335,538
Insurance and bonds	**116,303,915**	92,418,625	71,826,559
Professional fees	**68,321,444**	70,634,134	50,152,727
Depreciation (Note 9)	**56,790,728**	43,246,105	51,655,398
Entertainment, amusement and recreation	**32,347,816**	56,042,490	43,298,078
Transportation and travel	**17,892,216**	31,207,300	28,687,926
Marketing	**1,990,558**	6,315,763	13,918,905
Provision for inventory obsolescence (Note 6)	**1,239,090**	20,902,458	–
Loss on disposal and write-down of property, plant and equipment (Note 9)	**–**	16,087,500	110,976
Others	**103,418,662**	172,634,820	70,349,709
	₱4,998,866,240	₱4,389,084,485	₱3,220,999,377

Others pertain to various expenses such as advertising and utilities.

23. Finance Costs

	2016	2015	2014
Interest on:			
Long-term debt (Note 14)	**₱423,378,970**	₱168,578,574	₱196,770,666
Amortization of debt issuance cost (Note 14)	**13,596,689**	10,950,937	16,360,856
Short-term loans (Note 13)	**77,918,662**	57,987,231	63,337,130
Accretion of cost of decommissioning and site rehabilitation (Note 16)	**25,219,891**	7,395,580	7,689,928
Bank charges	**58,878,494**	33,275,592	39,069,744
	₱598,992,706	₱278,187,914	₱323,228,324

24. Finance Income

	2016	2015	2014
Interest on:			
Cash in banks (Note 4)	**₱36,767,808**	₱22,091,022	₱5,178,605
Cash equivalents (Note 4)	**41,720,476**	25,796,786	29,146,795
Investment in sinking fund (Note 10)	**4,313,045**	8,992,559	6,671,014
Others	**437,367**	683,382	456,354
	₱83,238,696	₱57,563,749	₱41,452,768

25. Other Income

	2016	2015	2014
Commissioning income	**₱595,343,004**	₱58,327,356	₱–
Recoveries from insurance claims	**218,030,806**	161,195,903	82,552,158
Sale of fly ash	**123,188,392**	133,118,624	113,478,322
Gain (loss) on sale of equipment (Note 9)	**(174,667)**	76,461,975	336,750
Reversal of allowance for impairment losses	**–**	10,683,653	–
Miscellaneous	**2,054,463**	891,119	9,121,503
	₱938,441,998	₱440,678,630	₱205,488,733

Commissioning income
Commissioning income pertains to net revenue earned by the Group from the testing phase of the 2X150 MW CFB coal-fired thermal power plant during the first quarter of 2016 and for the whole year 2015.

Recoveries from insurance claims
Recoveries from insurance claims pertain to the amount reimbursed by the insurer on insured equipment which were damaged.

26. Income Tax

The provision for (benefit from) income tax consists of:

	2016	2015	2014
Current	**₱837,219,939**	₱995,397,884	₱–
Final	**13,884,010**	10,713,827	8,116,083
Deferred	**11,975,636**	175,972,220	(560,983,213)
	₱863,079,585	₱1,182,083,931	(₱552,867,130)

The reconciliation of the effective statutory income tax rate to the effective income tax rate shown in the consolidated statements of comprehensive income follows:

	2016	2015	2014
Statutory income tax rate	**30.00%**	30.00%	30.00%
Adjustments for:			
Nondeductible expense	**0.51**	0.08	–
Nondeductible interest expense	**0.05**	0.05	0.03
Unrecognized deferred tax assets	**4.36**	7.62	15.02
Interest income already subject to final tax at a lower rate	**(0.08)**	(0.04)	(0.04)
Tax-exempt income	**(28.15)**	(25.48)	(53.77)
Effective income tax rate	**6.69%**	12.23%	(8.76%)

The components of net deferred tax assets as of December 31, 2016 and 2015 follow:

	2016	2015
Deferred tax assets (liabilities) on:		
Allowance for impairment losses	**₱455,486,299**	₱413,361,049
Unrealized foreign exchange loss	**(14,734,836)**	43,267,396
Unrealized foreign exchange gain	**543,246**	–
Accrual of pension obligation	**28,239,618**	27,183,716
Allowance for inventory obsolescence	**20,218,166**	19,846,439
Allowance for doubtful accounts	**22,403,520**	19,668,863
Various accruals	**2,909,884**	6,990,107
Provision for decommissioning and site rehabilitation	**3,113,659**	2,675,078
NOLCO	**337,422**	509,811
MCIT	**–**	2,042,359
	₱518,516,978	₱535,544,818

The Parent Company have not recognized deferred tax assets on NOLCO from the following periods:

Parent Company

Year Incurred	Amount	Expiry Year
2016	₱1,809,066,463	2019
2015	2,455,567,304	2018
2014	4,878,525,474	2017
	₱9,143,159,241	

The following entities within the Group recognized deferred tax assets on NOLCO from the following periods:

SEUI

Year Incurred	Amount	Expiry Year
2016	₱258,301	2019
2015	139,173	2018
2014	131,010	2017
	₱528,484	

SCI

Year Incurred	Amount	Expiry Year
2016	₱43,128	2019
2015	351,212	2018
2014	201,915	2017
	₱596,255	

Rollforward analysis of the Group's NOLCO follows:

	2016	2015
Balance at beginning of year	**₱10,775,473,365**	₱11,462,948,714
Addition	**1,809,367,892**	2,456,057,689
Expired	**(3,440,557,277)**	(3,143,533,038)
Balance at the end of year	**₱9,144,283,980**	₱10,775,473,365

Rollforward analysis of the Group's MCIT follows:

	2016	2015
Balance at beginning of year	**₱2,042,359**	₱–
Addition	**–**	2,042,359
Used	**(2,042,359)**	–
Balance at the end of year	**₱–**	₱2,042,359

Board of Investments (BOI) Incentives

Parent Company

In relation to the Parent Company's operation in Panian minesite, on September 26, 2008, the BOI issued in favor of the Parent Company a Certificate of Registration as an Expanding Producer of Coal in accordance with the provisions of the Omnibus Investments Code of 1987. Pursuant thereto, the Parent Company shall be entitled to the following incentives, among others:

a. Income tax holiday (ITH) for six (6) years from September 2008 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. For purposes of availment of ITH, a base figure of 2,710,091 MT representing the Parent Company's average sales volume for the past three (3) years prior to the expansion shall be used.

The Parent Company shall initially be granted a four (4) year ITH. The additional two (2) year ITH shall be granted upon submission of completed or on-going projects in compliance with its CSR, which shall be submitted before the lapse of its initial four (4) year ITH. The Parent Company's ITH of 6 years lapsed in September 2014.

On May 1, 2014, BOI approved the Parent Company's additional year of ITH entitlement from September 2014 to September 2015 which was extended by the BOI to September 2016.

b. Employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from the date of registration. The president, general manager and treasurer of foreign-owned registered companies or their equivalent shall not be subject to the foregoing limitations.

   Date of filing: Application shall be filed with the BOI Incentives Department before assumption to duty of newly hired foreign nationals and at least one (1) month before expiration of existing employment for renewal of visa.

c. Simplification of Customs procedures for the importation of equipment, spare parts, raw materials and supplies.

On August 19, 2009, the BOI granted the Parent Company's request for a reduced base figure from 2,710,091 MT to 1,900,000 MT representing the average sales volume for the past eight (8) years (2000 to 2007) prior to registration with BOI.

The Parent Company's Certificate of Registration for Panian Minesite has expired on September 26, 2016 simultaneous to the full depletion of the mineable coal reserve.

On August 31, 2012 and February 24, 2016, BOI has granted the Parent Company Certificates of Registration as New Producer of Coal in accordance with the provisions of the Omnibus Investments Code of 1987 in relation to the operation in Narra Minesite (formerly Bobog) (Certificate of Registration No. 2012-183) and Molave Minesite (Certificate of Registration No. 2016-042). Pursuant thereto, the Parent Company shall be entitled to the following incentives for the two Certificate of Registrations, among others:

a. ITH for four (4) years from January 2015 and January 2017 for Narra Minesite and Molave Minesite, respectively, or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

b. Income qualified for ITH availment shall not exceed by more than 10% of the projected income represented by the Parent Company in its application provided the project's actual investments and employment match the Parent Company's representation in the application.

The Parent Company availed of tax incentive in the form of ITH on its income under registered activities amounting to ₱2,747.09 million, ₱2,339.37 million and ₱2,686.91 million in 2016, 2015 and 2014, respectively.

SCPC
On April 19, 2010, SCPC was registered with the BOI as New Operator of the 600-MW Calaca Coal-Fired Power Plant on a Non-Pioneer Status in accordance with the provisions of the Omnibus Investments Code of 1987. In accordance with its registration, SCPC shall be entitled to, among others, an ITH for four (4) years from April 2011 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The ITH incentives shall be limited to the revenue generated from the sales of electricity of the 600 MW Batangas Coal-Fired Thermal Power Plant.

On January 7, 2011, BOI approved SCPC's request for an earlier application of the ITH to be effective January 1, 2010.

On December 17, 2013, BOI approved SCPC's request for the extension for one (1) year of the ITH for the period January 1 to December 31, 2014. Starting January 1, 2015, the Company is in tax position applying regular corporate income tax.

SLPGC
On June 21, 2012, the application for registration of SLPGC as new operator of 300 MW (Phase 1) Batangas Coal Fired Power Plant on a Non-Pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No. 226) was approved. Pursuant thereto, SLPGC shall be entitled to the following incentives, among others:

a. ITH for four (4) years from January 2015 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

b. For the first five (5) years from date of registration, the enterprise shall be allowed an additional deduction from taxable income of fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availments as against the previous year if the project meets the prescribed ratio of capital equipment to the number of workers set by the Board and provided that this incentive shall not be availed of simultaneously with the ITH.

c. Importation of consigned equipment for a period of ten (10) years from date of registration, subject to posting of re-export bond.

d. Employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from date of registration.

e. Simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies.

On June 19, 2015, SLPGC wrote the BOI informing the latter of the delay in the start of commercial operations of Units 1 & 2 of the 2x150 MW CFB Fired Power Plant Project citing as reason the delay in the substation interconnection of the plant due to legal and commercial issues between and among the National Power Corporation, National Transmission Corporation, First Gas Power Corporation, MERALCO, PSALM and National Grid Corporation.

On July 2, 2015, the BOI replied that the BOI may grant a request for deferment of start of commercial operations with justifiable cause for a maximum of one (1) year. The BOI may also grant a second request for deferment for six (6) months provided that the reason for the second request is different from the first. However, failure to start commercial operations as committed in a second request shall be a ground for automatic cancellation of registration without prejudice to filing a new application for registration.

On February 16, 2016, SLPGC informed the BOI that testing and commission commenced shortly after the interconnection issue was resolved on July 16, 2015. In said letter SLPGC formally requested the BOI for extension of the reckoning period of ITH for the six (6) months or up to June 2016.

