

0000091447

SEMIARRA MINING AND POWER
CORPORATION

(Company's Full Name)

2nd Floor DMCI PLAZA
2281 DON CHINO ROCE S AVENUE
MAKATI CITY

Carla Cristina T. Levina

(Contact Person)

888-3000

(Company Telephone Number)

12 31
Month Day

(Fiscal Year)

17 - Q

(Form Type)

Month Day

(Annual Meeting)

(Secondary License Type, If Applicable)

MSRD

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

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

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

8888-3055
Telephone Number

For the Period Ended 30 June 2024
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 ended **30 June 2024**
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 8888-3055

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
<u>Common Stock, P1.00 par value</u>	<u>4,250,547,620 shares</u>

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 AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	June 30, 2024 Unaudited	December 31, 2023 Audited
ASSETS		
Current Assets		
Cash and cash equivalents	₱13,937,314,479	₱18,986,929,983
Receivables	11,065,497,654	10,766,377,921
Inventories	14,149,847,212	14,589,493,550
Other current assets	805,431,212	1,079,475,886
	39,958,090,557	45,422,277,340
Asset held-for-sale	–	713,218,205
Total Current Assets	39,958,090,557	46,135,495,545
Noncurrent Assets		
Property, plant and equipment	36,815,439,949	37,517,566,474
Deferred tax assets – net	696,499,362	767,660,407
Other noncurrent assets	580,398,309	707,720,553
Total Noncurrent Assets	38,092,337,620	38,992,947,434
	₱78,050,428,177	₱85,128,442,979
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables	₱12,561,503,505	₱15,283,074,979
Current portion of long-term debt	3,133,126,957	4,099,734,888
Current portion of lease liabilities	3,240,687	13,528,185
Total Current Liabilities	15,697,871,149	19,396,338,052
Noncurrent Liabilities		
Long-term debt – net of current portion	1,460,496,114	2,626,597,661
Lease liabilities – net of current portion	46,866,774	44,031,883
Provision for decommissioning and site rehabilitation costs	353,871,687	353,871,687
Pension liabilities	355,177,784	281,932,125
Other noncurrent liabilities	44,742,806	47,692,881
Total Noncurrent Liabilities	2,261,155,165	3,354,126,237
Total Liabilities	17,959,026,314	22,750,464,289
Equity		
Capital stock	4,264,609,290	4,264,609,290
Additional paid-in capital	6,675,527,411	6,675,527,411
Retained earnings	50,065,090,299	52,351,667,126
Net remeasurement losses on pension plan	(174,298,459)	(174,298,459)
Treasury shares	(739,526,678)	(739,526,678)
Total Equity	60,091,401,863	62,377,978,690
	₱78,050,428,177	₱85,128,442,979

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	For the period		For the quarter	
	Jan to Jun 2024	Jan to Jun 2023	Apr to Jun 2024	Apr to Jun 2023
REVENUES				
Coal	₱23,882,004,533	₱29,939,791,919	₱11,243,482,589	₱16,956,684,523
Power	12,712,192,413	14,633,437,730	6,924,652,738	6,908,764,208
	36,594,196,946	44,573,229,649	18,168,135,327	23,865,448,731
COSTS OF SALES				
Coal	12,447,923,045	10,839,040,598	6,164,143,517	6,879,817,659
Power	4,739,081,933	4,626,342,781	2,423,791,946	2,202,020,480
	17,187,004,978	15,465,383,379	8,587,935,463	9,081,838,139
GROSS PROFIT	19,407,191,968	29,107,846,270	9,580,199,864	14,783,610,592
OPERATING EXPENSES	(5,993,744,427)	(8,559,809,918)	(2,813,656,381)	(4,211,203,765)
INCOME FROM OPERATIONS	13,413,447,541	20,548,036,352	6,766,543,483	10,572,406,827
OTHER INCOME (CHARGES)				
Finance income	509,113,328	522,676,541	207,157,443	280,674,643
Finance costs	(221,203,936)	(314,861,837)	(101,153,177)	(168,600,793)
Foreign exchange gains (losses) - net	17,310,107	(264,237,361)	(61,062,185)	165,048,881
Other income - net	225,550,469	236,944,216	94,103,295	115,776,889
	530,769,968	180,521,559	139,045,376	392,899,620
INCOME BEFORE INCOME TAX	13,944,217,509	20,728,557,911	6,905,588,859	10,965,306,447
PROVISION FOR INCOME TAX	1,353,877,667	1,513,957,839	853,003,863	780,063,495
NET INCOME	12,590,339,842	19,214,600,072	6,052,584,996	10,185,242,952
OTHER COMPREHENSIVE INCOME	—	—	—	—
TOTAL COMPREHENSIVE INCOME	₱12,590,339,842	₱19,214,600,072	₱6,052,584,996	₱10,185,242,952
Basic/Diluted Earnings per Share	₱2.96	₱4.52	₱1.42	₱2.40

