COVER SHEET

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SEC Registration Number

S E M I R A R A M I N I N G A N D P O W E R

C O R P O R A T I O N

(Company's Full Name)

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M A K A T I C I T Y

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

Junalina S. Tabor

(Contact Person)

888-3055

(Company Telephone Number)

1 2 3 1

(Fiscal Year)

1 7 - Q

(Form Type)

Month *Day*

(Annual Meeting[1])

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

[1] First Monday of May of each year.

SEC Number : 91447
File Number : _________

SEMIRARA MINING AND POWER CORPORATION
Company's Full Name

2nd Floor, DMCI Plaza
2281 Chino Roces Avenue, Makati City
Company's Address

888-3550 to 888-3565
Telephone Number

For the Period Ending 31 March, 2020
Period Ended

QUARTERLY REPORT FORM 17-Q
Form Type

SEC FORM 17-Q

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

1. For the quarter period ended **31 March 2020**

2. Commission Identification Number **91447**

3. BIR Tax Identification No. **000-190-324-000**

4. Exact Name of issuer as specified in its charter:

   SEMIRARA MINING AND POWER CORPORATION

5. Province, Country or other jurisdiction of incorporation of organization:
   PHILIPPINES

6. Industry Classification Code:___________(SEC use only)

7. Address of issuer's principal office Postal Code

   2nd Floor, DMCI Plaza, 1231
   2281 Chino Roces Avenue, Makati City

8. Registrants telephone Number, including area code:
   +63 2 88883000/88883055

9. Former Address : 7th Floor, Quad Alpha Centrum Bldg., 125 Pioneer St., Mandaluyong City
   Telephone Nos. : 631-8001 to 6318010
   Former name : : Semirara Coal Corporation/Semirara Mining Corporation
   No former fiscal year of the registrant.

10. Securities registered pursuant to Section 4 of the RSA.

Title of each class	Number of shares of common Stock Outstanding
Common Stock, P1.00 par value	4,250,547,620 shares

11. 4,264,609,290 shares are listed in the Philippine Stock Exchange

12. The registrant has filed all reports required to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule 11 (a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months.

    Has been subject for such filing requirements for the past 90 days

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Semirara Mining and Power Corporation
Consolidated Statements of Financial Position
As of March 31, 2020 and December 31, 2019

	(Unaudited) 31 March 2020	(Audited) 31 December 2019
ASSETS		
Current Assets		
Cash and cash equivalents	3,721,565,388	6,457,084,709
Receivables - net	3,650,724,280	3,641,501,084
Inventories - net	11,835,790,494	10,219,569,761
Other current assets	2,108,139,241	1,284,979,604
Total Current Assets	21,316,219,403	21,603,135,158
Noncurrent Assets		
Property, plant and equipment - net	47,801,419,260	47,630,629,427
Investment in joint venture	44,526,542	45,217,496
Deferred Tax Assets	886,929,900	888,181,062
Other noncurrent assets	1,905,275,725	2,041,960,540
Total Noncurrent Assets	50,638,151,427	50,605,988,525
TOTAL ASSETS	71,954,370,830	72,209,123,683
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Trade and other payables	9,418,601,578	8,451,093,044
Short-term loans	5,150,000,000	2,070,000,000
Current portion of long-term debt	2,000,295,597	3,459,433,544
Current Portion of Lease Liability	14,171,369	14,171,369
Total Current Liabilities	16,583,068,544	13,994,697,957
Noncurrent liabilities		
Long-term debt - net of current portion	14,311,518,968	13,067,601,461
Provision for decommissioning and site rehabilitation	522,804,859	522,804,859
Pension liabilities	329,222,385	294,753,397
Other noncurrent liabilities	93,366,249	93,366,249
Total Noncurrent Liabilities	15,256,912,460	13,978,525,963
Total Liabilities	31,839,981,004	27,973,223,920
Stockholders' Equity		
Capital Stock	4,264,609,290	4,264,609,290
Additional paid-in capital	6,675,527,411	6,675,527,411
Treasury Shares	(739,526,678)	(739,526,678)
Remeasurement gains (losses) on pension plan	(98,388,949)	(98,388,949)
Retained earnings	30,012,168,752	34,133,678,689
Total Stockholders' Equity	40,114,389,826	44,235,899,764
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	71,954,370,830	72,209,123,683

Semirara Mining and Power Corporation

Consolidated Statements of Comprehensive Income

For the Quarter / Period Ending 31 March 2020 and 2019

	(Unaudited) For the Period 31 March 2020	31 March 2019
REVENUE		
Coal	5,071,737,534	6,986,274,862
Power	2,200,270,983	2,751,889,292
	7,272,008,517	9,738,164,154
COST OF SALES		
Coal	2,893,098,635	3,786,871,996
Power	1,610,241,066	1,908,311,709
	4,503,339,701	5,695,183,705
GROSS PROFIT	2,768,668,816	4,042,980,449
OPERATING EXPENSES	(1,549,769,947)	(1,864,825,093)
FINANCE INCOME (COSTS)	(240,233,270)	(265,588,182)
FOREIGN EXCHANGE GAINS (LOSSES)	18,277,835	7,592,179
OTHER INCOME	152,750,870	51,249,243
	(1,618,974,512)	(2,071,571,854)
INCOME BEFORE INCOME TAX	1,149,694,304	1,971,408,594
PROVISION FOR INCOME TAX	(41,981,281)	(121,635,678)
NET INCOME	1,191,675,585	2,093,044,272
OTHER COMPREHENSIVE INCOME	-	
TOTAL COMPREHENSIVE INCOME	1,191,675,585	2,093,044,272
Basic / Diluted Earnings per Share	0.28	0.49

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

As of March 31, 2020 and 2019

	Common Stock	Additional Paid-In Capital	Remeasurement Losses on Retirement Plan	Unappropriated Retained Earnings	Appropriated Retained Earnings	Total	Cost of Shares Held in Treasury	Grand Total
At January 1, 2020	4,264,609,290	6,675,527,411	(98,388,949)	28,833,678,689	5,300,000,000	44,975,426,441	(739,526,678)	44,235,899,763
Net Income for the period				1,191,675,586		1,191,675,586		1,191,675,586
Cash Dividends				(5,313,185,523)		(5,313,185,523)		(5,313,185,523)
At March 31, 2020	4,264,609,290	6,675,527,411	(98,388,949)	24,712,168,752	5,300,000,000	40,853,916,504	(739,526,678)	40,114,389,826

	Common Stock	Additional Paid-In Capital	Remeasurement Losses on Retirement Plan	Unappropriated Retained Earnings	Appropriated Retained Earnings	Total	Cost of Shares Held in Treasury	Grand Total
At January 1, 2019	4,264,609,290	6,675,527,411	(35,995,822)	20,468,072,403	9,300,000,000	40,672,213,282	(739,526,678)	39,932,686,604
Net Income for the period				2,331,148,795		2,331,148,795		2,331,148,795
Cost of Shares Held in Treasury				(5,313,184,525)		(5,313,184,525)		(5,313,184,525)
						-		-
At March 31, 2019	4,264,609,290	6,675,527,411	(35,995,822)	17,486,036,673	9,300,000,000	37,690,177,552	(739,526,678)	36,950,650,874

Semirara Mining and Power Corporation
Statement of Cash Flows
For the Period Ending March 31, 2020 and 2019

	UNAUDITED	
	31 March 2020	31 March 2019
CASHFLOWS FROM OPERATING ACTIVITIES		
Income before income tax	1,149,694,304	1,971,408,594
Adjustments for:		
Depreciation and Depletion and amortization	1,579,780,509	1,808,833,133
Finance Costs	275,049,041	279,851,273
Net unrealized foreign exchange losses (gains)	63,963,366	(1,550,044)
Interest Income	(34,803,463)	(14,287,453)
Operating Income before working capital changes	3,033,683,757	4,044,255,503
Changes in operating assets and liabilities		
(Increase)decrease in receivables	618,244,329	3,053,856,272
(Increase)decrease in inventories	(1,232,568,415)	(1,114,954,211)
(Increase)decrease other current assets	(1,065,681,498)	(698,488,413)
Inc(dec) in accounts payable and other payables	671,190,901	(1,116,551,405)
Cash provided by operations	2,024,869,074	4,168,117,746
Interest Received	34,803,463	14,124,595
Benefits paid	(3,472,911)	35,103,843
Income Tax Paid	(6,500,194)	(2,354,781)
Interest Paid	(275,146,368)	(328,880,603)
Net cash provided by operating activities	1,774,553,064	3,886,110,800
CASHFLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(1,034,878,608)	(1,099,851,268)
Additions to exploration and evaluation assets	(951,829,680)	-
Net cash used in investing activities	(1,986,708,288)	(1,099,751,268)
Loan Availment	4,480,000,000	2,825,150,000
Payment of cash dividends	(5,313,185,523)	
Debt repayment	(1,690,178,571)	(4,392,209,544)
Net cash used in financing activities	(2,523,364,094)	(1,567,059,544)
NET INC(DEC) IN CASH AND CASH EQUIV	(2,735,519,319)	1,219,299,988
CASH AND CASH EQUIV BEG	6,457,084,707	1,902,951,521
CASH AND CASH EQUIV AT ENDING	3,721,565,388	3,122,251,509

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ***Summary of Significant Accounting Policies***

Basis of Preparation The consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVPL) that have been measured at fair value. The Parent Company's functional currency and the Group's presentation currency is the Philippine Peso (P=). All amounts are rounded-off the nearest Peso, except when otherwise indicated.