On June 29, 2016, the BOI granted the request for the movement of the reckoning period for the ITH incentive from January 1, 2015 to January 1, 2016 due to the delay arising from interconnection issue which is considered as an operational force majeure. During 2016, the SLPGC availed of tax incentive in the form of ITH on its income under registered activities amounting to ₱842.59 million.

27. Basic/Diluted Earnings Per Share

The following table presents information necessary to calculate earnings per share:

	2016	2015	2014
Net income	**₱12,040,669,988**	₱8,486,909,081	₱6,861,294,479
Divided by the weighted average number of common shares outstanding	**1,067,673,504**	1,068,750,000	1,068,750,000
Basic/diluted earnings per share	**₱11.28**	₱7.94	₱6.42

There have been no other transactions involving common shares or potential common shares between the reporting date and the date of authorization of these consolidated financial statements.

28. Coal Operating Contract with DOE

On July 11, 1977, the Government, through its former Energy Development Board, awarded a 35-year COC to a consortium led by Vulcan Industrial & Mineral Exploration Corporation and Sulu Sea Oil Development Corporation that subsequently assigned said COC to then Semirara Coal Corporation, now the Parent Company on April 7, 1980. On July 27, 1977, Presidential Decree (PD) 972 was amended by PD 1174: (a) increasing coal operators' maximum cost recovery from an amount not exceeding 70% to 90% of the gross proceeds from production, and (b) increasing the amount of a special allowance for Philippine corporations from an amount not exceeding 20% to 30% of the balance of the gross income, after deducting all operating expenses. As a result, the Parent Company's COC was subsequently amended on January 16, 1981 reflecting said changes.

On May 13, 2008, the DOE granted the Parent Company's request for an extension of its COC for another 15-year or until July 14, 2027.

On November 12, 2009, the COC was amended further, expanding its contract area to include Caluya and Sibay Islands, Antique, covering an additional area of 3,000 hectares and 4,200 hectares, respectively.

On April 29, 2013, the DOE issued a new COC to the Parent Company granting the Parent Company the exclusive right to conduct exploration, development and coal mining operations in the municipality of Bulalacao, province of Oriental Mindoro, up to a maximum of 36 years from its effective date. The COC covers two coal-bearing parcels of land covering areas of 2,000 and 5,000 hectares, respectively.

On June 7, 2013, the DOE issued a new COC to the Parent Company granting the Parent Company the exclusive right to conduct exploration, development and coal mining operations in the municipalities of Maitum and Kiamba, province of Sarangani, up to a maximum of 36 years from its effective date. The COC covers a coal-bearing parcel of land covering area of 5,000 hectares.

In return for the mining rights granted to the Parent Company, the Government is entitled to receive annual royalty payments consisting of the balance of the gross income after deducting operating expenses, operator's fee and special allowance. The Parent Company's provision for DOE's share under this contract and to the different LGU in the province of Antique, under the provisions of the Local Government Code of 1991, amounted to ₱2,649.98 million, ₱1,796.05 million and ₱1,858.19 million in 2016, 2015 and 2014, respectively, included under 'Operating expenses' in the consolidated statements of comprehensive income (see Note 22). Payable to DOE and LGU, amounting to ₱1,647.72 million and ₱1,121.54 million as of December 31, 2016 and 2015 are included under the 'Trade and other payables' account in the consolidated statements of financial position (see Note 15).

The DOE, through the Energy Resources Development Bureau, approved the exclusion of coal produced and used solely by the Parent Company to feed its power plant in determining the amount due to DOE.

29. Contingencies and Commitments

SCPC

a. Provision for billing disputes

   On October 20, 2010, SCPC filed a Petition for dispute resolution ("Petition") before the Energy Regulatory Commission (ERC) against NPC and PSALM involving over-nominations made by NPC during the billing periods January to June 2010 beyond the 169,000 kW Manila Electric Company (MERALCO) allocation of SCPC, as provided under the Schedule W of the APA.

   In its Petition, SCPC sought to recover the cost of energy (a) sourced by SCPC from WESM in order to meet NPC's nominations beyond the 169,000 kW MERALCO contracted demand, or (b) procured by NPC from the WESM representing energy nominated by NPC in excess of the 169,000 kW limit set in Schedule W, cost of which was charged by PSALM against SCPC. In relation to this, NPC withheld the payments of MERALCO and remitted to SCPC the collections, net of the cost of the outsourced energy.

   SCPC has likewise sought to recover interest on the withheld MERALCO payments collected by PSALM that is unpaid to SCPC as of due date, to be charged at the rate of 6% computed from the date of SCPC's extrajudicial demand until full payment by PSALM.

   During the preliminary conference scheduled on November 25, 2010, the ERC's hearing officer directed the parties to explore the possibility of settling the dispute amicably. As the parties failed to arrive at a compromise during the prescribed period, hearings resumed with the conduct of preliminary conference on February 23, 2011, without prejudice to the result of any further discussions between the parties for amicable settlement. The ERC set the next hearing for the presentation of witnesses on March 22 and 23, 2011.

In 2010, SCPC made a provision for the total amount withheld by NPC, which amounted to ₱383.29 million. Though a provision has already been made, SCPC has not waived its right to collect the said amount in case the outcome of the dispute resolution would be a favorable settlement for SCPC. The provision will be reversed and an income would be recognized in the 'Other income' account upon collection of the said receivable.

On July 6, 2011, the ERC rendered its Decision in favor of SCPC and directed the parties, among others to submit the reconciled computation of the over-nominations and other MERALCO payments withheld by PSALM during the periods January 2010 to June 2010, and for PSALM to return to SCPC the amount computed and reconciled, including the interests thereon a rate of 6% per annum. PSALM filed a Motion for Reconsideration on the Decision which was denied by ERC in an order dated February 13, 2012 for lack of merit.

On April 24, 2012, SCPC and PSALM each filed their Compliance submitting the reconciled computations of the over-nominations and other MERALCO payments withheld by PSALM, as agreed upon by the parties, in the principal amount of ₱476.00 million.

On December 4, 2013, SCPC filed a Motion for Issuance of Writ of Execution praying to direct PSALM to remit the Principal Amount, including interest of 6% per annum computed from August 4, 2010 until the date of actual payment, as well as the value added tax collected by PSALM from MERALCO, pursuant to the ERC's Decision dated July 6, 2011 and Order dated February 13, 2012.

On June 23, 2014, the ERC issued an Order granting the Writ of Execution in favor of SCPC and called a clarificatory conference on September 3, 2014 for the parties to discuss the details of the execution. PSALM filed a Motion for Reconsideration of the ERC's Order dated June 23, 2014.

On September 3, 2014 clarificatory conference, the ERC directed the parties to discuss how they could mutually carry out the execution granted by the ERC in favor of SCPC and likewise (1) granted SCPC ten days to file its Comment/Opposition to PSALM's motion for reconsideration; and (2) ordered PSALM to file its Compliance and submit a copy of the 3rd Indorsement dated May 29, 2014 issued by the General Counsel of the Commission on Audit to PSALM.

On September 11, 2014, PSALM filed its Compliance and duly submitted the 3rd Indorsement. On September 15, 2014, SCPC filed its Opposition to PSALM's Motion for Reconsideration.

As of December 31, 2016, the ERC has not resolved PSALM's Motion for Reconsideration.

PSALM's Petition for Review before the Court of Appeals and Supreme Court of the Philippines
Meanwhile, PSALM filed a Petition for Review with Prayer for Temporary Restraining Order and/or Preliminary Injunction with the Court of Appeals on March 30, 2012, questioning the ERC's decision dated July 6, 2011 and Order dated February 13, 2012. On September 4, 2012, the Court of Appeals rendered a Decision, denying PSALM's petition and affirming the related Decision and Order previously issued.

PSALM subsequently filed a Motion for Reconsideration dated September 26, 2012 and seeking the reconsideration of the Decision dated September 4, 2012. SCPC filed its Opposition to PSALM's Motion for Reconsideration on November 5, 2012. Subsequently, the Court of Appeals issued a Resolution denying the Motion for Reconsideration filed by PSALM on November 27, 2012.

On December 27, 2012, PSALM filed a Petition for Review on Certiorari with Prayer for Issuance of Temporary Restraining Order and/or Preliminary Injunction with the Supreme Court.

Subsequently the Supreme Court issued a Resolution dated January 21, 2013 requiring SCPC to file a Comment to PSALM's Petition. Thus, on March 25, 2013, SCPC filed its Comment.

PSALM filed a Motion for Extension to file reply on July 25, 2013, requesting for an additional period of ten (10) days from July 25, 2013, or until August 4, 2013, within which to file its Reply. PSALM subsequently filed its Reply on August 2, 2013.

In a Resolution dated September 30, 2013, the Supreme Court granted PSALM's Motion for Extension to File Reply and noted the filing of PSALM's Reply.

On December 16, 2016, the Supreme Court issued a Notice of Decision and Decision dated December 5, 2016. In said Decision, the Supreme Court denied PSALM's Petition for Review on Certiorari with Prayer for issuance of Temporary Restraining Order and/or Preliminary injunction and affirmed the ruling of the Court of Appeals.

PSALM filed its Motion for Reconsideration dated January 19, 2017. On February 13, 2017, the Supreme Court rendered Decision denying with finality PSALM's Motion for Reconsideration.

On February 22, 2017, due to the denial with finality of PSALM's Motion for Reconsideration by the Supreme Court, the Company filed with the ERC an Urgent Motion for Resolution of PSALM's Motion for Reconsideration pending with the ERC. SCPC prayed that the MR be denied and a writ of execution be issued in favor of SCPC.

b. Operating Lease Commitment - as a Lessee

As discussed in Notes 8 and 12, SCPC entered into a LLA with PSALM for the lease of land where the Power Plant is situated, for the period of 25 years, renewable for another 25 years upon mutual agreement. In 2009, SCPC paid US$3.19 million or its peso equivalent ₱150.57 million as advance rental for the 25-year land lease.

Provisions of the LLA include that SCPC has the option to buy the Option Assets upon issuance of an Option Existence Notice (OEN) by the lessor. Option assets are parcels of land that form part of the leased premises which the lessor offers for sale to the lessee.

SCPC was also required to deliver and submit to the lessor a performance security amounting to ₱34.83 million in the form of Stand-by Letter of Credits. The Performance Security shall be maintained by SCPC in full force and effect continuously without any interruption until the Performance Security expiration date. The Performance Security initially must be effective for the period of one year from the date of issue, to be replaced prior to expiration every year thereafter and shall at all times remain valid.