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

			<u>Retained Earnings</u>				
	Capital Stock	Additional Paid-in Capital	Unappropriated	Appropriated	Net Remeasurement Losses on Pension Plan	Treasury Shares	Total
For the Period Ended June 30, 2024							
Balances as of January 1, 2024	₱4,264,609,290	₱6,675,527,411	₱45,551,667,128	₱6,800,000,000	(₱174,298,459)	(₱739,526,678)	₱62,377,978,692
Comprehensive income							
Net income	–	–	12,590,339,841	–	–	–	12,590,339,841
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income	–	–	12,590,339,841	–	–	–	12,590,339,841
Cash dividends declared	–	–	(14,876,916,670)	–	–	–	(14,876,916,670)
Balances as of June 30, 2024	₱4,264,609,290	₱6,675,527,411	₱43,265,090,299	₱6,800,000,000	(₱174,298,459)	(₱739,526,678)	₱60,091,401,863
For the Period Ended June 30, 2023							
Balances as of January 1, 2023	₱4,264,609,290	₱6,675,527,411	₱47,372,204,129	₱6,800,000,000	(₱120,416,244)	(₱739,526,678)	₱64,252,397,908
Comprehensive income							
Net income	–	–	19,214,600,073	–	–	–	19,214,600,073
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income	–	–	19,214,600,073	–	–	–	19,214,600,073
Cash dividends declared	–	–	(14,875,563,240)	–	–	–	(14,875,563,240)
Balances as of June 30, 2023	₱4,264,609,290	₱6,675,527,411	₱51,711,240,962	₱6,800,000,000	(₱120,416,244)	(₱739,526,678)	₱68,591,434,741

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Periods Ended June 30	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱13,944,217,509	₱20,728,557,911
Adjustments for:		
Depreciation and amortization	3,404,152,235	3,080,020,227
Finance costs	221,203,936	314,861,837
Net unrealized foreign exchange losses (gains)	(17,310,107)	264,237,361
Finance income	(509,113,328)	(522,676,541)
Operating income before changes in operating assets and liabilities	17,043,150,245	23,865,000,795
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	(299,119,733)	2,121,916,153
Other current assets	274,044,674	88,116,548
Inventories	439,646,338	(651,984,245)
Increase (decrease) in trade and other payables	(1,771,649,630)	1,872,269,368
Cash generated from operations	15,686,071,894	27,295,318,619
Interest received	509,113,328	522,676,541
Income taxes paid	(1,055,820,831)	(1,883,940,588)
Interest paid	(147,934,154)	(234,878,071)
Net cash provided by operating activities	14,991,430,237	25,699,176,501
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(3,224,040,033)	(2,086,232,290)
Decrease in other noncurrent assets	198,483,289	88,306,340
Net cash used in investing activities	(3,025,556,744)	(1,997,925,950)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of loans	(2,138,457,143)	(1,350,957,143)
Payment of dividends	(14,876,916,670)	(14,875,563,240)
Decrease in noncurrent liabilities	(115,184)	(6,100,102)
Net cash used in financing activities	(17,015,488,997)	(16,232,620,485)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,049,615,504)	7,468,630,066
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	18,986,929,983	20,056,558,463
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱13,937,314,479	₱27,525,188,529

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Semirara Mining and Power Corporation (SMPC or the Parent Company) is a corporation incorporated in the Philippines on February 26, 1980. The Parent Company's registered and principal office address is at 2/F DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City. The Parent Company's shares of stock are listed and currently traded at the Philippine Stock Exchange (PSE). The Parent Company is a 56.65%-owned subsidiary of DMCI Holdings, Inc. (DMCI-HI), a publicly-listed entity in the Philippines and its ultimate parent company.

The Parent Company and its subsidiaries are collectively referred to herein as "the Group".