Statement of Compliance The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by the Philippine Interpretations Committee (PIC).

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Basis of Consolidation The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries (which are all incorporated in the Philippines) as of March 31, 2020 and December 31, 2019.

Effective Rates of Ownership 2019 2018 2017 Sem-Calaca Power Corporation (SCPC) 100.00 % 100.00% 100.00 % Sem-Calaca RES Corporation (SCRC)1 100.00 100.00 100.00 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)2 100.00 100.00 100.00

1. Wholly-owned subsidiary of SCPC. Started commercial operations on August 29, 2018. 2. Formerly SEM-Balayan Power Generation Corporation (SBPGC).

Except for SCPC, SLPGC and SCRC, the other subsidiaries have not yet started commercial operations as of March 31, 2020.

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 components of the Group are eliminated in full on consolidation.

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 financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Control is achieved when the entity 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 entity controls an investee if and only if the entity has the following element:

· 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.

Generally, there is a presumption that a majority of voting rights results in control. To support the presumption and when the entity has less than a majority of the voting or similar rights of an investee, the entity 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 and potential voting rights

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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.

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 entity loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interests (NCI) and other components of equity, while any resulting in gain or loss is recognized in profit or loss. Any investment retained is measured at fair value.

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 non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are charge to expense in the consolidated statement of comprehensive income.

When the Group acquires a business, it assesses the financial assets and financial 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 are recognized in accordance with PFRS 9 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured and its subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

After 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 that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation 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 in the preparation of the Group's consolidated financial statements are consistent with those of the previous financial year, except for the adoption of the following new and amended accounting pronouncements which became effective January 1, 2019.

The nature and impact of each new standard and amendment are described below:
· PFRS 16, Leases

PFRS 16 supersedes PAS 17, Leases, Philippine Interpretation IFRIC 4, Determining whether an Arrangement contains a Lease, Philippine Interpretation SIC-15, Operating Leases-Incentives and Philippine Interpretation SIC-27, Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

The Group adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at January 1, 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying PAS 17 and IFRIC 4 at the date of initial application. The Group also elected to apply this method only to those lease contracts that were not completed at the date of initial application

(January 1, 2019).
The effect of adopting PFRS 16 as at January 1, 2019 follows:

Increase (decrease)
Assets Right-of-use assets P =190,624,079 Prepaid rent (under current and noncurrent assets) (71,176,666) Property, plant and equipment (5,392,226) Deferred tax assets - net 18,382,557 Liabilities Lease liabilities 114,055,187 Deferred tax liabilities - net 18,382,557

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The Group has lease contracts for various items of land, office spaces and foreshore leases. Before the adoption of PFRS 16, the Group classified each of its leases (as lessee) at the inception date as operating lease. Upon adoption of PFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases. Refer to section on accounting policies on leases prior to and upon adoption of PFRS 16.

The adoption of PFRS 16 did not have an impact on equity in 2019, since the Group elected to measure the right-of-use assets at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments and cost of dismantling and removing the underlying asset relating to that lease recognized in the consolidated statement of financial position immediately before the date of initial application.

The Group also applied the available practical expedients wherein it: · Used a single discount rate to a portfolio of leases with reasonably similar characteristics · Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application · Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease Based on the above, as at January 1, 2019: · Right-of-use assets amounting to P=190.62 million were recognized and presented separately in the consolidated statement of financial position. This represents the right to use the underlying assets set-up upon transition date. · Prepaid rent of P=71.18 million under 'Other current and noncurrent assets' related to advance rent payment was reclassified to right-of-use assets. · Property, plant and equipment amounting to P=5.39 million, representing the costs of dismantling and removing the underlying asset under lease, was included in the right-of-use assets recognized. · Lease liabilities were recognized amounting to P=114.06 million and presented separately in the consolidated statement of financial position. This is based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. · Deferred tax assets and liabilities increased by P=18.38 million because of the deferred tax impact of the changes in assets and liabilities.

For the year ended December 31, 2019: · Depreciation expense increased because of depreciation of additional assets recognized (i.e., increase in right-of-use assets). This resulted in increases in 'Cost of sales' and 'Operating expenses' of P=8.40 million and P=10.59 million, respectively. · Finance cost increased by P=6.62 million relating to the interest expense on lease liabilities recognized. Reconciliation of the operating lease commitments as of December 31, 2018 to the lease liabilities as at January 1, 2019 follows:

Operating lease commitments as at December 31, 2018 (Note 11) P =254,423,849 Weighted average incremental borrowing rate at January 1, 2019 7.77% Discounted operating lease commitments at January 1, 2019 P =208,588,273 Less commitment relating to short term leases 94,533,086 Lease liabilities recognized at January 1, 2019 (Note 11) P =114,055,187

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· Philippine Interpretation IFRIC-23, Uncertainty over Income Tax Treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 Income Tax. It does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

· Whether an entity considers uncertain tax treatments separately. · The assumptions an entity makes about the examination of tax treatments by taxation authorities. · How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. · How an entity considers changes in facts and circumstances.

The Group determines whether to consider each uncertain tax treatments separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgment in identifying uncertainties over income tax treatments. Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions. The Group determined that it is probable that its tax treatments will be accepted by the taxation authorities. The adoption of the Interpretation did not have a significant impact on the consolidated financial statements of the Group.

· Annual Improvements to PFRSs 2015-2017 Cycle
· Amendments to PFRS 3, Business Combinations, and PFRS 11, Joint Arrangements, Previously Held Interest in a Joint Operation

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured. An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

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· Amendments to PAS 12, Income Tax Consequences of Payments on Financial Instruments Classified as Equity

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.
An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments are not relevant to the Group because dividends declared by the Group do not give rise to tax obligations under the current tax laws.

· Amendments to PAS 23, Borrowing Costs, Borrowing Costs Eligible for Capitalization
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted. Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

· Amendments to PFRS 9, Prepayment Features with Negative Compensation

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments had no impact on the consolidated financial statements of the Group.
· Amendments to PAS 28, Long-term Interests in Associates and Joint Ventures
The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

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The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, Investments in Associates and Joint Ventures.

These amendments had no impact on the consolidated financial statements as the Group does not have long-term interests in its associate and joint venture.

Future Changes in Accounting Policies Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group will consider the effects on the consolidated financial statements as these become effective and applicable.

Effective beginning on or after January 1, 2020

· Amendments to PFRS 3, Definition of a Business
The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Group.
· Amendments to PAS 1, Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Deferred effectivity
· Amendments to PFRS 10, Consolidated Financial Statements, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address 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. 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.

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On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes 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
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 it is:
· 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, respectively.
Fair Value Measurement The Group measures financial asset at FVPL at fair value and discloses the fair value of financial instruments measured at amortized cost 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.

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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 consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: · Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities · Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable · Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by 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.

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives.

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 effective interest rate (EIR) method over the term of the related debt.

Recognition and Measurement of Financial Instruments A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets Initial recognition and measurement Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through OCI and FVPL.

The classification of financial assets at initial recognition that are debt instruments depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs.

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Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient for contracts that have a maturity of one year or less, are measured at the transaction price determined under PFRS 15 (refer to the accounting policies in Revenue from contracts with customers).

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

As of March 31, 2020 and 2019, the Group's financial assets compromise of financial assets at amortized cost and financial asset at FVTPL.

Subsequent measurement For purposes of subsequent measurement, financial assets are classified in to two (2) categories:

• Financial assets at amortized cost (debt instruments) • Financial asset at FVPL
Financial assets at amortized cost (debt instruments) This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:
· the asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and, · the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the EIR method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash and cash equivalents, receivables and environmental guarantee fund (included under other noncurrent assets).

Financial asset at FVPL Financial asset at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified

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at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch. Financial asset at FVPL is carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in profit or loss.

This category includes derivatives arising from Contract for Differences entered with a third party as disclosed in Note 6 to consolidated financial statements and is included under 'Other current and noncurrent assets' in the consolidated statement of financial position (see Notes 9 and 12).

A derivative embedded in a hybrid contract, with a financial liability or nonfinancial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVPL.

Derecognition A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the 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 its continuing involvement. In that case, the Group also recognized 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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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Impairment of financial assets The Group recognizes an allowance for ECLs for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.
ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities Initial recognition and measurement Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities are trade and other payables (except statutory payables), short-term loans and long-term debt.

Subsequent measurement The measurement of financial liabilities depends on their classification, as described below: Financial liabilities at FVPL Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

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Gains or losses on liabilities held for trading are recognized in the consolidated statement of comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability as at FVPL.

Loans and borrowings (Financial liabilities at amortized cost) This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in consolidated comprehensive income.

This category generally applies to trade and other payables, short-term loans and long-term debt. Derecognition A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the Group's consolidated statement of comprehensive income.

Offsetting of financial instruments 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 offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

'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.

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Recognition and Measurement of Financial Instruments (Prior to January 1, 2018)

Financial asset at FVPL Financial asset at FVPL includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading, if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by PAS 39. The Group has not designated any financial asset at FVPL. Financial asset at FVPL is carried in the consolidated statement of financial position at fair value with net changes in fair value presented as 'Gain on financial asset at FVPL' under 'Other income' in the consolidated statement of comprehensive income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in FVPL. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVPL category.

Financial asset at FVPL relates to derivative arising from contracts for differences entered with a third party as disclosed in Note 6 to consolidated financial statements and is included under 'Other current and noncurrent assets' in the consolidated statement of financial position.