In the event that the lessor issues an OEN and SCPC buy the option assets, the land purchase price should be equivalent to the highest of the following and/or amounts: (i) assessment of the Provincial Assessors of Batangas Province; (ii) the assessment of the Municipal or City Assessor having jurisdiction over the particular portion of the leased premises; (iii) the zonal valuation of Bureau of Internal Revenue or, (iv) 21.00 per square meter (dollar). Valuation basis for (i) to (iii) shall be based on the receipt of PSALM of the option to exercise notice.

The exchange rate to be used should be the Philippine Dealing Exchange rate at the date of receipt of PSALM of the option to exercise notice.

On July 12, 2010, PSALM issued an OEN and granted SCPC the "Option" to purchase parcels of land (Optioned Assets) that form part of the leased premises. SCPC availed of the "Option" and paid the Option Price amounting to US$0.32 million (₱14.72 million) exercisable within one year from the issuance of the Option Existence Notice.

On April 28, 2011, SCPC sent a letter to PSALM requesting for the assignment of the option to purchase a lot with an area of 82,740 sqm in favor of its Parent Company. On May 5, 2011, PSALM approved the assignment. On June 1, 2011, SCPC exercised the land lease option at a purchase price of ₱292.62 million and is included as part of 'Property, plant and equipment' (see Note 9).

On October 12, 2011, SCPC reiterated its proposal to purchase the remainder of the Leased Premises not identified as Optioned Assets. One of the salient features of the proposal included the execution of Contract to Sell (CTS) between SCPC and PSALM. This included the proposal of SCPC to assign its option to purchase and sub-lease in favor of SLPGC.

On February 13, 2012, PSALM held off the approval of the proposal to purchase the portion of Calaca Leased Premises not identified as Optioned Assets, subject to further studies. On the same date, PSALM Board has approved SCPC's request to sub-lease a portion of the Calaca Leased Premises to SLPGC for the purpose of constructing and operating a power plant.

On February 14, 2014, SCPC reiterated its proposal to purchase the Calaca Leased Premises not identified as Optioned Assets.

On February 1, 2017, SCPC again reiterated to PSALM its proposal to purchase the Calaca Leased Premises.

<u>SLPGC</u>

a. Construction contract

SLPGC entered into a construction contract with DMCI for the construction of its power plant. SLPGC is entitled to liquidating damages at the daily rate of 1/10 of 1% of the Contract Price which in no event shall exceed 10% of the Contract Price. To date, the discussion with DMCI for the time extensions and estimated time of completion is still on going and has not been finalized, thus no asset from liquidated damages had been recorded to date.

<u>SMPC</u>

a. Commitments

The Parent Company leases land at the minesite and building as office space. Future minimum rental payables under operating leases follow:

	2016	2015
Within one year	**₱16,128,213**	₱2,590,382
After one year but not more than five years	**10,935,837**	2,063,587
	₱27,064,050	₱4,653,969

The Group is contingently liable with respect to certain taxation matters, lawsuits and other claims which are being contested by management, the outcome of which are not presently determinable. Management believes that the final resolution of these claims will not have a material effect on the consolidated financial statements. The information usually required by PAS 37 is not disclosed as it will prejudice the outcome of the lawsuits and claims.

30. Financial Risk Management Objectives and Policies

The Group has various financial assets such as cash and cash equivalents, receivables, investment in sinking fund and environmental guarantee fund, which arise directly from operations.

The Group's financial liabilities comprise trade and other payables, short-term loans, long-term debt and other noncurrent liabilities. The main purpose of these financial liabilities is to raise finance for the Group's operations. The main risks arising from the Group's financial instruments are price risk, interest rate risk, liquidity risk, foreign currency risk and credit risk. The BOD reviews and approves policies for managing each of these risks which are summarized below.

The sensitivity analyses have been prepared on the following basis:

- Price risk - movement in one-year historical coal prices
- Interest rate risk - market interest rate on loans
- Foreign currency risk - yearly movement in the foreign exchange rates

The assumption used in calculating the sensitivity analyses of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at December 31, 2016 and 2015.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The price that the Group can charge for its coal is directly and indirectly related to the price of coal in the world coal market. In addition, as the Group is not subject to domestic competition in the Philippines, the pricing of all of its coal sales is linked to the price of imported coal. World thermal coal prices are affected by numerous factors outside the Group's control, including the demand from customers which is influenced by their overall performance and demand for electricity. Prices are also affected by changes in the world supply of coal and may be affected by the price of alternative fuel supplies, availability of shipping vessels as well as shipping costs.

As the coal price is reset on a periodic basis under coal supply agreements, this may increase its exposure to short-term coal price volatility.

There can be no assurance that world 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.

To mitigate this risk, the Group continues to improve the quality of its coal and diversify its market from power industry, cement industry, other local industries and export market. This will allow flexibility in the distribution of coal to its target customers in such manner that minimum target average price of its coal sales across all its customers will still be achieved (i.e., domestic versus export). Also, in order to mitigate any negative impact resulting from price changes, it is the Group's policy to set minimum contracted volume for customers with long-term supply contracts for each given period (within the duration of the contract) and pricing is negotiated on a monthly basis to even out the impact of any fluctuation in coal prices, thus, protecting its target margin.
The excess volumes are allocated to spot sales which may command different price than those contracted already since the latter shall follow pricing formula per contract.

Nevertheless, on certain cases temporary adjustments on coal prices with reference to customers following a certain pricing formula are requested in order to recover at least the cost of coal if the resulting price is abnormally low vis-à-vis cost of production (i.e., abnormal rise in cost of fuel, foreign exchange).

Below are the details of the Group's coal sales to the domestic market and to the export market (as a percentage of total coal sales volume):

	2016	2015
Domestic market	**41.08%**	45.82%
Export market	**58.92%**	54.18%

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, 2016 and 2015 with all other variables held constant. The change in coal prices used in the simulation assumes fluctuation from the lowest and highest price based on one-year historical price movements in 2016 and 2015.

	Effect on income before income tax	
Change in coal price	**2016**	2015
Based on ending coal inventory		
Increase by 35% in 2016 and 15% in 2015	**₱555,060,791**	₱416,498,009
Decrease by 35% in 2016 and 15% in 2015	**(555,060,791)**	(416,498,009)
Based on coal sales volume		
Increase by 35% in 2016 and 15% in 2015	**4,416,543,681**	2,452,398,481
Decrease by 35% in 2016 and 15% in 2015	**(4,416,543,681)**	(2,452,398,481)

Interest rate risk
The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debts with floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group's policy is to maintain a balance of Peso-denominated and United States Dollar (US$)-denominated debts.

The following table shows the information about the Group's financial instruments that are exposed to cash flow (floating rate instrument) and fair value (fixed rate instrument) interest rate risks and presented by maturity profile:

				2016			
	Interest	Within 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years	Carrying Value
Cash in banks and cash equivalents	**1.38% to 2.75%**	**₱6,988,169,008**	**₱–**	**₱–**	**₱–**	**₱–**	**₱6,988,169,008**
Foreign long-term debt at floating rate							
$26.54 million loan (USD)	**Floating rate to be repriced every 3 months**	**₱–**	**₱1,319,641,378**	**₱–**	**₱–**	**₱–**	**₱1,319,641,378**
$27.06 million loan (USD)	**Floating rate to be repriced every 3 months**	**–**	**–**	**1,345,286,774**	**–**	**–**	**1,345,286,774**
$17.16 million loan (USD)	**Floating rate to be repriced every 3 months**	**–**	**–**	**853,379,509**	**–**	**–**	**853,379,509**
		₱–	**₱1,319,641,378**	**₱2,198,666,283**	**₱–**	**₱–**	**₱3,518,307,661**

				2015			
	Interest	Within 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years	Carrying Value
Cash in banks and cash equivalents	1.38% to 2.75%	₱4,740,745,399	₱–	₱–	₱–	₱–	₱4,740,745,399
Foreign short-term debt at floating rate							
$19.80 million loans (USD)	Floating rate	₱885,534,976	₱–	₱–	₱–	₱–	₱885,534,976
Foreign long-term debt at floating rate							
$29.41 million loan (USD)	Floating rate to be repriced every 3 months	–	–	1,383,979,053	–	–	1,383,979,053
$28.00 million loan (USD)	Floating rate to be repriced every 3 months	1,317,680,000	–	–	–	–	1,317,680,000
$9.31 million loan (USD)	Floating rate to be repriced every 3 months	438,116,431	–	–	–	–	438,116,431
$1.61 million loan (USD)	Floating rate payable quarterly and in arrears, to be repriced every 90 days	75,958,914	–	–	–	–	75,958,914
Mortgage payable at floating rate	PDST-F benchmark yield for three-month treasury securities + 1.00%	1,693,555,857	1,695,089,629	1,696,680,624	1,698,330,989	4,253,457,767	11,037,114,866
	PDST-F benchmark yield for 3-month treasury securities +1.75%	1,530,478,240	767,281,099	–	–	–	2,297,759,339
		₱5,941,324,418	₱2,462,370,728	₱3,080,659,677	₱1,698,330,989	₱4,253,457,767	₱17,436,143,579

The following table demonstrates the sensitivity of the Group's income before tax to a reasonably possible change in interest rates on December 31, 2016 and 2015, with all variables held constant, through the impact on floating rate borrowings.

	Effect on Income Before Tax	
Basis points (in thousands)	**2016**	2015
+100	**(₱166,897)**	(₱195,436)
-100	**166,897**	195,436

The assumed movement in basis points for interest rate sensitivity analysis is based on the Group's historical changes in market interest rates on bank loans.

There was no effect on the equity other than those affecting the income before tax.

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group's policy is to maintain a level of cash that is sufficient to fund its monthly cash requirements, at least for the next four to six months. Capital expenditures are funded through a mix of suppliers' credit, letters of credit, trust receipts and long-term debt, while operating expenses and working capital requirements are funded through cash collections. A significant part of the Group's financial assets that are held to meet the cash outflows include cash equivalents and trade receivables. Although trade receivables are contractually collectible on a short-term basis, the Group expects continuous cash inflows through continuous production and sale of coal and power generation. In addition, although the Group's short-term deposits are collectible at a short notice, the deposit base is stable over the long term as deposit rollovers and new deposits can offset cash outflows.

Moreover, the Group considers the following as mitigating factors for liquidity risk:
- It has available lines of credit that it can access to answer anticipated shortfall in sales and collection of receivables resulting from timing differences in programmed inflows and outflows.
- It has very diverse funding sources.
- It has internal control processes and contingency plans for managing liquidity risk. Cash flow reports and forecasts are reviewed on a weekly basis in order to quickly address liquidity concerns. Outstanding trade receivables are closely monitored.

As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. Fund raising activities may include obtaining bank loans.