The Group's primary purpose is to search for, prospect, explore, dig and drill, mine, exploit, extract, produce, mill, purchase or otherwise acquire, store, hold transport, use experiment with, market, distribute, exchange, sell and otherwise dispose of, import, export and handle, trade, and generally deal in, ship coal, coke, and other coal products of all grades, kinds, forms, descriptions and combinations and in general the products and by-products which may be derived, produced, prepared, developed, compounded, made or manufactured there; to acquire, own, maintain and exercise the rights and privileges under the coal operating contract within the purview of Presidential Decree No. 972, "The Coal Development Act of 1976", and any amendments thereto and to acquire, expand, rehabilitate and maintain power generating plants, develop fuel for generation of electricity and sell electricity to any person or entity through electricity markets, among others.

2. Summary of Significant Accounting Policies

Basis of Preparation

The interim unaudited condensed consolidated financial statements of the Group have been prepared in accordance with Philippine Accounting Standards (PAS) 34, Interim Financial Reporting. Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and disclosures required in the annual audited financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2023.

The interim unaudited condensed 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 (₱). All amounts are rounded off to the nearest Peso, except for earnings per share and par value information or unless otherwise indicated.

Statement of Compliance

The interim unaudited condensed consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by Philippine Interpretations Committee (PIC).

Basis of Consolidation

The interim unaudited condensed consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries (which are all incorporated in the Philippines) as of June 30, 2024 and December 31, 2023:

Entity	Rate of Ownership
Sem-Calaca Power Corporation (SCPC)	100.00 %
Sem-Calaca RES Corporation (SCRC) ¹	100.00
Southwest Luzon Power Generation Corporation (SLPGC)	100.00
SEM-Cal Industrial Park Developers, Inc. (SIPDI)	100.00
Semirara Materials and Resources, Inc. (SMRI) ²	100.00
Semirara Energy Utilities, Inc. (SEUI)	100.00
Southeast Luzon Power Generation Corporation (SELPGC)	100.00
St. Raphael Power Generation Corporation (SRPGC) ³	100.00
Sem-Calaca Ports Facilities, Inc. (SPFI) ⁴	100.00

¹ Wholly owned subsidiary of SCPC. Started commercial operations on August 29, 2018.

² Formerly Semirara Claystone, Inc. (SCI).

³ Previously accounted as an investment in a joint venture. In 2020, SMPC entered into a deed of assignment for acquisition of remaining 50% ownership interest in SRPGC. The acquisition of SRPGC was accounted for as an asset acquisition (Note 3)

⁴ Wholly owned subsidiary of SCPC. Incorporated on December 20, 2022.

Change in Corporate Name of Semirara Claystone, Inc.

On April 15, 2022, SEC approved the change in name of Semirara Claystone, Inc. (SCI) to Semirara Materials and Resources, Inc. (SMRI).

Incorporation of Sem-Calaca Ports Facilities, Inc.

Sem-Calaca Ports Facilities, Inc. (SPFI) was incorporated on December 20, 2022 and is 100% owned by Sem-Calaca Power Corporation, a wholly owned subsidiary of SMPC. The Company is organized primarily to manage, operate and develop the ports in the Philippines.

Except for SCPC, SLPGC and SCRC, all other subsidiaries have not yet started commercial operations as of June 30, 2024.

The interim unaudited condensed 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

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,
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

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.

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.

Asset Acquisitions

To assess whether a transaction is the acquisition of a business, the Group applies first a quantitative concentration test (also known as a screening test). The Group is not required to apply the test but may elect to do so separately for each transaction or other event. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is required. Otherwise, or if the Group elects not to apply the test, the Group will perform the qualitative analysis of whether an acquired set of assets and activities includes at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

If the assets acquired and liabilities assumed in an acquisition transaction do not constitute a business as defined under PFRS 3, the transaction is accounted for as an asset acquisition. The Group identifies and recognizes the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets) and liabilities assumed. The acquisition cost is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such transaction or event does not give rise to goodwill. Where the Group acquires a controlling interest in an entity that is not a business, but obtains less than 100% of the entity, after it has allocated the cost to the individual assets acquired, it notionally grosses up those assets and recognizes the difference as noncontrolling-interests.