Impairment of Financial Assets (Prior to January 1, 2018)

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.

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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.

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 ship loading 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.

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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.

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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 other 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 amortization 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.

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The estimate on the mineable ore reserve 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. The Group will then estimate the recoverable reserves

based upon factors such as estimates of commodity prices, future capital requirements, foreign currency exchange rates, 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 exploration, evaluation and development of the mine, the capitalized assets are transferred into property, plant and equipment. Items of property, plant and equipment except land, equipment in transit and construction in progress 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 consist 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.

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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 3 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 from 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.

he 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 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.

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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.
Input Value-Added Taxes (VAT) Input tax 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, net of the related allowance, is recoverable in future periods. 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.

For its VAT-registered activities, when VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position up to the extent of the recoverable amount.
For its non-VAT registered activities, the amount of VAT passed on from its purchases of goods or service is recognized as part of the cost of goods/asset acquired or as part of the expense item, as applicable.
Investment in Joint Venture 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 in joint venture is accounted for using the equity method.

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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.
Other Assets Other assets pertain to all other resources controlled by the Group as a result of past events and from which future economic benefits are probable to flow to the Group.

Impairment of Nonfinancial Assets The Group assesses at each reporting date whether there is an indication that its nonfinancial assets (investment in joint venture, right-of-use assets, other current and noncurrent assets (except for financial asset at FVPL), 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.

Investment in joint venture The Group determines at each reporting date whether there is any objective evidence that the investment in joint venture is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount (i. e. higher between fair value less cost to sell and value in use) and the carrying value of the investee company and recognizes the difference in the consolidated statement of comprehensive income.

Property, plant and equipment, right-of-use assets and other current and noncurrent assets 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, right-of-use assets and other current and noncurrent assets, 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.

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Revenue and Income Recognition Revenue from Contracts with Customers The Group primarily derives its revenue from the sale of coal and power. Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is acting as principal in all of its significant revenue arrangements since it is the primary obligor in these revenue arrangements.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Sale of coal Revenue is recognized when control passes to the customer, which occurs at a point in time when the coal is physically transferred onto a vessel or other delivery mechanism. The revenue is measured at the amount to which the Group expects to be entitled, being the price expected to be received upon final billing, and a corresponding trade receivable is recognized.

Revenue from local and export coal sales are denominated in Philippine Peso and US Dollar (US$), respectively.

Contract energy sales Revenue from contract energy sales are derived from providing and selling electricity to customers of the generated and purchased electricity. The Group recognizes revenue from contract energy sales over time, using an output method measured principally on actual energy delivered each month.

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 from spot electricity sales is recognized over time using an output method measured principally on actual excess generation delivered to WESM.

Under PFRS 15, the Group has concluded that revenue should be recognized over time since the customer simultaneously receives and consumes the benefits as the seller supplies power. In this case, any fixed capacity payments for the entire contract period is determined at contract inception and is recognized over time. The Group has concluded that revenue should be recognized over time and will continue to recognize revenue based on amounts billed.

Dividend Income Dividend income is recognized when the Group’s right to receive payment is established, which is generally when shareholders approve the dividend.

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).

Other income Other income is recognized when receipts of economic benefits are virtually certain and comes in the form of inflows or enhancements of assets or decreases of liabilities that results in increases in equity, other than from those relating to contributions from equity participants.

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Revenue Recognition (Prior to January 1, 2018) 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 Group has concluded that it is acting as principal in all of its significant revenue arrangements since it is the primary obligor in these revenue arrangements.

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$, 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 WESM, the market where electricity is traded, as mandated by RA No. 9136 of the DOE. Revenue is recognized based on the actual excess generation delivered to the WESM.

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 the related revenue is recognized.

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.

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Contract balances Trade receivables Trade receivables represent the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract fulfillment costs The Group incurs shiploading costs for each coal delivery made under its contracts with customers. The Group has elected to apply the optional practical expedient for costs to fulfill a contract which allows the Group to immediately expense shiploading costs (presented as part of cost of sales under 'Hauling and shiploading costs') because the amortization period of the asset that the Group otherwise would have used is one (1) year or less.

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 nonroutine 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.

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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 12 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.

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Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income. 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 income tax is determined, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise 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 income nor taxable income.

Deferred income tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries and associates. With respect to investments in foreign subsidiaries and associates, deferred income tax liabilities are recognized, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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 income will be available to allow all or part of the deferred tax assets to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized in OCI or directly in equity is recognized in the consolidated statement of comprehensive income and statement of changes in equity and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

For periods where the income tax holiday (ITH) is in effect, no deferred taxes are recognized in the consolidated financial statements as the ITH status of the subsidiary neither results in a deductible temporary difference or temporary taxable difference. However, for temporary differences that are expected to reverse beyond the ITH, deferred taxes are recognized.

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.

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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 statement 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 (Effective January 1, 2019) The Group assesses at the contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identical asset for a period of time in exchange for consideration.

Group as a lessee The Group applies a single recognition and measurement approach for all leases, except for shortterm leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Leases previously accounted for as operating leases The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for all leases were recognized based on an amount equal to lease liabilities and adjusted for any related prepaid, cost of dismantling and removing the underlying asset and accrued lease payments previously recognized, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

a) Right-of-use assets The Group recognizes right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct cost incurred, and lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the underlying assets (if depreciable).

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

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The right-of-use assets are subject to impairment. Refer to the accounting policies on impairment of nonfinancial assets.

b) Lease liabilities At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments), less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

c) Short-term leases and leases of low value assets The Group applies the short-term lease recognition exemption to its twelve (12) months. It also applies the lease of low value assets recognition exemption to leases. Lease payments on shortterm leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Leases (Prior to Adoption of PFRS 16) 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; b. A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term; c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or d. 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).

Operating Lease - Group as a Lessee Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Operating lease payments are recognized as an expense in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

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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 consolidated 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 Parent Company'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 BOD is the chief operating decision maker. Segment assets and liabilities reported are those assets and liabilities included in measures that are used by the BOD. 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.

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Contingencies Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements on the period in which the change occurs.

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.

2. ***Significant Accounting Judgments, Estimates and Assumptions***

The preparation of the 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 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. Revenue recognition - method and measure of progress The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

The Group concluded that revenue from coal sales is to be recognized at a point in time as the control transfers to customers at the date of shipment, which is consistent with the point in time when risk and rewards passed under PAS 18.

On the other hand, the Group's revenue from power sales (both contract energy and spot electricity sales) is to be recognized over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to reperform the delivery of power that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits as the Group performs its obligation.

The Group has determined that output method used in measuring the progress of the performance obligation faithfully depicts the Group's performance of its obligation to its customers, since the customer obtains the benefit from the Group's performance based on actual energy delivered each month.

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b. Determination of components of ore bodies and allocation measures for stripping cost The Group has identified that each of its two active minesites, Narra and Molave, is a one whole ore body 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 and other claims. The estimate of the probable costs for the resolution of these claims has been developed in consultation with internal and outside counsels handling the Group's defense in these matters and is based upon an analysis of potential results. The Group currently believes that these claims 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 assessment or in the effectiveness of the strategies relating to these proceedings.

d. Impairment assessment of nonfinancial assets The Group reviews its nonfinancial assets for impairment. This includes considering certain indicators of impairment such as the following: · Significant or prolonged decline in the fair value of the asset; · Increase in market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating the asset's value-in-use and decrease the asset's recoverable amount materially; · Significant underperformance relative to expected historical or projected future operating results; · Significant changes in the manner of use of the acquired assets or the strategy for overall business; · Significant negative industry or economic trends; or · Significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment where the Group operates.

In 2019, the Group has assessed that its ancillary gas turbine plant, originally intended to provide ancillary services to the National Grid Corporation of the Philippines (NGCP), has an indication of impairment due to its withdrawal on the ancillary service and procurement agreement with NGCP. However, no impairment was recognized by the Group since management estimated that the recoverable amount exceeds the carrying value of ancillary gas turbine plant as of March31, 2020. The recoverable amount was computed using discounted cash flows approach and considered certain assumptions such as future electricity demand, electricity prices, diesel costs, inflation rate and discount rate. As of March 31, 2020, and December 31, 2019, the carrying values of ancillary gas turbine recorded as part of property, plant and equipment amounted to P =1.30 billion and P=1.20 billion, respectively.

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On the other hand, management recognized provision for impairment loss on other current assets amounting to P=82.94 million in 2019, since management assessed that the carrying amount of these assets are not recoverable (nil in 2018 and 2017). Allowance for impairment losses of the Group's nonfinancial assets as of March 31, 2020 and December 31, 2019 amounted to P=98.23 million and P=15.29 million, respectively.

Management believes that no impairment indicator exists for the other nonfinancial assets of the Group.

e. Determination of lease term of contracts with renewal and termination options - Group as a lessee The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group included the renewal period as part of the lease term for leases of land with longer non-cancellable periods (i.e., 10 to 15 years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised. However, for some lease contracts identified to be scoped under PFRS 16, the Group did not include the renewal and termination period of several lease contracts since the renewal and termination options is based on mutual agreement, thus not enforceable.

f. Determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates applying paragraph 122 of PAS 1, Presentation of Financial Statements Upon adoption of the Interpretation, the Group has assessed whether it has any uncertain tax position. The Group applies significant judgment in identifying uncertainties over its income tax treatments. The Group determined,

based on its assessment, in consultation with its tax counsel, that it is probable that its uncertain income tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the consolidated financial statements of the Group (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 uses the mineable ore reserve in the determination of the amount of amortization of mine properties using units-of-production method. The Group estimates its mineable ore reserves based on the assessment performed by the external and internal specialist engaged by the Group, who are professionally qualified mining engineers and geologists. 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.