The tables below summarize the maturity profile of the Group's financial assets and liabilities as of December 31, 2016 and 2015 based on undiscounted contractual payments:

	2016					
	Less than 6 months	**More than 6 months to 12 months**	**More than 1 year to 2 years**	**More than 2 years to 3 years**	**More than 3 years**	**Total**
Assets						
Cash in banks and cash equivalents	**₱6,988,169,008**	**₱–**	**₱–**	**₱–**	**₱–**	**₱6,988,169,008**
Receivables						
Trade :						
Outside parties	**5,017,276,112**	**461,258,830**	**–**	**–**	**3,541,205**	**5,482,076,147**
Related parties	**76,578,145**	**–**	**–**	**–**	**–**	**76,578,145**
Others*	**119,838,061**	**–**	**–**	**–**	**–**	**119,838,061**
Environmental guarantee fund	**–**	**–**	**–**	**–**	**3,520,000**	**3,520,000**
Investment in sinking fund	**68,716,379**	**–**	**–**	**–**	**–**	**68,716,379**
	12,270,577,705	**461,258,830**	**–**	**–**	**7,061,205**	**12,738,897,740**
Liabilities						
Trade and other payables						
Trade:						
Payable to suppliers and contractors	**6,218,171,878**	**–**	**419,329,182**	**–**	**–**	**6,637,501,060**
Related parties	**2,983,409,739**	**–**	**423,813,611**	**–**	**–**	**3,407,223,350**
Accrued expenses and other payables**	**538,329,060**	**–**	**–**	**–**	**–**	**538,329,060**
Short-term loans* **	**1,606,400,000**	**–**	**–**	**–**	**–**	**1,606,400,000**
Long-term debt at floating rate* **						
$27.06 million loan (USD) with interest payable in arrears	**11,066,329**	**11,066,329**	**22,132,658**	**1,356,353,103**	**–**	**1,400,618,419**
$26.54 million loan (USD) with interest payable in arrears	**8,510,382**	**8,510,382**	**1,328,051,760**	**–**	**–**	**1,345,072,524**
$17.16 million loan (USD) with interest payable in arrearss	**6,754,926**	**6,754,926**	**13,509,851**	**861,260,255**	**–**	**888,279,958**
₱2,100.00 million loan with interest payable in arrears	**35,383,950**	**35,383,950**	**70,767,900**	**70,767,900**	**2,188,459,875**	**2,400,763,575**
PDST-F benchmark yield for 3-month treasury securities + 1.75%	**987,698,200**	**974,985,028**	**1,747,581,043**	**1,749,280,919**	**4,561,833,454**	**10,021,378,644**
PDST-F benchmark yield for 3-month treasury securities + 1.00%	**129,639,868**	**–**	**–**	**–**	**–**	**129,639,868**
	12,525,364,332	**1,036,700,615**	**4,025,186,005**	**4,037,662,177**	**6,750,293,329**	**28,375,206,458**
	(₱254,786,627)	**(₱575,441,785)**	**(₱4,025,186,005)**	**(₱4,037,662,177)**	**(₱6,743,232,124)**	**(₱15,636,308,718)**

**excludes advances for liquidation*
***excludes statutory liabilities*
****includes interest payable*

	2015					
	Less than 6 months	More than 6 months to 12 months	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years	Total
Assets						
Cash in banks and cash equivalents	₱4,740,745,399	₱–	₱–	₱–	₱–	₱4,740,745,399
Receivables						
Trade :						
Outside parties	2,337,954,923	30,303,905	322,650,167	–	–	2,690,908,995
Related parties	68,830,272	–	–	–	–	68,830,272
Others*	82,726,459	–	–	–	–	82,726,459
Environmental guarantee fund	–	–	–	–	1,500,000	1,500,000
Investment in sinking fund	460,234,017	–	–	–	–	460,234,017
	7,690,491,070	30,303,905	322,650,167	–	1,500,000	8,044,945,142
Liabilities						
Trade and other payables						
Trade:						
Payable to suppliers and contractors	4,000,643,528	–	1,240,838,243	–	–	5,241,481,771
Related parties	1,383,876,235	–	1,498,829,715	–	–	2,882,705,950
Accrued expenses and other payables**	309,212,881	–	–	–	–	309,212,881
Short-term loans***	3,001,897,191	–	–	–	–	3,001,897,191
Long-term debt at floating rate***						
$29.41 million loan (USD) with interest payable in arrears	8,700,384	8,700,384	17,400,769	1,392,679,437	–	1,427,480,974
$28.00 million loan (USD) with interest payable in arrears	9,506,073	1,327,186,073	–	–	–	1,336,692,146
$9.31 million loan (USD) with interest payable in arrears	3,364,077	441,480,508	–	–	–	444,844,585
$1.61 million loan (USD) with interest payable in arrears	583,023	76,541,937	–	–	–	77,124,960
PDST-F benchmark yield for 3-month treasury securities + 1.75%	1,067,520,226	1,050,584,667	2,068,831,989	2,002,619,399	6,765,199,886	12,954,756,167
PDST-F benchmark yield for 3-month treasury securities + 1.00%	806,872,221	793,006,854	778,866,404	–	–	2,378,745,479
	10,592,175,839	3,697,500,423	5,604,767,120	3,395,298,836	6,765,199,886	30,054,942,104
	(₱2,901,684,769)	(₱3,667,196,518)	(₱5,282,116,953)	(₱3,395,298,836)	(₱6,763,699,886)	(₱22,009,996,962)

**excludes advances for liquidation*
***excludes statutory liabilities*
****includes interest payable*

Foreign currency risk
Majority of the Group's revenue are generated in Philippine peso, however, substantially all of capital expenditures are in US$.

The Group manages this risk by matching receipts and payments in the same currency and monitoring. Approximately, 56.92% and 54.18% of the Group's sales in 2016 and 2015, respectively, were denominated in US$ whereas approximately 21.08% and 16.45% of debts as of December 31, 2016 and 2015, respectively, were denominated in US$.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents follow:

	December 31, 2016		December 31, 2015	
	U.S. Dollar	**Peso Equivalent**	U.S. Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**$63,213,830**	**₱3,142,991,628**	$3,376,117	₱158,880,066
Trade receivables	**17,693,667**	**879,729,123**	8,298,296	390,517,809
Liabilities				
Trade payables	**(14,874,729)**	**(739,571,526)**	(12,440,275)	(585,439,342)
Short-term loans	–	–	(18,817,148)	(885,534,976)
Long-term debt (including current portion)	**(70,762,423)**	**(3,518,307,672)**	(68,332,648)	(3,215,734,398)
Net exposure	**($4,729,655)**	**(₱235,158,447)**	($87,915,658)	(₱4,137,310,841)

The exchange rates used were ₱49.72 to $1 and ₱47.06 to $1 in 2016 and 2015, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's income before tax (due to changes in the fair value of monetary assets and liabilities) as of December 31, 2016 and 2015.

Reasonably possible change in the Philippine peso-US dollar exchange rate	Increase (decrease) in income before tax	
	2016	2015
₱2	**(₱9,459,310)**	(₱175,831,316)
(2)	**9,459,310**	175,831,316

There is no impact on the Group's equity other than those already affecting profit or loss. The movement in sensitivity analysis is derived from current observations on movement in dollar average exchange rates.

The Group recognized net foreign exchange losses (realized and unrealized) amounting to ₱403.43 million, ₱300.06 million and ₱52.14 million in 2016, 2015 and 2014, respectively, arising from the translation of the Group's cash and cash equivalents, trade receivables, trade payables, short-term loans and long-term debt.

Credit risk
Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group manages and controls credit risk by doing business with recognized, creditworthy third parties, thus, there is no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group evaluates the financial condition of the local customers before deliveries are made to them.

On the other hand, export sales are covered by sight letters of credit issued by foreign banks subject for the Group's approval, hence, mitigating the risk on collection. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to doubtful accounts is not significant. The Group generally bills 80% of coal delivered payable within 30 days upon receipt of billing and the remaining 20% payable within 15 days after receipt of final billing based on final analysis of coal delivered. The Group's exposure to credit risk from trade receivables arise from the default of the counterparty with a maximum exposure equal to their carrying amounts.

With respect to the credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, other receivables, environmental guarantee fund and investment in sinking fund, the exposure to credit risk arises from default of the counterparty with a maximum exposure to credit risk equal to the carrying amount of the financial assets as of reporting date. The Group does not hold any collateral or other credit enhancement that will mitigate credit risk exposure. The Group transacts only with institutions or banks and third parties that have proven track record in financial soundness. The management does not expect any of these institutions to fail in meeting their obligations.

The credit risk is concentrated to the following markets:

	2016	2015
Trade receivables - outside parties	**97.10%**	96.38%
Trade receivables - related parties	**1.06**	1.64
Others	**1.84**	1.98
	100.00%	100.00%

As of December 31, 2016 and 2015, the credit quality per class of financial assets is as follows:

	2016				
	Neither Past Due nor Impaired		**Substandard**	**Past due and/or Individually**	
	Grade A	**Grade B**	**Grade**	**Impaired**	**Total**
Cash in banks and cash equivalents	**₱6,988,169,008**	**₱–**	**₱–**	**₱–**	**₱6,988,169,008**
Receivables:					
Trade receivables - outside parties	**4,382,455,693**	–	–	**2,638,576,685**	**7,021,032,378**
Trade receivables - related parties	**57,826,478**	–	–	**18,751,667**	**76,578,145**
Others*	**76,930,262**	–	–	**5,815,359**	**82,745,621**
Environmental guarantee fund	**3,520,000**	–	–	–	**3,520,000**
Investment in sinking fund	**68,716,379**	–	–	–	**68,716,379**
Total	**₱11,577,617,820**	**₱–**	**₱–**	**₱2,663,143,711**	**₱14,240,761,531**

**excludes advances to contractors*

	2015				
	Neither Past Due nor Impaired		Substandard	Past due and/or Individually	
	Grade A	Grade B	Grade	Impaired	Total
Cash in banks and cash equivalents	₱4,740,745,399	₱–	₱–	₱–	₱4,740,745,399
Receivables:					
Trade receivables - outside parties	1,695,118,299	–	–	2,361,291,829	4,056,410,128
Trade receivables - related parties	68,830,272	–	–	–	68,830,272
Others*	62,399,202	–	–	5,815,359	68,214,561
Environmental guarantee fund	1,500,000	–	–	–	1,500,000
Investment in sinking fund	460,234,017	–	–	–	460,234,017
Total	₱7,028,827,189	₱–	₱–	₱2,367,107,188	₱9,395,934,377

**excludes advances to contractors*

Cash in banks and cash equivalents are short-term placements and working cash fund placed, invested or deposited in foreign and local banks belonging to top ten (10) banks in the Philippines in terms of resources and profitability. These financial assets are classified as Grade A due to the counterparties' low probability of insolvency. Trade receivables - related parties are apportioned between Grade A and Past due and/or individually impaired. Environmental guarantee fund is assessed as Grade A since this is deposited in a reputable bank, which has a low probability of insolvency.