When the Group obtains control over a previously held joint operation, and the joint operation does not constitute a business, the transaction is also accounted for as an asset acquisition which does not give rise to goodwill. The acquisition cost to obtain control of the joint operation is allocated to the individual identifiable assets acquired and liabilities assumed, including the additional share of any assets and liabilities previously held or incurred jointly, on the basis of their relative fair values at the date of purchase. Previously held assets and liabilities of the joint operation should remain at their carrying amounts immediately before the transaction.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year, except for the adoption of the following new accounting pronouncements starting January 1, 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's consolidated financial statements.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*

The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.

Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after January 1, 2023.

The amendments had no impact on the Group's consolidated financial statements as the Group is not in scope of the Pillar Two model rules.

Standards Issued but not yet Effective

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 intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify:

- That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Group is currently assessing the impact of adopting these amendments.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

This amendment has no impact to the Group's consolidated financial statements.

- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier adoption is permitted and that fact must be disclosed.

These amendments are not expected to have a material impact on the Group's consolidated financial statements.

Effective beginning on or after January 1, 2025

- **PFRS 17, *Insurance Contracts***

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

This standard is not applicable to the Group.

- **Amendments to PAS 21, *Lack of exchangeability***

The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted and that fact must be disclosed. When applying the amendments, an entity cannot restate comparative information.

These amendments are not expected to have a material impact on the Group's consolidated financial statements.

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.

On January 13, 2016, the Financial and Sustainability Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the 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.

These amendments are not expected to have a material impact on the Group's consolidated financial statements.

Material Accounting Policies

The material accounting policies that have been used in the preparation of financial statements are summarized below. These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

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 either subsequently measured at amortized cost, at fair value through other comprehensive income (FVOCI), or at fair value through profit or loss (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.

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 marketplace (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 June 30, 2024 and December 31, 2023, the Group's financial assets comprise of financial assets at amortized cost.

Subsequent measurement - Financial assets at amortized cost (debt instruments)

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 effective interest rate (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 excluding cash on hand, receivables (excluding nonfinancial assets) and environmental guarantee fund included under other noncurrent assets.

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 statements 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.

Modification of contractual cash flows

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the consolidated statements of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

Impairment of financial assets

The Group recognizes an allowance for Expected Credit Losses (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 effective interest rate (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.

For other financial assets such receivable from related parties, other receivables, advances to supplier and contractors and refundable deposits, 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 cash and cash equivalents, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from Standard & Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

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), long-term debt and lease liabilities.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

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 statement of comprehensive income.

This category generally applies to trade and other payables, short-term and long-term debt and lease liabilities.

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.

Deferred Financing Costs

Deferred financing costs represent debt issue costs arising from the fees incurred to obtain project financing. This is included in the initial measurement of the related debt. The deferred financing costs are treated as a discount on the related debt and are amortized using the EIR method over the term of the related debt.

Inventories

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 transferred, and that carrying amount becomes cost for recognition.

Assets Held-for-Sale

The Group classifies non-current assets and disposal groups as held-for-sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Noncurrent assets classified as held-for-sale are carried at the lower of carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held-for-sale classification under PFRS 5, *Noncurrent Assets Held-for-Sale and Discontinued Operations* is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification. Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset (or disposal group).

Property, plant and equipment are not depreciated or amortized once classified as held-for-sale. Assets classified as held-for-sale are presented separately as current items in the consolidated statement of financial position.

Immediately before the initial classification of the asset as held-for-sale, the carrying amount of the Asset will be measured in accordance with applicable PFRSs. Any impairment loss on initial classification and subsequent measurement is recognized as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognized) is recognized in profit or loss.

Stripping Costs

As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalized as part of the cost of mine properties and subsequently amortized over its useful life using the units-of-production method over the mine life. The capitalization of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

After the commencement of production, further development of the mine may require a phase of unusually high stripping that is similar in nature to development phase stripping. The costs of such stripping are accounted for in the same way as development stripping (as discussed above).

Stripping costs incurred during the production phase are generally considered to create two benefits, being either the production of inventory or improved access to the coal body to be mined in the future. Where the benefits are realized in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories.

Where the benefits are realized in the form of improved access to ore to be mined in the future, the costs are recognized as a noncurrent asset, referred to as a stripping activity asset, if the following criteria are met:

- Future economic benefits (being improved access to the coal body) are probable;
- The component of the coal body for which access will be improved can be accurately identified; and,
- The costs associated with the improved access can be reliably measured.

If all of the criteria are not met, the production stripping costs are charged to the consolidated statement of comprehensive income as operating costs as they are incurred.