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The carrying values of mine properties included as part of 'Mine properties, mining tools and other equipment' under 'Property, plant and equipment' amounted to P=4,338.74 million and P=4,341.36 million as of March 31, 2020 and December 31, 2019, respectively.

b. Estimating provision for expected credit losses of trade and other receivables The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type).
The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as inflation and foreign exchange rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions, and ECL is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

c. 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 five percent (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.

d. 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.

e. 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.

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f. Estimating provision for 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 (PP) under Section 8 of the Land Lease Agreement (LLA) upon its termination or cancellation. Significant estimates and assumptions are made in determining the provision for decommissioning and site rehabilitation costs 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.

g. Estimating useful lives of depreciable property, plant and equipment The Group estimated the useful lives of its property, plant and equipment (except land, equipment in transit and construction in progress) based on the period over which the assets are expected to be available for use. The Group reviews annually the EUL 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.
In 2017, the BOD approved the rehabilitation of the Group's Units 1 and 2 coal-fired thermal power plant. This resulted to the scheduled replacement of the significant components of the power plant over the next three years which resulted to the accelerated recognition of depreciation expense amounting to P=549.93 million and P=1,210.10 million in 2019 and 2018, respectively. The Group did not expect any salvage values for the parts to be replaced.

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.

h. 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.

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i. 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. 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 management's assumption aligned with the future inflation rates.

j. Estimating the incremental borrowing rate The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) by reference to its existing bank loans. This rate reflects the amount that the entity would need to borrow over the term of the lease.

The Group's lease liabilities discounted using the IBR amounted to P=107.54 million as of March 31, 2020 (nil as of December 31, 2019, see Note 11).

k. Fair value measurement of financial instruments When the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be measured based on quoted prices in active markets, fair value is measured using valuation techniques using the market data approach (i.e., Monte Carlo simulation). The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

PRODUCTION – COMPARATIVE REPORT FOR Q1 2020 AND Q1 2019

COAL

Mining operations took advantage of the increased capacity and favorable weather condition. As a result, materials moved increased by 12% year-on-year to 60.0 million bank cubic meter (BCM) from 53.7 million BCM against last year.

With the aggregate ratio of 18.2 coal production significantly decreased from 4.1 million tons to 3.2 million tons or 22% decrease quarter-on- quarter.

The table below shows the coal segment's comparative production data for Q1 2020 and Q1 2019.

	Q1 2020	Q1 2019	VARIANCE
Materials Moved (M BCM)	**60.0**	**53.7**	**12%**
Advance overburden stripping	**19.1**	**2.6**	**625%**
Production overburden stripping	**40.9**	**51.1**	**-20%**
Coal Production (M MT)	**3.2**	**4.1**	**-22%**
Aggregate Strip Ratio	**18.2**	**12.5**	**46%**

POWER

SEM-CALACA POWER GENERATION CORPORATION (SCPC)

The graph below illustrates SCPC's comparative performance data for Q1 2020 and Q1 2019.

	Q1 2020	Q1 2019	% Inc (Dec)
Gross Generation, Gwh			
Unit 1	491	22	*2185%*
Unit 2	0	181	*-100%*
Total Plant	**492**	**203**	***143%***
% Availability			
Unit 1	99%	5%	*1708%*
Unit 2	0%	35%	*-99%*
Total Plant	**50%**	**20%**	***144%***
Capacity Factor			
Unit 1	75%	3%	*2160%*
Unit 2	0%	28%	*-100%*
Total Plant	**38%**	**16%**	***140%***

Unit 1

Gross Generation	
Q1 2020 vs Q1 2019	The unit almost run in full for the 1st quarter of 2020. It ran at an average load of 227MW during the quarter due to improvement of the unit after LEP. In Q1 2019, the unit ran for four days only at an average of 181MW because the unit commenced its LEP.
Availability	
Q1 2020 vs Q1 2019	The unit ran at 99% during the quarter. Last year, unit is on a shutdown for the Life Extension Project (LEP) starting December 30, 2018

Unit 2

Gross Generation	
Q1 2020 vs Q1 2019	The unit was on its Life Extension Project (LEP) for the unit started Oct. 17, 2019. Started commissioning and achieved synchronization on March 25, 2020. Last year, the unit had three incidents of tube leaks.
Availability	
Q1 2020 vs Q1 2019	The unit was on its Life Extension Project (LEP) activities since Oct. 2019 until first quarter of 2020. Last year, the unit operated for around one month during the quarter.

<u>SOUTHWEST LUZON POWER GENERATION CORPORATION (SLPGC)</u>

The graph below illustrates SLPGC's comparative production data for Q1 2020 and Q1 2019.

	2020		2019	Variance
	Q1		Q1	% Inc (Dec)
Gross Generation, Gwh				
Unit 1	139		203	-32%
Unit 2	162		100	62%
Total Plant	**301**		**304**	**-1%**
% Availability				
Unit 1	44%		68%	-35%
Unit 2	57%		41%	38%
Total Plant	**51%**		**55%**	**-8%**
Capacity Factor				
Unit 1	42%		63%	-32%
Unit 2	50%		31%	60%
Total Plant	**46%**		**47%**	**-2%**

Unit 1

Gross Generation	
Q1 2020 vs Q1 2019	In spite of better capacity performance of the plant, generation vs Q1 LY is lower because of extended planned outage.
Availability	
Q1 2020 vs Q1 2019	Unit 1 is on scheduled shutdown from December 13, 2019 and lasted until February 12, 2020. Lower availability vs Q1 '19 due to higher outage by 22 days brought about by the extension of planned maintenance by 18 days because of Taal eruption

Unit 2

Gross Generation	
Q1 2020 vs Q1 2019	Higher generation due to better availability and capacity of the plant.
Availability	
Q1 2020 vs Q1 2019	Unit 2 started their scheduled 45 days shutdown on February 19, 2020. Lower number of days outage compared to Q1 2019

MARKETING – COMPARATIVE REPORT FOR THE 1st QUARTER 2020 AND 2019

COAL

The table below shows the coal comparative sales volume data for Q1 2020 and Q1 2019.

Customer	2020	%	Q1	2019	%	Diff	%Inc/ (Dec)
Power Plants	1,345	42%	1,123	1,123	32%	222	20%
Cement	116	4%	253	253	7%	(137)	-54%
Others Plants	141	4%	142	142	4%	(1)	0%
Local	1,602	50%	1,518	1,518	43%	84	6%
Export	1,615	50%	2,034	2,034	57%	(419)	-21%
TOTAL (M MT)	3,217	100%	3,552	3,552	100%	(335)	-9%

Power Plants	
Q1 2020 vs Q1 2019	Higher offtake by 3rd party power plant customer and higher availability of our power generation units
Cement Plants	

Q1 2020 vs Q1 2019	Lower offtake of cement plants customers because of the economic impact of Covid 19 towards the end of the quarter
Other Industrial Plants	
Q1 2020 vs Q4 2019	Maintained demand other industrial plant customers

Export	
Q1 2020 vs Q1 2019	Timing of production of export grade coal for March 2020
Average Selling Price (ASP)	
Q1 2020 vs Q1 2019	Lower NewCastle Index

POWER

SCPC

The table below shows the comparative marketing data of SCPC for Q1 2020 and Q1 2019 (In GWh, except ASP).

CUSTOMER	Q1 2020		Q1 2019	% Inc (Dec)
GWh				
Bilateral Contracts	337		346	-2%
Spot Sales	108		16	557%
GRAND TOTAL	**446**		**362**	**23%**
ASP in Php				
Bilateral Contracts	3.49		4.33	-19%
Spot Sales	2.95		7.18	-59%
Average ASP	**3.36**		**4.46**	**-25%**

Bilateral Contracts	
Q1 2020 vs Q1 2019	Bilateral contract capacity in Q1 2020 is 170MW while 250MW in Q1 2019. Though higher capacity last year, availability was low and the company availed outage allowance and procure energy from the market when the unit incurred forced outages during said period.
Spot Sales	
Q1 2020 vs Q1 2019	Higher spot sales in Q4 2019 due to lower BCQ requirements during Q1.

Other Information:

- Of the total energy sold, 100% was sourced from own generation.

SLPGC

The table below shows the comparative marketing data of SLPGC for Q1 2020 and Q1 2019 (In GWh, except ASP).

CUSTOMER	2020 Q1		2019 Q1	Variance % Inc (Dec)
GWh				
Bilateral Contracts	8		90	-91%
Spot Sales	238		187	27%
GRAND TOTAL	**246**		**277**	**-11%**
ASP in Php				
Bilateral Contracts	3.35		3.54	-5%
Spot Sales	2.72		4.38	-38%
Average ASP	**2.74**		**4.10**	**-33%**

Sales Volume

Bilateral Contracts	
Q1 2020 vs Q1 2019	Lower BCQ for Q1 '20 due to the expiration of AC Energy contract last June 2019 and no new contracts in 2020
Spot sales	
Q1 2020 vs Q1 2019	Higher spot sales due to higher excess energy sold to WESM brought about by expired BCQs, however, these were sold at lower prices

- Total energy sold was 100% sourced from own generation. SLPGC procured power for station use only.