Grade A are accounts considered to be of high credit rating and are covered with coal supply and power supply contracts. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

Grade B accounts are active accounts with minimal instances of payment default, due to collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly. The Group determines financial assets as impaired when probability of recoverability is remote evidenced by the counterparty's financial difficulty.

Substandard grade accounts are accounts which have probability of impairment based on historical trend. Accounts under this group show possible future loss to the Group as a result of default in payment of the counterparty despite of the regular follow-up actions and extended payment terms.

In the Group's assessment, there are no financial assets that will fall under the category substandard grade due to the following reasons:

- Receivables from electricity and local coal sales - transactions are entered into with reputable and creditworthy companies.

- Receivables from export coal sales - covered by irrevocable letter of credit at sight from a reputable bank acceptable to the Group.

As of December 31, 2016 and 2015, the aging analyses of the Group's past due and/individually impaired receivables presented per class are as follows:

	2016			
	Past Due but not Impaired		**Impaired**	
		More than 45	**Financial**	
	45 Days and Less	**Days**	**Assets**	**Total**
Receivables				
Trade receivables - outside parties	**₱563,758,478**	**₱535,861,976**	**₱1,538,956,231**	**₱2,638,576,685**
Trade receivables - related parties	**–**	**18,751,667**	**–**	**18,751,667**
Others	**–**	**–**	**5,815,359**	**5,815,359**
Total	**₱563,758,478**	**₱554,613,643**	**₱1,544,771,590**	**₱2,663,143,711**

	2015			
	Past Due but not Impaired		Impaired	
		More than 45	Financial	
	45 Days and Less	Days	Assets	Total
Receivables				
Trade receivables - outside parties	₱484,664,904	₱454,301,298	₱1,422,325,637	₱2,361,291,839
Others	–	–	5,815,359	5,815,359
Total	₱484,664,904	₱454,301,298	₱1,428,140,996	₱2,367,107,198

Capital management
The primary objective of the Group's capital management strategy is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

No changes were made in the objectives, policies and processes from the previous years.

The Group manages its capital using Debt-to-equity ratio, which is interest-bearing loans divided by equity, and EPS. The following table shows the Group's capital ratios as of December 31, 2016 and 2015.

	2016	2015
Interest-bearing loans	**₱16,689,746,853**	₱19,543,609,597
Total equity	**34,286,311,249**	26,901,082,159
Debt-to-equity ratio	**48.68%**	72.65%
EPS (Note 26)	**₱11.28**	₱7.94

The Debt-to-equity ratio is carefully matched with the strength of the Group's financial position, such that when a good opportunity presents itself, the Group can afford further leverage.

The Group considers short-term loans and long-term debt as 'interest-bearing loans' in determining debt-equity ratio.

The following table shows the components of the Group's capital as of December 31, 2016 and 2015:

	2016	2015
Total paid-up capital	**₱7,744,277,411**	₱7,744,277,411
Acquisition of treasury shares	**(387,547,028)**	–
Remeasurement losses on pension plan	**(23,403,645)**	(30,509,775)
Retained earnings - unappropriated	**19,152,984,511**	13,887,314,523
Retained earnings - appropriated	**7,800,000,000**	5,300,000,000
	₱34,286,311,249	₱26,901,082,159

31. Fair Values

Fair Value Information
Cash and cash equivalents, receivables, environmental guarantee fund, investment in sinking fund, trade payables, accrued expenses and other payables, and short-term loans carrying amounts approximate fair value. Most of these financial instruments are relatively short-term in nature.

Long-term debt
The carrying values approximated the fair value because of recent and regular repricing of interest rates (e.g. monthly, quarterly, semi-annual or annual basis) based on current market conditions. As of December 31, 2016 and 2015, interest rate ranges from 1.20% to 3.37% and 1.44% to 1.66%, respectively.

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As of December 31, 2016 and 2015, the Group does not have financial instruments measured at fair value.

32. Notes to Consolidated Statements of Cash Flow

Supplemental disclosure of noncash investing activities follows:

	2016	2015	2014
Depreciation capitalized as Mine properties, mining tools and other equipment (Note 9)	**₱463,416,913**	₱382,953,462	₱64,703,005
Depreciation capitalized as coal inventory (Note 9)	**157,309,090**	112,122,124	39,109,356
Transfer from Exploration and evaluation asset to Property, plant and equipment	**4,947,746,319**	−	−

33. Operating Segments

Segment Information

For management purposes, the Group is organized into business units based on their products and activities. Segment revenues, cost and operating expenses, profit or loss, segment assets and segment liabilities assume measurement under PFRS. Reportable operating segments are as follows:

- Mining - engaged in surface open cut mining of thermal coal;
- Power - involved in generation of energy available for sale thru bilateral contracts, wholesale electricity market and trading; and
- Others - other investing activities.

No operating segments have been aggregated to form the above reportable operating segments.

The chief operating decision maker (CODM) monitors the operating results of the Group for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, operating profit and pretax income which are measured similarly in the consolidated financial statements. Transactions between operating segments are made at terms and prices agreed upon by the parties.

	2016 (In thousands)				
	Mining	**Power**	**Others**	**Adjustments and Eliminations**	**Consolidated**
Revenue					
Sales to external customers	**₱20,079,462**	**₱16,504,913**	**₱–**	**₱–**	**₱36,584,375**
Inter-segment sales	**4,077,155**	**–**	**–**	**(4,077,155)**	**–**
	24,156,617	**16,504,913**	**–**	**(4,077,155)**	**36,584,375**
Cost of sales*	**(11,565,489)**	**(7,728,598)**	**–**	**4,216,456**	**(15,077,631)**
Depreciation and amortization	**(1,452,763)**	**(2,170,628)**	**–**	**–**	**(3,623,391)**
Gross profit	**11,138,365**	**6,605,687**	**–**	**139,301**	**17,883,353**
Operating expenses*	**(3,204,037)**	**(1,737,740)**	**(299)**	**–**	**(4,942,076)**
Depreciation	**(20,932)**	**(35,858)**	**–**	**–**	**(56,790)**
Operating profit	**7,913,396**	**4,832,089**	**(299)**	**139,301**	**12,884,487**
Other income	**2,675,074**	**761,313**	**2,054**	**(2,500,000)**	**938,441**
Finance income	**40,910**	**42,284**	**46**	**–**	**83,240**
Foreign exchange loss	**(347,305)**	**(56,121)**	**–**	**–**	**(403,426)**
Finance costs	**(228,372)**	**(370,621)**	**–**	**–**	**(598,993)**
Provision for (benefit from) income tax	**58,214**	**804,896**	**(30)**	**–**	**863,080**
Net income	**₱9,995,489**	**₱4,404,048**	**₱1,831**	**(₱2,360,699)**	**₱12,040,669**
Segment assets	**₱41,131,197**	**₱44,531,793**	**₱163,763**	**(₱20,584,793)**	**₱65,241,960**
Deferred tax assets	**53,816**	**464,308**	**393**	**–**	**518,517**
	₱41,185,013	**₱44,996,101**	**₱164,156**	**(₱20,584,793)**	**₱65,760,477**
Segment liabilities	**₱9,518,662**	**₱10,439,220**	**₱157,951**	**(₱3,731,415)**	**₱16,384,418**
Long-term debt	**5,618,308**	**9,471,439**	**–**	**–**	**15,089,747**
	₱15,136,970	**₱19,910,660**	**₱157,951**	**(₱3,731,415)**	**₱31,474,165**
Cash flows arising from:					
Operating activities	**₱9,585,160**	**₱6,811,400**	**₱30,031**	**(₱6,115)**	**₱16,420,476**
Investing activities	**(2,722,806)**	**(1,949,394)**	**(27,898)**	**(1,989,385)**	**(6,689,483)**
Financing activities	**(5,037,154)**	**(4,275,204)**	**–**	**1,995,500**	**(7,316,858)**
Other disclosures					
Capital expenditures	**₱3,134,107**	**₱3,032,163**	**₱–**	**₱–**	**₱6,166,270**
Provision for inventory obsolescence	**1,239**	**–**	**–**	**–**	**1,239**

**Excluding depreciation and/or amortization*

	2015 (In thousands)				
	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Revenue					
Sales to external customers	₱11,781,825	₱12,898,346	₱–	₱–	₱24,680,171
Inter-segment sales	4,591,200	–	–	(4,591,200)	–
	16,373,025	12,898,346	–	(4,591,200)	24,680,171
Cost of sales*	(7,789,341)	(5,408,565)	–	4,506,207	(8,691,699)
Depreciation and amortization	(844,047)	(1,006,346)	–	–	(1,850,393)
Gross profit	7,739,637	6,483,435	–	(84,993)	14,138,079
Operating expenses*	(2,300,077)	(2,028,726)	(949)	–	(4,329,752)
Loss on property, plant and equipment writedown	(16,088)	–	–	–	(16,088)
Depreciation	(19,964)	(23,282)	–	–	(43,246)
Operating profit	5,403,508	4,431,427	(949)	(84,993)	9,748,993
Other income	1,748,341	192,255	83	(1,500,000)	440,679
Finance income	22,519	35,011	35	–	57,565
Foreign exchange loss	(327,979)	27,923	–	–	(300,056)
Finance costs	(129,647)	(148,541)	–	–	(278,188)
Provision for (benefit from) income tax	(37,781)	1,220,137	(272)	–	1,182,084
Net income	₱6,754,523	₱3,317,938	(₱559)	(₱1,584,993)	₱8,486,909
Segment assets	₱33,060,935	₱41,828,804	₱133,732	(₱18,401,978)	₱56,621,493
Deferred tax assets	109,969	425,225	351	–	535,545
	₱33,170,904	₱42,254,029	₱134,083	(₱18,401,978)	₱57,157,038
Segment liabilities	₱9,248,213	₱6,469,462	₱129,755	(₱2,142,083)	₱13,705,347
Long-term debt	3,215,734	13,334,874	–	–	16,550,608
	₱12,463,947	₱19,804,336	₱129,755	(₱2,142,083)	₱30,255,955
Cash flows arising from:					
Operating activities	₱6,544,367	₱4,623,663	₱29,785	(₱513,946)	₱10,683,869
Investing activities	(2,243,856)	(2,696,035)	(29,684)	(146,053)	(5,115,628)
Financing activities	(3,512,173)	(1,615,610)	–	660,000	(4,467,783)
Other disclosures					
Capital expenditures	₱3,367,945	₱2,430,231	₱–	₱–	₱5,798,176
Provision for inventory obsolescence	20,902	–	–	–	20,902