III. FINANCE

A. Sales and Profitability

Revenues *(In million PhP)*

Before Eliminations

	Q1 2020	Q1 2019	Variance	Remarks
Coal	6,139	8,073	-24%	Lower sales volume by 17%; lower ASP by 16% respectively
SCPC	1,497	1,616	-7%	Increase in sales volume 23% did not significantly realized an increase in revenue due to the 25% decrease in ASP as a result of lower NewCastle price index and lower WESM prices in the current year. Spot sales volume constitute 24% of the total sales this quarter.
SLPGC	674	1,136	-41%	Decrease in sales volume by 11% as well as a decrease in ASP by 21% due to the downward trend of spot prices where 97% of the volume was sold to WESM
Others	29		100%	Revenue from electricity trading
Total	8,310	10,825	-23%	

After Eliminations

	Q1 2020	Q1 2019	Variance	Remarks
Coal	5,072	6,986	-27%	Decrease in volume sold and ASP by 17% and 16% respectively
SCPC	1,497	1,616	-7%	Increase in sales volume 23% did not significantly realized an increase in revenue due to the 25% decrease in ASP as a result of lower NewCastle price index and lower WESM prices in the current year. Spot sales volume constitute 24% of the total sales this quarter.
SLPGC	674	1,136	-41%	Decrease in sales volume by 11% as well as a decrease in ASP by 21% due to the downward trend of spot prices where 97% of the volume was sold to WESM
Others	29		100%	Revenue from electricity trading
Total	7,272	9,738	-25%	

Cost of Sales *(In million PhP)*

Before Eliminations

	Q1 2020	Q1 2019	Variance	Remarks
Coal	3,606	4,339	-17%	Decrease in volume sold and production cost particularly fuel price by 9% and 15% respectively
SCPC	1,236	1,545	-20%	Lower replacement power costs and lower fuel prices despite higher volume sold.
SLPGC	619	898	-31%	Lower volume sold and lower generation cost because of lower coal prices
Others	26		100%	Costs of electricity traded
Total	5,461	6,782	-19%	

After Eliminations

	Q1 2020	Q1 2019	Variance	Remarks
Coal	2,893	3,787	-24%	Decrease in volume sold and production cost particularly fuel price by 17% and 15% respectively
SCPC	999	1,277	-22%	Lower replacement power costs and lower fuel prices despite higher volume sold.
SLPGC	585	631	-7%	Lower volume sold and lower generation cost because of lower coal prices
Others	26		100%	Costs of electricity traded
Total	4,503	5,695	-21%	

Consolidated Gross Profit *(In million PhP)*

	Q1 2020	Q1 2019	Variance	Remarks
Coal	2,179	3,199	-32%	Lower sales volume by 17%; lower ASP by 16%; offset by lower cost of fuel
SCPC	498	339	47%	Negligible replacement power cost this quarter and lower margin on spot sales. Last year,
SLPGC	89	505	-82%	Lower volume sold and lower WESM prices vs LY
Others	3	-	100%	GP on electricity trading operations
Total	2,766	4,043	-32%	
GP %	38%	42%	-8%	

Consolidated OPEX *(In million PhP)*

	Q1 2020	Q1 2019	Variance	Remarks
Coal	864	1,198	-28%	Lower government royalty due to decline in profitability
SCPC	316	439	-28%	No more accelerated depreciation in the current year. Last year accelerated depreciation for unit 2 amounted to 165M.
SLPGC	365	223	64%	Increase due to increase in insurance premium rates, higher depreciation and maintenance cost due to ongoing Q1 maintenance
Others	4	-	100%	Pre-operating expenses of subsidiaries
Total	1,550	1,860	-17%	

Consolidated Finance Income *(In million PhP)*

	Q1 2020	Q1 2019	Variance	Remarks
Coal	14	1	1599%	Higher temporary cash placements
SCPC	(0)	1	-102%	Lower temporary cash placements
SLPGC	21	13	59%	Higher cash placements vs LY
Others	0	-	100%	Interest income on cash placements
Total	34	14	141%	

Consolidated Finance Charges *(In million PhP)*

	Q1 2020	Q1 2019	Variance	Remarks
Coal	96	138	-31%	Lower debt level; lower borrowing rates
SCPC	129	60	116%	Higher debt level;no significant increase in borrowing rates.
SLPGC	50	82	-39%	Decrease in interest rates and lower principal due to declining balance
Others	0	-	100%	Minimal bank charges
Total	275	280	-2%	

Consolidated Foreign Exchange Gain / (Loss) *(In million PhP)*

	Q1 2020	Q1 2019	Variance	Remarks
Coal	19	9	98%	Unrealized and realized Fx gain due to PhP depreciation; year-end 2019 FX- PhP50.65:USD1, Q1 2020 end FX- PhP51.044: USD1
SCPC	(0)	(2)	-80%	Realized loss on its foreign currency denominated transactions
SLPGC	0	0	0%	Realized loss on its foreign currency denominated transactions
Total	18	8	141%	

Consolidated Other Income *(In million PhP)*

	Q1 2020	Q1 2019	Variance	Remarks
Coal	0	21	-100%	No recorded other income this period vs last year Q1 recoveries of insurance claims
SCPC	22	15	54%	Higher fly ash sold
SLPGC	130	16	734%	Realized gain on contract for differences
Total	153	51	198%	

Consolidated NIBT *(In million PhP)*

	Q1 2020	Q1 2019	Variance	Remarks
Coal	1,251	1,894	-34%	Weaker performance and lower ASP due to declining Global prices
SCPC	74	(147)	-151%	Higher total plant generation. There were negligible replacement power this year.
SLPGC	(174)	229	-176%	Net loss results due to lower revenue brought about by lower generation plus lower ASP for WESM
Others	(2)	-	100%	Pre-operating expenses of Southeast Luzon and Claystone Inc
Total	1,150	1,976	-42%	

Consolidated Income Tax Provision *(In million PhP)*

	Q1 2020	Q1 2019	Variance	Remarks
Coal	2	0	1382%	Final tax on interest income from placements; With Income Tax Holiday on BOI-registered activity
SCPC	(48)	(124)	-61%	Loss incurred during the quarter.
SLPGC	4	3	62%	Final tax on interest income from placements and flyash sales; SLPGC has Income Tax Holiday as a BOI-registered enterprise
Others	0	(0)	100%	Minimal income tax on pre-operating income
Total	(42)	(122)	-65%	

NIAT (In million PhP)
Before Eliminations (Core Income)

	Q1 2020	Q1 2019	Variance	Remarks
Coal	1,603	2,429	-34%	Lower production and volume sold ASP offset by lower production cost significantly better fuel prices
SCPC	(114)	(290)	-61%	Improved plant performance.
SLPGC	(214)	(40)	429%	Net loss results due to lower revenue brought about by lower generation plus lower ASP for WESM
Others	(2)	(5)	-100%	Pre-operating expenses of Semirara Claystone Inc partially offet by minimal income on Scres electricity trading

After Eliminations (Consolidated)

	Q1 2020	Q1 2019	Variance	Remarks
Coal	1,249	1,894	-34%	Lower production and volume sold ASP offset by lower production cost significantly better fuel prices
SCPC	123	(22)	-648%	Higher total plant generation. There were negligible replacement power this year.
SLPGC	(178)	226	-179%	Net loss results due to lower revenue brought about by lower generation plus lower ASP for WESM
Others	(2)	(5)	-100%	Pre-operating expenses of Semirara Claystone Inc partially offet by minimal income on Sem-Calaca Res electricity trading
Total	**1,192**	**2,093**	**-43%**	

B. Solvency and Liquidity

The company's earnings before interest, taxes depreciation and amortization (EBITDA) reached PhP3.03 billion 25% lower than last year. After changes in working capital, cash provided by operation netted to PhP1.77 billion. With the consolidated loan availments amounted of PHP4.48 billion, representing Coal and SCPC bridge financing for working capital requirement. Combined with beginning Cash of PHP6.23 billion, total consolidated Cash available during the period stood at PHP12.72 billion.

Of the available cash, PHP1.04 billion was used to fund major CAPEX, mine development and other investments. The Company also paid cash dividend and serviced debts amounting to PhP5.30 billion and PHP1.69 billion respectively. Ending cash closed at PHP3.72 billion, a 42% decrease from the beginning cash.

Coal, SCPC, and SLPGC recorded ending cash of PHP1.81 billion, PHP920.80 million, and PHP902.10 million, respectively. Other pre-operating business closed with a total cash balance of PHP93.44 million.

Consolidated Current ratio decrease to 1.29 from 1.54x at the start of the year.