**Excluding depreciation and/or amortization*

	2014 (In thousands)				
	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Revenue					
Sales to external customers	₱16,276,930	₱12,308,411	₱–	₱–	₱28,585,341
Inter-segment sales	2,629,502	–	–	(2,629,502)	–
	18,906,432	12,308,411	–	(2,629,502)	28,585,341
Cost of sales*	(11,076,242)	(8,424,654)	–	2,654,902	(16,845,994)
Depreciation and amortization	(1,155,162)	(926,330)	–	–	(2,081,492)
Gross profit	6,675,028	2,957,427	–	25,400	9,657,855
Operating expenses*	(2,228,618)	(940,403)	(211)	–	(3,169,232)
Loss on property, plant and equipment writedown	–	(111)	–	–	(111)
Depreciation	(24,363)	(27,293)	–	–	(51,656)
Operating profit	4,422,047	1,989,620	(211)	25,400	6,436,856
Other income	3,592,010	113,478	–	(3,500,000)	205,488
Finance income	15,458	25,946	48	–	41,452
Foreign exchange loss	(61,847)	9,706	–	–	(52,141)
Finance costs	(119,938)	(203,290)	–	–	(323,228)
Provision for (benefit from) income tax	81,511	(634,326)	(52)	–	(552,867)
Net income	₱7,766,219	₱2,569,786	(₱111)	(₱3,474,600)	₱6,861,294
Segment assets	₱29,956,474	₱39,771,050	₱103,946	(₱18,634,289)	₱51,197,181
Deferred tax assets	61,327	642,805	63	–	704,195
	₱30,017,801	₱40,413,855	₱104,009	(₱18,634,289)	₱51,901,376
Segment liabilities	7,840,237	6,352,534	99,121	(3,299,337)	10,992,555
Long-term debt	3,933,732	14,268,877	–	–	18,202,609
	11,773,969	20,621,411	99,121	(3,299,337)	29,195,164
Cash flows arising from:					
Operating activities	₱10,641,091	₱4,723,833	₱60,719	(₱3,500,000)	₱11,925,643
Investing activities	(4,836,221)	(7,846,199)	(60,525)	2,071,680	(10,671,265)
Financing activities	(5,622,727)	1,806,248	–	1,428,320	(2,388,159)
Other disclosures					
Capital expenditures	₱3,031,944	₱7,956,352	₱–	₱–	₱10,988,296
Reversal of inventory obsolescence	(12,154)	–	–		(12,154)

**Excluding depreciation and/or amortization*

1. Intersegment revenues, other income, cost and expenses are eliminated in the consolidation under adjustments and eliminations.
2. Segment assets exclude deferred tax assets amounting to ₱518.52 million, ₱535.54 million and ₱704.20 million in 2016, 2015 and 2014, respectively.
3. Significant noncash items charged to comprehensive income include loss on property, plant and equipment writedown and depreciation and amortization.
4. Capital expenditures consist of additions of property, plant and equipment, excluding reclassification of exploration and evaluation asset reclassified to 'Property, plant and equipment' in 2016.
5. All noncurrent assets other than financial instruments are located in the Philippines.

Geographic Information

Revenues from external customers

The financial information about the operation of the Group as of December 31, 2016, 2015 and 2014 reviewed by the management follows:

	2016	2015	2014
Revenue:			
Local coal sales	**₱5,742,358,094**	₱5,862,246,658	₱4,925,268,912
Export coal sales	**14,337,103,962**	5,919,578,510	11,351,660,886
	₱20,079,462,056	₱11,781,825,168	₱16,276,929,798

Substantially all revenues from external customer are from open cut mining and sales of thermal coal. Local and export classification above is based on the geographic location of the customer. Customers on the export sales are significantly from China.

All revenues from power are derived from the Philippine market.

34. Other Matters

a. Electric Power Industry Reform Act (EPIRA)

In June 2001, the Congress of the Philippines approved and passed into law R.A. No. 9136, otherwise known as the EPIRA, providing the mandate and the framework to introduce competition in the electricity market. EPIRA also provides for the privatization of the assets of NPC, including its generation and transmission assets, as well as its contract with Independent Power Producers (IPPs). EPIRA provides that competition in the retail supply of electricity and open access to the transmission and distribution systems would occur within three years from EPIRA's effective date. Prior to June 2002, concerned government agencies were to establish WESM, ensure the unbundling of transmission and distribution wheeling rates and remove existing cross subsidies provided by industrial and commercial users to residential customers. The WESM was officially launched on June 23, 2006 and began commercial operations for Luzon. The ERC has already implemented a cross subsidy removal scheme. The inter-regional grid cross subsidy was fully phased-out in June 2002. ERC has already approved unbundled rates for Transmission Company (TRANSCO) and majority of the distribution utilities.

Under EPIRA, NPC's generation assets are to be sold through transparent, competitive public bidding, while all transmission assets are to be transferred to TRANSCO, initially a government-owned entity that was eventually being privatized. The privatization of these NPC assets has been delayed and is considerably behind the schedule set by the DOE. EPIRA also created PSALM, which is to accept transfers of all assets and assume all outstanding obligations of NPC, including its obligations to IPPs. One of PSALM's responsibilities is to manage these contracts with IPPs after NPC's privatization. PSALM is also responsible for privatizing at least 70% of the transferred generating assets and IPP contracts within three years from the effective date of EPIRA.

In August 2005, the ERC issued a resolution reiterating the statutory mandate under the EPIRA law for the generation and distribution companies, which are not publicly listed, to make an initial public offering (IPO) of at least 15% of their common shares. Provided, however, that generation companies, distribution utilities or their respective holding companies that are already listed in the Philippine Stock Exchange (PSE) are deemed in compliance. SCPC was already compliant with this requirement given that the Parent Company is a publicly listed company.

WESM
With the objective of providing competitive price of electricity, the EPIRA authorized DOE to constitute an independent entity to be represented equitably by electric power industry participants and to administer and operate WESM. WESM will provide a mechanism for identifying and setting the price of actual variations from the quantities transacted under contracts between sellers and purchasers of electricity.

In addition, the DOE was tasked to formulate the detailed rules for WESM which include the determination of electricity price in the market. The price determination methodology will consider accepted economic principles and should provide a level playing field to all electric power industry participants. The price determination methodology was subject to the approval of the ERC.

In this regard, the DOE created Philippine Electricity Market Corporation (PEMC) to act as the market operator governing the operation of WESM. On June 26, 2006, WESM became operational in the Luzon grid and adopts the model of a "gross pool, net settlement" electricity market.

b. Power Supply Agreement with MERALCO

On December 20, 2011, SCPC entered into a new power supply agreement with MERALCO, a distributor of electric power, which took effect on December 26, 2011 and shall have a term of seven (7) years extendable upon mutual agreement by the parties for another three (3) years.

SCPC will be providing MERALCO with an initial contracted capacity of 210 MW and will be increased to 420 MW upon the commercial operation of the plant's Unit 1.

On March 12, 2012, MERALCO filed an application for the *Approval of the Power Supply Agreement (PSA) between MERALCO and SCPC, with a Prayer for Provisional Authority,* docketed as ERC Case No. 2011-037 RC.

In the said application, MERALCO alleged and presented on the following: a.) the salient provisions of the PSA; b.) payment structure under the PSA; c.) the impact of the approval of the proposed generation rates on MERALCO's customers; and d.) the relevance and urgent need for the implementation of the PSA.

On December 17, 2012, the Commission (ERC) issued a Decision approving the application with modification. On January 7, 2013, applicant MERALCO filed a Motion for Partial Reconsideration of the ERC Decision dated December 17, 2012 to introduce additional material evidence not available at the time of the filing of the application, in support of the reconsideration of the approved Fixed O&M Fee of ₱4,785.12/Kw/Year.

c. Dispute Resolution Proceedings with MERALCO (Line Loss Rental)

On August 29, 2013, MERALCO filed a Petition for Dispute Resolution before the Energy Regulatory Commission against SCPC and other generating companies praying for refund of the amount of line loss allegedly collected by the said generating companies corresponding to 2.98% of the NPC-Time of Use (TOU) amounts paid to the generating companies as assignees of the portions of the contracted energy volume under the NPC-MERALCO Transition Supply Contract pursuant to the Orders dated March 4, 2013 and July 1, 2013 issued by the ERC in ERC Case No. 2008-083MC. The total amount claimed by MERALCO against SCPC ₱265.54 million representing line loss amounts allegedly received by SCPC beginning 2009.

The ERC issued an Order dated September 10, 2013 for the generating companies to file comments on MERALCO's Petition and set the hearing on October 17, 2013.

On September 20, 2013, the generating companies filed a Joint Motion to Dismiss arguing that MERALCO's Petition failed to state a cause of action and the ERC has no jurisdiction over the subject matter of the case.

On September 25, 2013, the ERC directed MERALCO to file its comments on the Joint Motion to Dismiss. The ERC likewise set the hearing on the Joint Motion to Dismiss on October 14, 2013.

On October 14, 2013, during the hearing on the Joint Motion to Dismiss, ERC directed MERALCO to furnish the generating companies of its Comment and Pre-Trial Brief; granted MERALCO a period of three (3) days from receipt of the generating companies Reply within which to file a Rejoinder; granted the generating companies a period of five (5) days from receipt of MERALCO's Rejoinder to file a Sur-Rejoinder. The ERC denied the generating companies prayer to hold in abeyance the conduct of the initial hearing on October 17, 2013 and shall proceed on said date only insofar as the jurisdictional hearing is concerned without prejudice to the ERC's resolution of the Joint Motion to Dismiss.

The generating companies' Joint Motion to Dismiss has been submitted for resolution. As of December 31, 2016, the Joint Motion to Dismiss has yet to be resolved.

d. Clean Air Act

On November 25, 2000, the Implementing Rules and Regulations (IRR) of the Philippine Clean Air Act (PCAA) took effect. The IRR contains provisions that have an impact on the industry as a whole and on SCPC in particular, that need to be complied within 44 months (or until July 2004) from the effectivity date, subject to the approval by DENR. The power plant of SCPC uses thermal coal and uses a facility to test and monitor gas emissions to conform with Ambient and Source Emissions Standards and other provisions of the Clean Air Act and its IRR. Based on SCPC's initial assessment of its power plant's existing facilities, SCPC believes that it is in full compliance with the applicable provisions of the IRR of the PCAA.

e. Contract for the Fly Ash of the Power Plant

On October 20, 1987, NPC and Pozzolanic Australia Pty, Ltd. ("Pozzolanic") executed the Contract for the Purchase of Fly Ash of the Power Plant (the "Pozzolanic Contract"). Under the Pozzolanic Contract, Pozzolanic was given the right to sell, store, process, remove or otherwise dispose of all fly ash produced at the first unit of the Power Plant. It was also granted the first option to purchase fly ash, under similar terms and conditions, from the second unit of the Power Plant that NPC may construct. It may also exercise the exclusive right of first refusal to purchase fly ash from any new coal-fired power plants which will be put up by NPC.