C. Financial Condition

ASSETS

Cash

	3/31/2020	12/31/2019	Variance	Remarks
Coal	1,805	3,244	-44%	Lower cash generation from operation, payment of dividend and capex and mine development
SCPC	921	269	242%	Timing of cash proceeds from short term borrowings for operations and collections from receivables.
SLPGC	902	2,855	-68%	Lower cash due to payment of Payables and 2 Billion cash dividend to Parent Company
Others	93	89	6%	Cash generation from electricity trading operations
Total	**3,722**	**6,457**	**-42%**	

Consolidated Receivables

	3/31/2020	12/31/2019	Variance	Remarks
Coal	1,261	945	33%	Mainly due to the timing of collection of receivables vis-à-vis decrease in cash because of the Enhanced Community Quarantine (ECQ)
SCPC	1,480	1,365	8%	Due to timing of collection at the end of month and delay in collection due to ECQ. Generation are also higher resulting to higher receivables.
SLPGC	900	1,309	-31%	Lower revenue in March 2020 offset by delayed collection of WESM power receivables
Others	10	22	-55%	SCRes receivable on electricity sold
Total	**3,651**	**3,642**	**0%**	

Consolidated Inventories

	3/31/2020	12/31/2019	Variance	Remarks
Coal	6,806	6,385	7%	Increase mainly due to higher coal inventory of 2.7 million tons valued at PhP1.71 billion; higher cost of materials, spare parts, major equipment components of PhP 4.38 billion and fuel and lubricants of PhP1.12 billion
SCPC	3,055	2,322	32%	Mainly increase in spares parts inventory for preventive and predictive maintenance program. Coal Inventory costs PhP140.0 million.
SLPGC	1,975	1,513	31%	Increase mainly due Coal at PhP 864 million and insurance spares; comprised of spare parts inventory for corrective, preventive and predictive maintenance program and other supplies amounting to PhP835 million; Diesel and Lubes at PhP161 million, Limestone and Chemicals at PhP115 milllion
Total	**11,836**	**10,220**	**16%**	

Consolidated Other Current Assets

	3/31/2020	12/31/2019	Variance	Remarks
Coal	1,328	863	54%	Mainly comprised of prepaid income taxes and advances to contractors and suppliers of spare parts and equipment amounting to Php415.74 million and Php912.53 million, respectively
SCPC	426	172	148%	Mainly comprised of advances to suppliers, prepaid tax and other prepaid expenses PhP105.48, PhP123.25 million and PhP153.38 million.
SLPGC	342	246	39%	Mainly comprised of input tax and prepaid rent and insurance amounting to PhP230.93 million and PhP111.10 million respectively
Total	**2,108**	**1,285**	**64%**	

Consolidated Total Current Assets

	3/31/2020	12/31/2019	Variance	Remarks
Coal	11,200	11,436	-10%	Please refer to above explanation
SCPC	5,882	4,129	-9%	
SLPGC	4,119	5,923	-23%	
Others	116	115	97%	
Total	**21,316**	**21,603**	**-12%**	

Consolidated PPE

	3/31/2020	12/31/2019	Variance	Remarks
Coal	11,393	10,725	6%	PhP805.00 million mining equipment and advance straipping asset of PhP952.00 million offset by the depreciation of PhP1.09 billion
SCPC	20,823	21,060	-1%	Capex of PhP135.40 million, offset by depreciation of PhP372.50 million
SLPGC	15,568	15,828	-2%	Capex of PhP95.00 million, offset by depreciation of PhP351.00 million
Others	17	17	0%	Miscellaneous asset of pre-operating subsidiaries
Total	**47,801**	**47,631**	**0%**	

Investment in JV

	3/31/2020	12/31/2019	Variance	Remarks
Coal	45	45	0%	Contribution to the Joint Venture
Total	**45**	**45**	**-2%**	

Consolidated Other Non-Current Assets

	3/31/2020	12/31/2019	Variance	Remarks
Coal	176	321	-45%	Comprised of VAT receivable from BIR, Software cost and right of use assets; The decrease pertain to the applied advance payment made to equipment orders
SCPC	1,509	1,461	3%	Mainly consists of right of use assets, advance payment for equipment acquisition and input tax amounting to PhP78.50 million, PhP748.18 and PhP681.45 million respectively ; The input tax was applied/offset against output tax.
SLPGC	215	254	-15%	Unrealized input VAT and advance payment for equipment acquisition for PhP90 million and PhP114 million respectively
Others	5	5	100%	Deposit for distribution wheeling service
Total	**1,905**	**2,042**	**-7%**	

Consolidated Deferred Tax Assets

	3/31/2020	12/31/2019	Variance	Remarks
Coal	197	197	0%	Mainly related to remeasurement losses on Pension Plan
SCPC	677	679	0%	Mainly related to provision for doubtful account and NOLCO.
SLPGC	13	13	0%	Mainly related to provision for doubtful account
Total	**887**	**888**	**0%**	

Consolidated Total Assets

	3/31/2020	12/31/2019	Variance	Remarks
Coal	23,010	22,725	1%	Please refer to above explanation
SCPC	28,891	27,329	6%	
SLPGC	19,915	22,006	-10%	
Others	138	137	1%	
Total	**71,954**	**72,197**	**0%**	

LIABILITIES

Accounts and Other Payables

	3/31/2020	12/31/2019	Variance	Remarks
Coal	6,016	5,073	19%	Slight increase merely in the timing of payment of payables mainly because of the ECQ
SCPC	2,547	2,358	8%	Slight increase merely in the timing of payment of payables mainly because of the ECQ
SLPGC	850	1,012	-16%	Slight decrease merely in the timing of payment of payables
Others	6	8	-22%	Pertain to SCRES electricity customer deposit
Total	**9,419**	**8,451**	**11%**	

Short-term Loans

	3/31/2020	12/31/2019	Variance	Remarks
Coal	2,000	-	100%	Temporary short-term financing for working capital
SCPC	3,150	2,070	52%	Availment of bridge financing for LEP and other operational needs.
Total	**5,150**	**2,070**	**100%**	

Current Portion of Long-term Debt

	3/31/2020	12/31/2019	Variance	Remarks
Coal	956	2,425	-61%	Payment of maturing LTD during the year but refinance with another long term loan (refer to non-current loans)
SCPC	385	-	0%	Comprised of maturing LTD within a year
SLPGC	659	649	1%	Comprised of maturing LTD within a year
Total	**2,000**	**3,074**	**-35%**	

Current Portion of Lease Liability

	3/31/2020	12/31/2019	Variance	Remarks
Coal	11	11	100%	Lease liabilty due within a year
SCPC	4	4	100%	Lease liabilty due within a year
Total	**14**	**14**	**100%**	

Total Current Liabilities

	3/31/2020	12/31/2019	Variance	Remarks
Coal	8,983	7,509	20%	Please refer to above explanation
SCPC	6,086	4,817	26%	
SLPGC	1,509	1,661	-9%	
Others	6	8	-22%	
Total	**16,584**	**13,995**	**18%**	

Long-Term Debt - Net of Current Portion

	3/31/2020	12/31/2019	Variance	Remarks
Coal	3,937	2,475	59%	Loans maturing this period were refinance with a long term loan
SCPC	7,200	7,271	-1%	Payment of quarterly amortization
SLPGC	3,174	3,322	-4%	Payment of quarterly amortization
Total	**14,312**	**13,068**	**10%**	Decrease due to debt repayments

Pension Liability

	3/31/2020	12/31/2019	Variance	Remarks
Coal	304	272	12%	Accrual of pension obligation
SCPC	9	9	4%	Accrual of pension obligation
SLPGC	16	14	12%	Accrual of pension obligation
Total	**329**	**295**	**12%**	

Provision for Site Rehabilitation

	3/31/2020	12/31/2019	Variance	Remarks
Coal	500	500	0%	Provision for mine rehabilitation and plant decommissioning
SCPC	18	18	0%	Provision for plant decommissioning
SLPGC	5	5	0%	Provision for plant decommissioning
Total	**523**	**523**	**0%**	

Other *Long-Term Liabilities*

	3/31/2020	12/31/2019	Variance	Remarks
Coal	62	62	0%	Lease liabilities non-current portion
SCPC	31	31	0%	Lease liabilities non-current portion
Total	**93**	**93**	**0%**	

Total Non-Current Liabilities

	3/31/2020	12/31/2019	Variance	Remarks
Coal	4,804	3,309	45%	Please refer to above explanation
SCPC	58	58	1%	
SLPGC	7,221	7,290	-1%	
Others	3,174	3,322	-4%	
Total	**15,257**	**13,979**	**9%**	

Total Liabilities

	3/31/2020	12/31/2019	Variance	Remarks
Coal	13,787	10,818	27%	Please refer to above explanation
SCPC	6,144	4,875	26%	
SLPGC	8,730	8,951	-2%	
Others	3,180	3,330	-4%	
Total	**31,840**	**27,973**	**14%**	

EQUITY

Capital Stock

	3/31/2020	12/31/2019	Variance	Remarks
Coal (Parent)	4,265	4,265	0%	No movement

Additional Paid-in Capital

	3/31/2020	12/31/2019	Variance	Remarks
Coal (Parent)	6,676	6,676	0%	No movement

Treasury Shares

	3/31/2020	12/31/2019	Variance	Remarks
Coal (Parent)	740	740	0%	Purchase of 3.46 million SCC shares in 2016, 2.7 million shares in 2017 and 7.8 million shares in 2018

Remeasurement Gain / (Losses) on Pension Plan

	3/31/2020	12/31/2019	Variance	Remarks
Coal	(96)	(96)	0%	Actuarial valuation adjustment on pension plan
SCPC	4	4	0%	Actuarial valuation adjustment on pension plan
SLPGC	(6)	(6)	0%	Actuarial valuation adjustment on pension plan
Total	**(98)**	**(98)**	**0%**	

Retained Earnings / (Losses)

	3/31/2020	12/31/2019	Variance	Remarks
Coal	18,067	18,749	-4%	Cash dividend payment offset by net income earned during the period
SCPC	6,188	6,765	-9%	Loss incurred during the period
SLPGC	5,967	8,827	-32%	Loss incurred during the period and payment of cash dividend
Others	(210)	(208)	1%	Expenses of pre-operating subsidiaries
Total	**30,012**	**34,133**	**-12%**	

IV. PERFORMANCE INDICATORS:

1. **Net Income After Tax** – Strong operating performance cushioned the decline in consolidated net income by 43% as coal and power ASP went down by 16% and 27% respectively.