The Pozzolanic Contract is effective for a period of five consecutive five-year terms from its signing, or a period of 25 years from October 20, 1987 or until 2012, subject to cancellation by NPC upon default or any breach of contract by Pozzolanic. At the end of each five-year term, the parties will agree to assess and evaluate the Pozzolanic Contract, and if necessary, revise, alter, modify the same upon their mutual consent.

The Philippine Government has determined the provision of the Pozzolanic Contract which grants Pozzolanic the exclusive right of first refusal to purchase fly ash from the second unit of the Power Plant and from any coal-fired power plant put up by NPC after the execution of the Pozzolanic Contract as invalid. This is the subject of a case filed by Pozzolanic and pending before the regional trial court of Quezon City as of December 31, 2011.

On April 30, 2012, the SCPC as new owner of the Power Plant and Pozzolanic sealed a new contract valid and effective for a period of fifteen (15) years beginning February 1, 2012. Pozzolanic, as agreed, shall purchase One Hundred (100 %) percent of fly ashes produced or generated by the Power Plant.

f. Temporary Restraining Order on MERALCO

On December 23, 2013, the Supreme Court (SC) issued a temporary restraining order (TRO) to MERALCO enjoining it from increasing the generation rates it charges to its consumers arising from the increased generation costs from its suppliers for the supply month of November 2013. The said TRO also enjoined the Energy Regulatory Commission (ERC) from implementing its December 9, 2013 Order authorizing MERALCO to stagger the collection of its increased generation costs for the supply month of November 2013. The TRO was for a period of 60 days from December 23, 2013 to February 21, 2014.

On January 10, 2014, the SC impleaded MERALCO's suppliers of generation costs, including PEMC, the operator of the wholesale electricity supply market (WESM), as parties-respondents in the cases.

On February 18, 2014, the SC extended the TRO for another 60 days up to April 22, 2014.

On April 24, 2014, the SC issued a resolution and corresponding TRO, extending indefinitely the TRO issued on December 23, 2013 and February 18, 2014.

As a result of the TRO, MERALCO has not been able to fully bill its consumers for the generation costs for the supply month of November 2013; and in turn, it has not been able to fully pay its suppliers of generation costs, including PEMC.

On March 11, 2014, the ERC released its ERC Order (Case No 2014-021MC, dated March 3, 2014) voiding the Luzon WESM prices during the November and December 2013 supply months and declaring the imposition of regulated prices in lieu thereof. PEMC was hereby directed within 7 days from receipt of the Order to calculate these regulated prices and implement the same in the revised WESM bills of the concerned distribution utilities in Luzon for the November and December 2013 supply months for their immediate settlement, except for MERALCO whose November 2013 WESM bill shall be maintained in compliance with the TRO issued by the SC.

Several generation companies and distribution companies filed their respective Motions for Reconsideration of the March 3, 2014 ERC Order. The SCPC filed its Motion for Reconsideration with Motion for Deferment of implementation of the Order dated March 3, 2014 on March 31, 2014. The said Motions were set for hearing on April 28, 2014.

In the meantime, PEMC issued the adjusted WESM bills to the market participants, including the SCPC. In an Order dated March 27, 2014, the ERC directed PEMC to provide the market participants an additional period of 45 days from receipt of the Order within which to comply with the settlement of the adjusted WESM bills in view of the pendency of the various submissions before the ERC.

During the hearing held on April 28, 2014, the ERC directed the parties to submit their respective memoranda by May 2, 2014. In compliance with the directive, SCPC filed a Manifestation on May 2, 2014 that it is adopting its Motion for Reconsideration in lieu of filing a Memorandum. In an Order dated October 15, 2014, the ERC denied SCPC's Motion for Reconsideration.

On December 11, 2014, SCPC filed a Petition for Review with Prayer for Issuance of Temporary Restraining Order and/or Writ of Injunction with the Court of Appeals seeking reversal of the ERC Orders dated March 3, 2014 and October 15, 2014. In a resolution dated April 30, 2015, the SCPC's Petition was consolidated with other related cases filed by other generation companies before the Court of Appeals. PEMC and ERC filed their respective Consolidated Comments on the consolidated Petitions to which the SCPC filed its Reply.

MERALCO filed its Consolidated Motion for Leave to Intervene with Opposition to Prayers for issuance of Temporary Restraining Order and/or Writ of Injunction. SCPC filed its Comment to MERALCO's Consolidated Motion on November 2, 2015.

The Court of Appeals is yet to resolve MERALCO's Consolidated Motion and the consolidated Petitions.

Pending the finality of the ERC Order dated March 3, 2014 on recalculation of the WESM prices for the November and December 2013 supply months and its effect on each generation company that trade in the WESM, the SCPC estimated its exposure to the said ERC order. In relation to the ERC Order, SCPC entered into a special payment arrangement with PEMC for the payment of the customer's reimbursement, through PEMC, in excess of the regulated price for the purchases through spot market in November and December 2013. The payments are over 24 month from June 2014 to May 2016. Total payments amounted to ₱674.00 million. Please see judgments and estimates in Note 3 and the related disclosures on allowance for doubtful accounts in Note 5.

g. Special Order (SO) No. 2017-042, Series of 2017, *Creation of DENR Regional Team to Conduct Investigation on the Semirara Mining and Power Corporation*

On February 9, 2017, the Parent Company received a Special Order (SO) No. 2017-042, Series of 2017 from Department of Environment and Natural Resources - Environment Management Bureau (DENR - EMB) Region VI. The DENR Team that was created through the SO conducted monitoring, inspection and investigation of the following in relation to the Parent Company's activities in Semirara Island:

- Compliance to their ECC;
- Ambient Air and Water Monitoring of Semirara Island;
- Investigation of alleged reclamation of the Parent Company; and
- Livelihood and Community Status in Semirara Island.

In accordance with the SO, the DENR Team proceeded with the investigation, monitoring and inspection on February 9 and 10, 2017. As of audit report date, the Parent Company has not yet received the results of the investigation, monitoring and inspection from the DENR Region VI. Management believes that the Group is fully compliant with the rules and regulations in relation to the above activities.

OTHER INFORMATION

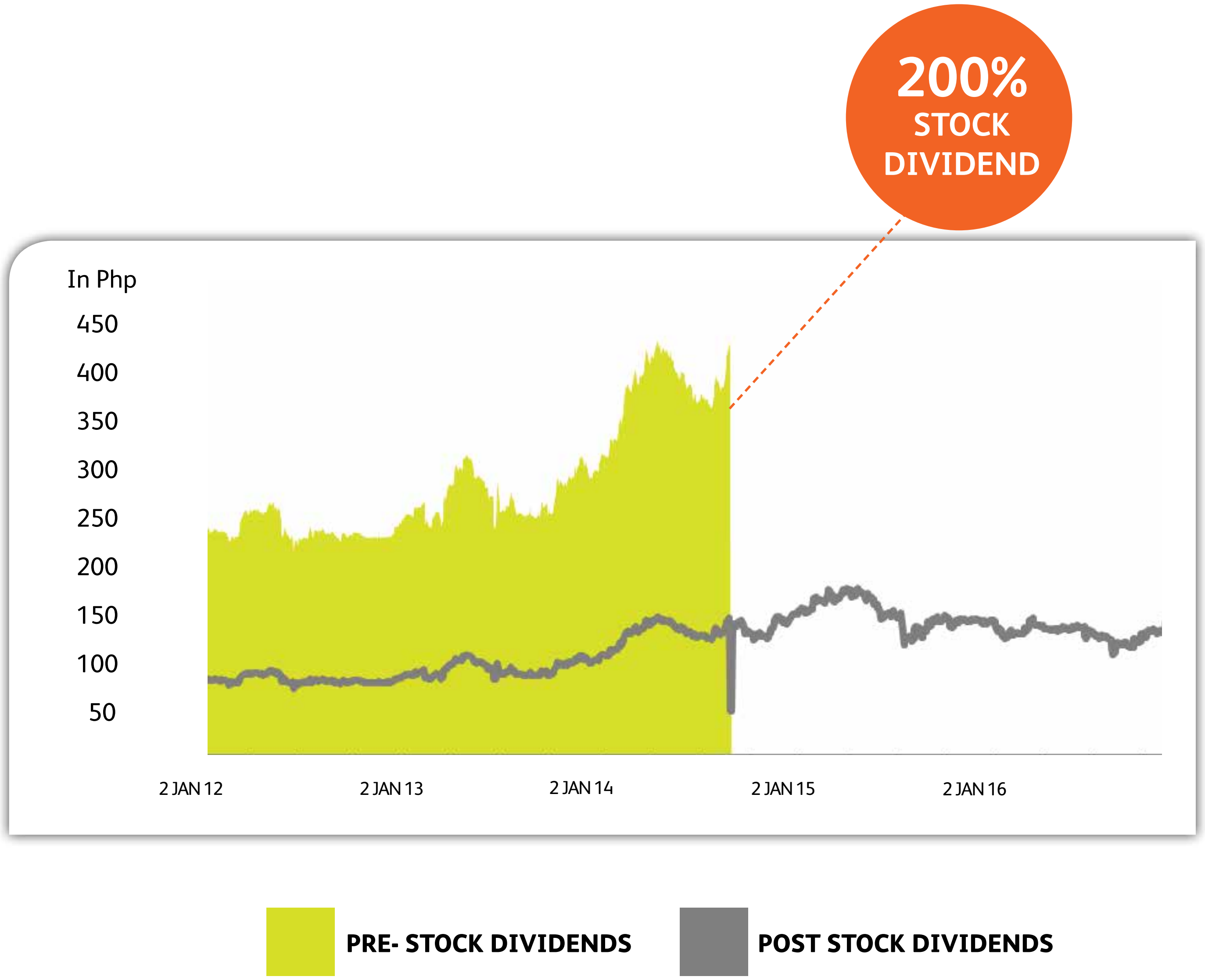
Contents

FIVE-YEAR FINANCIAL SUMMARY
IN PHP

	2016	2015	2014	2013	2012
Selected IS items					
Revenues	36,584,375,140	24,680,171,579	28,585,341,089	27,331,159,983	24,150,247,548
Cost of Sales	18,701,021,326	10,542,092,369	18,927,486,541	14,110,496,128	14,643,940,856
Gross Profit	17,883,353,814	14,138,079,210	9,657,854,548	13,220,663,855	9,506,306,692
OPEX	4,998,866,240	4,389,084,485	3,232,990,693	5,264,517,633	3,398,375,301
NIBT	12,903,749,573	9,668,993,012	6,308,427,349	7,401,752,978	6,398,244,273
Income Tax	863,079,585	1,182,083,931	(552,867,130)	117,838,304	(39,604,266)
NIAT	12,040,669,988	8,486,909,081	6,861,294,479	7,519,591,282	6,342,247,179
Selected BS items					
Cash and Cash Equivalents	6,993,039,850	4,745,608,379	3,683,125,545	4,819,307,265	534,390,774
Total Assets	65,760,476,502	57,157,037,245	51,901,375,694	44,727,390,894	36,195,331,090
Total Liabilities	31,474,165,253	30,255,955,086	29,195,164,178	24,599,879,190	19,324,999,692
Stockholders' Equity	34,286,311,249	26,901,082,159	22,706,211,516	20,127,511,704	16,870,331,398
Key financial ratios					
Gross Profit Margin	49 %	57 %	34 %	48 %	39 %
Net Profit Margin	33 %	34 %	24 %	28 %	26 %
EBITDA	17,099,684,710	11,631,653,128	8,615,780,954	11,634,983,175	9,764,209,570
*EPS	11.28	7.94	6.42	7.04	5.95
Current Ratio	1.35	0.97	1.05	1.48	0.96
DE ratio	0.92	1.12	1.29	1.22	1.15
Return on Assets	18 %	15 %	13 %	17 %	18 %
Return on Equity	35 %	32 %	30 %	37 %	38 %

*restated to post-stock dividend outstanding shares

SHARE PRICE SUMMARY



TOP 20 SHAREHOLDERS

	STOCKHOLDER NAME	SHARES	%
1	DMCI HOLDINGS, INC.	601,942,599	56.32 %
2	PCD NOMINEE CORPORATION	151,185,984	14.15 %
3	DACON CORPORATION	133,248,352	12.47 %
4	PCD NOMINEE CORPORATION	101,215,911	9.47 %
5	PRIVATIZATION AND MANAGEMENT OFFICE	36,402,324	3.41 %
6	DFC HOLDINGS, INC.	20,591,229	1.93 %
7	FREDA HOLDINGS, INC.	4,612,883	0.43 %
8	GUADALUPE HOLDINGS CORPORATION	2,681,414	0.25 %
9	REGINA CAPITAL DEVELOPMENT CORP.	2,444,850	0.23 %
10	FERNWOOD INVESTMENTS, INC.	2,416,941	0.23 %
11	DOUBLE SPRING INVESTMENTS CORPORATION	1,660,305	0.16 %
12	SEMIRARA MINING AND POWER CORPORATION	1,120,690	0.10 %
13	BERIT HOLDINGS CORPORATION	1,041,409	0.10 %
14	DACON CORPORATION	823,380	0.08 %
15	AUGUSTA HOLDINGS, INC.	760,425	0.07 %
16	FERNWOOD INVESTMENTS INC.	753,065	0.07 %
17	MERU HOLDINGS, INC	346,800	0.03 %
18	GREAT TIMES HOLDINGS CORPORATION	302,559	0.03 %
19	COBANKIAT, JOHNNY O.	278,760	0.03 %
20	VENDIVEL, OLGA P.	240,000	0.02 %
	TOTAL	**1,064,069,880**	**99.56%**

FINANCIAL CALENDAR

2013	2014	2015	2016	2017
12 March Announcement of Full Year Results 2012	06 March Announcement of Full Year Results 2013 Declaration of 200 % stock dividends, subject to Stockholders' and SEC approval	06 March Announcement of Full Year Results 2014	23 February Announcement of Full Year Results 2015	23 February Announcement of Full Year Results 2016 Declaration of 300 % stock dividends, subject to Stockholders' and SEC approval
				25 April Payment date of cash dividends at P5.00/share declared on March 27, 2017 based on Unrestricted Retained Earnings for financial year ended December 31, 2016
06 May Annual Stockholders' Meeting	05 May Annual Stockholders' Meeting	04 May Annual Stockholders' Meeting	02 May Annual Stockholders' Meeting	02 May Annual Stockholders' Meeting
14 May Announcement of 1st quarter results 2013	8 May Announcement of 1st quarter results 2014	13 May Announcement of 1st quarter results 2015	04 May Announcement of 1st quarter results 2016	
29 May Payment date of cash dividends at P12.00/share declared on April 30, 2013 based on Unrestricted Retained Earnings for financial year ended December 31, 2012	28 May Payment date of cash dividends at P12.00/share declared on April 29, 2014 based on Unrestricted Retained Earnings for financial year ended December 31, 2013	20 May Payment date of cash dividends at P4.00/share declared on April 22, 2015 based on Unrestricted Retained Earnings for financial year ended December 31, 2014 and adjusted issued and outstanding shares post stock dividend	27 May Payment date of cash dividends at P4.00/share declared on April 29, 2016 based on Unrestricted Retained Earnings for financial year ended December 31, 2015	
08 August Announcement of 2nd quarter results 2013	07 August Announcement of 2nd quarter results 2014	13 August Announcement of 2nd quarter results 2015	13 August Announcement of 2nd quarter results 2016	
			15 August Board approval on the buyback program not to exceed 20 million shares of SMPC for a period of 60 days beginning on August 18, 2016 at the prevailing market price. SMPC used its URE as of December 31, 2015 for the buyback	
	18 August Approval date of Securities and Exchange Commission of Corporation's increase in authorized capital stock from 1 billion shares to 3 billion shares at par value of P1.00			
	24 September Payment or Issuance date of the 200 % stock dividend or equivalent of 712,500,000 shares			
			15 October Board approval on the extension of buyback program for a period of 60 days beginning October 18, 2016 under same terms and conditions as approved by the board on August 15, 2016	
12 November Announcement of 3rd quarter results 2013	11 November Announcement of 3rd quarter results 2014	11 November Announcement of 3rd quarter results 2015	11 November Announcement of 3rd quarter results 2016	

INDUSTRY CONCEPTS AND TERMS

Base Load Unit	A power plant that is planned to run continually, except for maintenance and scheduled or unscheduled outages
Bed	A layer of coal or other sedimentary deposit
Bench	A narrow strip of land cut into the side of an open-pit mine. These step-like zones are created along the walls of an open-pit mine for access and mining.
Bilateral Contract Quantity (BCQ)	The quantity of electricity that has been sold by one party to another at a particular node, as agreed upon by both parties in a bilateral contract.
Boiler	A closed vessel in which water is converted to pressurized steam
Btu	British thermal unit. A measure of the energy required to raise the temperature of one poundof water one degree Fahrenheit.
Calorific value	The quantity of heat that can be liberated from one pound of coal or oil measured in BTUs
Capacity	The maximum power that can be produced by a generating resource at specified times under specified conditions
Capacity Factor	A percentage that tells how much of a power plant's capacity is used over time. For example,typical plant capacity factors range as high as 80 percent for geothermal and 70 percent forco-generation.
Coal Seam	A mass of coal, occurring naturally at a particular location, that can be commercially mined.
Coal washing	The process of separating undesirable materials from coal based on differences in densities
Dependable Capacity	The systems' ability to carry the electric power for the time interval and period specific, whenrelated to the characteristics of the load to be supplied. Dependable capacity is determinedby such factors as capability, operating power factor, weather, and portion of the load thestation is to supply.
Distribution Utility (DU)	Any electric cooperative, private corporation, government-owned utility or existing localgovernment unit that has an exclusive franchise to operate a distribution system
Flue Gas	Gas that is left over after fuel is burned, which is then disposed of through a pipe or stack tothe outer air.
Flue Gas Desulfurization (FGD)	Any of several forms of chemical/physical processes that remove sulfur compounds formed during coal combustion
Fluidized Bed Combustion	A process for burning powdered coal that is poured in a liquid-like stream with air or gases. The process reduces sulfur dioxide emissions from coal combustion
Fluidized Bed Combustion (FBD)	A combustion technology used to burn solid fuels.
Fly ash	Ash produced during combustion of coal
Forced Outage	The shutdown condition of a power station, transmission line or distribution line when the generating unit is unavailable to produce power due to unexpected breakdown, which could be due to equipment failures, disruption in the power plant fuel supply chain, operator error, etc.
Generation Company	Any person or entity authorized by the ERC to operate facilities used in the generation of electricity
Gigawatt (GW)	One thousand megawatts (1,000 MW) or one million kilowatts (1,000,000 kW) or one billion watts (1,000,000,000 watts) of electricity
Gigawatt-hour (GWH)	One million kilowatt-hours of electric power.
Grid	The electric utility companies' transmission and distribution system that links power plants tocustomers through high-power transmission line service

Gross Value Added (GVA) Production Approach	GVA is calculated for a given reference period as the total value of all goods and services produced (output), less goods and services used up or transformed into the production such as raw materials and other inputs
Independent Power Producer (IPP)	An existing power-generating entity that is not owned by the National Power Corporation.
Installed Capacity	The total manufacturer-rated capacities of equipment, such as turbines, generators,condensers, transformers, and other system components.
Kilowatt (kW)	A unit of electrical power equal to one thousand watts
Kilowatt-hour (kWh)	A basic unit of electrical energy which equals one kilowatt of power used for one hour.
Load	The amount of electric power delivered or required at a given point on a system.
Load factor	The ratio of average load to peak load during a specific period of time, expressed as a percent
Megawatt (MW)	A unit of electrical power equal to one million watts or one thousand kilowatts.
Megawatt-hour (Mwh)	A unit of electrical energy which equals one megawatt of power used for one hour.
Off peak	A period of relatively low demand for electrical energy, such as the middle of the night
Open pit mining	A surface mining technique of extracting rock or minerals from the earth by their removal froman open pit or borrow. This technique is used when deposits of commercially useful minerals orrocks are found near the surface. Also known as open-cut mining or opencast mining
Outage	An interruption of electric service that is temporary (minutes or hours.
Outcrop	Coal that appears at or near the surface.
Overburden	Layers of soil and rock covering a coal seam. Overburden is removed prior to surface miningand replaced after the coal is taken from the seam
Peak load	The maximum electrical load demand in a stated period of time. On a daily basis, peak loadsoccur at midmorning and in the early evening.
Peak load plant	A power plant which is normally operated to provide power during maximum load periods.Examples are combustion turbines and pumped storage hydro.
Peaking Capacity	The capacity of generating equipment intended for operation during the hours of highest daily,weekly or seasonal loads.
Reserve Capacity	Extra generating capacity available to meet peak or abnormally high demands for power and togenerate power during scheduled or unscheduled outages.
Royalty	The payment of a certain stipulated sum on the mineral produced
Seam	A layer or bed of coal. A coal seam is categorized as major seam if it contains at least onemillion metric tons of coal resources.
Strip Ratio	Ratio between waste moved in cubic meters for every metric ton of coal produced. A strip ratioof 10:1 means 10 cubic meters of waste materials are hauled to produce 1 ton of coal.
Sub-bituminous coal	A type of coal used primarily as fuel for steam-electric power generation.
Total Product Coal (TPC)	Combination of washed coal and clean coal
Turbine	The part of a generating unit that is spun by the force of water or steam to drive an electric generator. A turbine usually consists of a series of curved vanes or blades on a central spindle.
Wholesale Electricity Spot Market (WESM)	The Philippine spot market for the trading of electricity as a commodity

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Common Stock Symbol
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