2. **Dividend Payout** – Increase in unrestricted retained earnings and high liquidity. The Company declared regular cash dividend of PhP1.25 per share on 28 February 2020 paid on 27 March 2020.

3. **Debt-to-Equity Ratio** –DE is at 0.79x at the end of the quarter after the cash dividend declaration.

4. **EBITDA Margin** – At 40% slightly dropped by 3% despite the significant decline in coal and power prices.

5. **Current Ratio** – Cash position remains healthy despite cash dividend payment. The Company's internal current ratio threshold is at least 1.00, end-of-the-period current ratio is 1.29:1.

PART II OTHER INFORMATION

Other disclosures:

a. The Group's operation is not cyclical in nature or seasonal. Mining activities is continuous throughout the year;

b. There were no issuances, repurchases, and repayments of debt in equity securities which transpired during the quarter;

c. There are no subsequent events, that came to our knowledge, which are material enough to warrant an adjustment in the consolidated financial statements;

d. The Group has no contingent assets nor liabilities known as of financial position date. The case on the wholesale electricity supply market (WESM) prices for November and December 2013 is still pending before the Supreme Court (SC) and the Energy Regulatory Commission (ERC).

PART III SIGNATURES

Pursuant to the requirement of the Revised Securities **Code**, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **SEMIRARA MINING AND POWER CORPORATION**

Signature and Title:

MARIA CRISTINA C. GOTIANUN
President & Chief Operating Officer
(Principal Executive and Operating Officer)
Date: May 14, 2020

JUNALINA S. TABOR
Chief Finance Officer
(Principal Financial Officer)
Date: May 14, 2020

LEANDRO D. COSTALES
Comptroller
(Principal Accounting Officer)
Date: May 14, 2020

PART IV
ANNEX A

AGING OF ACCOUNTS RECEIVABLE
AS OF 31 MARCH 2020

	TOTAL	Current	2 - 3 Mon	4 - 6 Mon	7 Mon - 1 Yr	Allow for DA
A. AR TRADE RECEIVABLES						
COAL						
EXPORT	509,411	478,849	-	1	30,560	36,113
SLTEC	191,536	70,034	121,189	-	313	-
HOLCIM	74,197	25,371	48,549	-	276	-
CEDC	100,860	100,860	-	-	-	-
ECC	68,882	27,655	41,226	-	-	-
RCC	3,967	-	3,967	-	-	-
PEDC	108,943	102,076	6,867	-	-	-
TPC	54,736	34,928	-	19,807	-	-
JPC	119,232	40,579	78,653	-	-	-
MPC	38,727	-	38,727	-	-	-
VTPI	27,326	27,326	-	-	-	-
APO	10,885	-	-	10,885	-	-
SLM	8,860	8,860	-	-	-	-
KCCI	31,876	31,876	-	-	-	-
POWER						
PEMC	1,091,788	277,043	-	-	814,745	828,992
MERALCO	947,691	579,647	-	-	368,044	-
IEMOP	712,609	487,893	79,044	145,672	-	-
VANTAGE	139,697	139,632	-	-	64	-
AC ENERGY	68,222	68,222	-	-	-	-
PSALM	53,524	-	-	-	53,524	-
TRANSPACIFIC	52,885	13,081	15,606	24,199	-	-
POZZOLANIC	29,514	16,134	13,010	121	250	-
ECSCO	7,834	1,704	1,812	1,054	3,264	-
KRATOS	4,301	4,301	-	-	-	-
MERIDIANX	1,764	1,764	-	-	-	-
OTHERS	-	-	-	-	-	-
	4,459,266	**2,537,835**	**448,651**	**201,739**	**1,271,041**	**865,104**
Less: Allowance for doubtful account	865,104					
	3,594,161					
B. NON - TRADE RECEIVABLES						
COAL	-	-				
Advances-For liquidation	9,956	9,956				
others	4,768	4,768				
POWER		-				
Advances-For liquidation	2,137	2,137				
Advances-SSS Claims	272	272				
Other receivables	2,372	2,372				
	19,504	**19,504**				
Less: Allowance for D/A-AR Others	5,815					
Net NON - TRADE RECEIVABLE	**13,689**					
C. DUE FROM AFFILIATED CO.	42,874					
NET RECEIVABLES (A + B + C))	**3,650,724**					

in 000

ANNEX B

SEMIRARA MINING AND POWER CORPORATION
FINANCIAL RISK MANAGEMENT DISCLOSURES
As of March 31, 2020

The Group has various financial assets such as cash and cash equivalents, receivables, 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
- WESM price risk - movement of WESM price for energy
- 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 March 31, 2020 and December 31, 2019.

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):

	03/31/2020	12/31/2019
Domestic Market	49.25%	78.54%
Export Market	50.75%	21.46%
as a percentage of total coal sales volume		

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 March 31, 2020 and December 31, 2019 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 1-year historical price movements in 2019 and 2018.

	Effect on income before income tax	
Change in coal price	**03.31.2020**	12.31.2019
Based on ending coal inventory		
Increase by 39% in 2020 and 27% in 2019	**1,574,044,900**	302,989,128
Decrease by 39% in 2020 and 27% in 2019	**(1,574,044,900)**	(302,989,128)
Based on coal sales volume		
Increase by 39% in 2020 and 27% in 2019	**2,446,106,300**	3,422,916,272
Decrease by 39% in 2020 and 27% in 2019	**(2,446,106,300)**	(3,422,916,272)

Price Risk
This is the risk relating to the movement of WESM and its impact to the derivatives arising from the contract of differences.

The following table demonstrates the sensitivity to a reasonably possible change in WESM prices compared to the strike price of P3.75 and P3.75 in 2020 and 2019, respectively, with all variables held constant of the Group's income before taxes.

	Movement in average WESM price	Increase (decrease) in financial assets at FVPL
2020	**+2%**	**₱691,849**
	-2%	**(691,849)**
2019	+2%	(1,069,563)
	-2%	219.900

Interest Rate Risk
The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term 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.

The following table demonstrates the sensitivity of the Group's income before tax to a reasonably possible change in interest rates on March 31, 2020 and December 31, 2019, with all variables held constant, through the impact on floating rate borrowings.

	March 31, 2020						
	Interest	Within 1 year	1-2 years	2-3 years	3-4 years	More than 4 years	Carrying Value
				(In Thousands)			
Cash in banks and cash equivalents	1.1% to 4.1%	3,721,565	-	-	-	-	3,721,565
Short-term Loan							
5,150 million loan (PHP)	4.5-5.1337%	5,150,000					5,150,000
Peso long-term debt at floating rate							
a. 1,400 million loan (PHP)	Floating rate to be repriced every 3 months	1,400,000			-	-	1,400,000
b. 750.00 million loan (PHP)	Floating rate to be repriced every 3 months	750,000		-	-	-	750,000
c. 2,750.00 million loan (PHP)	Fixed annual interest rate of 4.57 to be repriced after 3 years	206,250	275,000	1,512,500	137,500	550,000	2,681,250
d. 7,700.00 million loan (PHP)	Fixed annual interest rate of 4.9% per annum	689,214	1,467,714	1,467,714	1,467,714	2,536,214	7,628,571
e. 4,000.00 million loan (PHP)	Fixed annual interest rate of 5.00-5.13% per annum	727,154	842,813	840,645	838,364	567,722	3,816,698
		8,922,618	**2,585,527**	**3,820,859**	**2,443,578**	**3,653,937**	**21,426,519**

	December 31, 2019						
	Interest	Within 1 year	1-2 years	2-3 years	3-4 years	More than 4 years	Carrying Value
				(In Thousands)			
Cash in banks and cash equivalents	1.10% to 7.50%	6,457,085	-	-	-	-	6,457,085
Short-term Loan							
2,070 million loan (PHP)	4.5-5.1337%	2,070,000					2,070,000
Peso long-term debt at floating rate							
a. 1,400 million loan (PHP)	Floating rate to be repriced every 3 months	1,400,000			-	-	1,400,000
b. 750.00 million loan (PHP)	Floating rate to be repriced every 3 months	750,000		-	-	-	750,000
c. 2,750.00 million loan (PHP)	Fixed annual interest rate of 4.57 to be repriced after 3 years	275,000	275,000	1,512,500	137,500	550,000	2,750,000
d. 3,000.00 million loan (PHP)	Fixed annual interest rate of 4.9% per annum		744,312	747,968	748,719	749,506	2,990,505
e. 4,000.00 million loan (PHP)	Fixed annual interest rate of 5.00-5.13% per annum	649,188	826,835	829,161	939,972	725,620	3,970,775
f. 2,700.00 million loan (PHP)	Fixed annual interest rate of 4.88% per annum	104,330	428,824	429,341	429,884	1,293,200	2,685,579
g. 2,000.00 million loan (PHP)	Fixed annual interest rate of 4.88% per annum	280,915	281,316	282,023	282,766	853,155	1,980,175
		5,529,434	2,556,287	3,800,992	2,538,841	4,171,481	18,597,035

The following table demonstrates the sensitivity of the Group’s income before tax to a reasonably possible change in interest rates on March 31, 2020 and December 31, 2019, with all variables held constant, through the impact on floating rate borrowings.

	Effect on income before income tax Increase (decrease)	
Basis points (in thousands)	**31.03.2020**	31.12.2019
+100	**(₱214,265)**	(₱10,438)
-100	**214,265**	10,438

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 March 31, 2020 and December 31, 2019 based on undiscounted contractual payments:

March 31, 2020	**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**
Cash and cash equivalents	3,721,565					3,721,565
Receivables						
						-
Trade - outside parties	4,459,266		-	-	-	4,459,266
Trade - related parties	42,874					42,874
Others	14,465					14,465
Environmental guarantee fund					3,520	3,520
	8,238,170	-	-	-	3,520	8,241,690
Trade and other payables						
Trade	6,349,404	-	-	-	-	6,349,404
Accrued expenses and other payables	1,322,042	-	-	-	-	1,322,042
Due to related parties	992	-	-	-	-	992
Short term loans	5,150,000	-	-	-	-	5,150,000
Lease Liability	7,086	7,086	13,218	14,367	65,781	107,538
Peso Long-term debt with interest payable in arrears						-
PhP 2,750 million loan	70,322	140,645	287,579	1,581,682	718,946	2,799,173
PhP 1,400 million loan		58,785	470,284	235,142	705,425	1,469,636
PhP 750 million loan	764,813					764,813
PhP 4,000 million loan	324,594	324,594	826,835	829,161	1,665,592	3,970,775
PhP 3,000 million loan			744,312	747,968	1,498,225	2,990,505
PhP 2,700 million loan	52,165	52,165	428,824	429,341	1,723,084	2,685,579
PhP2,000 million loan	140,458	140,458	281,316	282,023	1,135,921	1,980,175
	14,181,875	723,733	3,052,367	4,119,682	7,512,975	29,590,632
(in Php000)	(5,943,705)	(723,733)	(3,052,367)	(4,119,682)	(7,509,455)	(21,348,942)

December 31, 2019						
Financial Assets						-
Cash in banks and cash equivalents	6,457,085	-	-	-	-	6,457,085
Receivables	-	-	-	-	-	-
Trade :	-	-	-	-	-	-
Outside parties	1,852,136	-	-	-	1,564,439	3,416,575
Related parties	120,559	-	-	-	-	120,559
Others*	74,160	-	-	-	5,815	79,975
Environmental guarantee fund	-	-	-	-	3,520	3,520
	8,503,940	-	-	-	1,573,774	10,077,714
Trade and other payables						
Trade:						-
Payable to suppliers and contractors	5,747,420	-	-	-	-	5,747,420
Related parties	551,595	-	-	-	-	551,595
Accrued expenses and other payables**	584,907	-	-	-	-	584,907
Short terms loans	2,070,000					2,070,000
Lease Liability	7,086	7,086	13,218	14,367	65,781	107,538
Peso Long-term debt with interest payable in arrears						
PhP 2,750 million loan	137,500	137,500	275,000	1,512,500	687,500	2,750,000
PhP 1,400 million loan	1,400,000					1,400,000
PhP 750 million loan		750,000				750,000
PhP 4,000 million loan	324,594	324,594	826,835	829,161	1,665,592	3,970,775
PhP 3,000 million loan			744,312	747,968	1,498,225	2,990,505
PhP 2,700 million loan	52,165	52,165	428,824	429,341	1,723,084	2,685,579
PhP2,000 million loan	140,458	140,458	281,316	282,023	1,135,921	1,980,175
	11,015,725	1,411,802	2,569,505	3,815,359	6,776,104	25,588,495
(in Php000)	(2,511,785)	(1,411,802)	(2,569,505)	(3,815,359)	(5,202,329)	(15,510,781)

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, 49.25% and 66.38% of the Group's sales as of March 31, 2020 and December 31, 2019, respectively, were denominated in US$ whereas approximately 12.04% and 4.57% of debts as of March 31, 2020 and December 31, 2018, respectively, were denominated in US$.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents follows:

		March 31, 2020		December 31, 2019	
		U.S. Dollar	**Peso Equivalent**	U.S. Dollar	Peso Equivalent
Assets					
Cash and cash equivalents	$	**28,603,607**	**1,449,630,785**	44,695,558	2,263,383,058
Trade receivables		**10,051,514**	**509,410,753**	3,935,590	199,298,266
	$	**38,655,121**	**1,959,041,538**	48,631,148	2,462,681,324
Liabilities					
Trade payables	$	**(18,747,596)**	**(950,128,184)**	(45,030,082)	(2,280,323,347)
	$	**(35,911,303)**	**(1,829,596,527)**	(45,030,082)	(2,280,323,347)
Net foreign currency denominated assets (liabilities)	$	**74,566,424**	**3,788,638,065**	$ 3,601,066	182,357,977

The spot exchange rates used in March 31, 2020 and December 31, 2019 were P50.68 and P50.64 to US$1 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) on March 31, 2020 and December 31, 2019.

Reasonably possible change in the Philippine Peso-US$ exchange rate	Increase (decrease) in income before income tax	
	03.31.2020	12.31.2019
₱2	**(₱149,132,849)**	(₱7,202,132)
(2)	**149,132,849**	7,202,132

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.

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:

	09.30.2019	12.31.2018
Trade receivables - outside parties	**98.62%**	95.00%
Trade receivables - related parties	**0.95**	02.89
Others	**0.43**	2.11
	100.00	100.00

As of March 31, 2020 and December 31, 2019, the credit quality per class of financial assets is as follows:

	03.31.2020				
	Neither Past Due nor Impaired		Substandard Grade	Past due and/or Individually Impaired	Total
	Grade A	Grade B			
Cash in banks and cash equivalents	3,721,565	-	-	-	3,721,565
Receivables:					-
Trade receivables - outside parties	2,537,835	650,390	-	1,271,041	4,459,266
Trade receivables - related parties	42,874	-	-	-	42,874
Others	13,689	-	-	5,815	19,504
Environmental guarantee fund	3,520	-	-	-	3,520
					-
Total	**6,319,484**	**650,390**	**-**	**1,276,856**	**8,246,729**

	12.31.2019				
	Neither Past Due nor Impaired		Substandard	Past due and/or Individually	
	Grade A	Grade B	Grade	Impaired	Total
Cash in banks and cash equivalents	6,452,905				6,452,905
Receivables:					-
Trade receivables - outside parties	3,094,160			1,856,861	4,951,022
Trade receivables - related parties	150,552				150,552
Others	79,975			5,815	85,790
Environmental guarantee fund	3,520				3,520
Total (000)	**9,781,112**	**-**	**-**	**1,862,676**	**11,643,788**

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 receivable - related parties are considered Grade A due to the Group's positive collection experience. 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 March 31, 2020 and December 31, 2019, the aging analyses of the Group's past due and/or impaired receivables presented per class are as follows:

	03.31.2020			
	Past Due but not Impaired		**Impaired Financial**	
	<45 days	**45-135 days**	**Assets**	**Total**
Receivables				
Trade receivables - outside parties	650,390	-	1,271,041	1,921,430
Others	-	-	5,815	5,815
Total (000)	**650,390**	**-**	**1,276,856**	**1,927,246**

	12.31.2019			
	Past Due but not Impaired		**Impaired Financial**	
	<45 days	**45-135 days**	**Assets**	**Total**
Receivables				
Trade receivables - outside parties	146,338	146,084	1,564,439	1,856,861
Others			5,815	5,815
Total (000)	**146,338**	**146,084**	**1,570,254**	**1,862,676**

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 March 31, 2020 and December 31, 2019

	03/31/2020	12/31/2019
Interest Bearing Loan	**21,461,814,565**	14,596,796,383
Total equity	**40,114,389,826**	39,932,686,604
Debt to Equity Ratio	**53.50%**	36.55%
EPS	**(1.66)**	2.83
DE Ratio	**0.79**	0.78

The aggressive expansion and investment strategies of the Group resulted to higher Debt-to-Equity ratios in March 31, 2020 and December 31, 2019. 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 following table shows the component of the Group's capital as of March 31, 2020 and December 31, 2019:

	03/31/2020	12/31/2019
Total paid-up capital	**10,940,136,701**	10,940,136,701
Remeasurement losses on pension plan	**(98,388,950)**	(98,388,950)
Retained earnings - unappropriated	**24,712,168,752**	28,833,678,689
Retained earnings - appropriated	**5,300,000,000**	5,300,000,000
Treasury Shares	**(739,526,678)**	(739,526,678)
	40,114,389,825	44,235,899,763

<u>Fair Values</u>

Fair Value Information

Cash and cash equivalents, receivables, environmental guarantee 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.

Financial asset at FVPL

The fair value of the derivative was determined using the market data approach, Monte Carlo simulation valuation which is categorized within level 3 of the fair value hierarchy.

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. In 2020 and 2019, interest rate ranges from 0.50% to 5.01% and 1.26% to 4.90%, 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 dataThere has been no reclassification from Level 1 to Level 2 or 3 category in 2020 and 2019.

ANNEX C
COMPARATIVE FINANCIAL SOUNDNESS INDICATORS
As of March 31, 2020 and 2019

	2020	**2019**
i. Liquidity ratios:		
Current ratio	1.29	1.12
Quick ratio	0.57	0.55
ii. Leverage ratios:		
Debt-to-equity ratio (interest bearing loan/equity)	0.54	0.51
Debt-to-equity ratio (total debt/equity)	0.79	0.93
Interest coverage ratio	4.19	7.89
iii. Management ratios:		
Accounts receivable turnover ratio	1.99	1.57
Return on assets ratio	2%	3%
Return on equity ratio	3%	6%
iv. Asset-to-equity ratio	1.79	1.93
v. Profitability ratios:		
Gross margin ratio	0.38	0.42
Net profit margin ratio	0.16	0.24
vi. Solvency ratios		
Current liabilities to net worth ratio	41%	65%
Total liabilities to net worth ratio	79%	93%