In identifying components of the coal body, the Group works closely with the mining operations department for each mining operation to analyze each of the mine plans. Generally, a component will be a subset of the total coal body, and a mine may have several components. The mine plans, and therefore the identification of components, can vary between mines for a number of reasons. These include, but are not limited to, the type of commodity, the geological characteristics of the coal body, the geographical location, and/or financial considerations.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of coal body, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset. If the costs of the inventory produced and the stripping activity asset are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset. This production measure is calculated for the identified component of the coal body and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place.

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset, and is included as part of 'Mine properties, mining tools and 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 (CGU), 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.

The estimate on the mineable ore reserve is 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.

Depreciation of property, plant and equipment, except mine properties, 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
Machineries and mining equipment	2 to 3
Power plant and buildings	5 to 25
Roads and bridges	10

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.

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. If assets are expected to be realized within 12 months from end of reporting period, these are classified as current. Otherwise, these are classified as noncurrent.

Creditable withholding tax

Creditable withholding taxes are classified at the amount expected to be utilized and are available for offset against income tax payable in future periods. The assets expected to be expensed or consumed within 12 months from reporting date are classified as current assets; otherwise, they are classified as noncurrent assets.

Advances to Suppliers and Contractors

Advances to suppliers and contractors are recognized in the consolidated statement of financial position when it is probable that the future economic benefits will flow to the Group and the assets have cost or value that can be measured reliably. These assets are regularly evaluated for any impairment in value. Classification is based on actual realization of such advances considering the usage or realization of the asset to which it is intended for (e.g., inventory, property plant and equipment).

Prepayments

Prepayments are amounts paid in advance for goods and services that are yet to be delivered and from which future economic benefits are expected to flow to the Group within its normal operating cycle or within 12 months from end of reporting period. These are measured at amortized cost less any impairment loss.

Value-Added Taxes (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable. Input VAT pertains to the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services.

Deferred input VAT pertains to input VAT not yet charged against output VAT in compliance to relevant BIR regulations. This also includes the remaining unamortized portion of input VAT from acquisition of capital goods prior to January 1, 2022. Under the TRAIN Law, starting January 1, 2022, all input VAT on purchases of capital goods shall already be allowed to be claimed outright and shall no longer be subject to amortization. Output VAT pertains to the 12% tax due on the local sale of goods and services by the Group.

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.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that its nonfinancial assets (investment in a 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.

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 statements 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.

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 once the performance obligation to the customer is satisfied. 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.

Contracted power sales

Contracted power sales pertain to sales of generated or purchased electricity to customers under Power Supply Agreement (PSA) and are recognized over time, using the output method. This is measured on actual energy delivered or nominated by the customer, net of adjustments, as agreed between parties.

Spot electricity sales

Revenue from spot electricity sales is derived from the sale to the spot market of excess generated electricity over the contracted energy using price determined by the spot market or Wholesale Electricity Spot Market (WESM) 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 generation delivered to trading participants of WESM.

Under PFRS 15, the Group has concluded that revenue from power sales (contracted and spot sales) 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.

Finance income

Finance income is recognized as it accrues. The Group's finance income mainly pertains to interest on cash in banks and cash equivalents.

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.

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 mine site rehabilitation, direct labor and other related production overhead. These costs are recognized when incurred.

Cost of power

Cost of power includes costs directly related to the generation and sale of electricity such as cost of coal, coal handling expenses, bunker, lube, diesel, depreciation and other related generation overhead costs. Cost of power are recognized at the time the related coal, bunker, lube and diesel inventories are consumed for the generation 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.

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 practical expedient option 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.

Foreign Currency Translations and Transactions

The consolidated financial statements are presented in Philippine Peso. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate at the reporting date. All differences are taken to consolidated statement of income. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Pension Cost

The Group has a noncontributory defined benefit plan. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit liability at the end of reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service costs
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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 profit or loss.

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 other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss 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 obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, 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 obligation 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 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.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and 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 is 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 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 renewal or extension period for scenario (b).

The Group as a lessee

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

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). 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 costs incurred, and lease payments made at or before the commencement date. 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.

“Right-of-use assets” are presented under noncurrent assets in the consolidated statement of financial position and are subject to impairment.

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 the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because 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 lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases

The Group applies the short-term lease recognition exemption to its leases of office spaces, storage and warehouse spaces that have lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on these short-term leases are recognized as expense on a straight-line basis over the lease term.

Income Tax

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the 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.

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 consolidated 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 Parent Company and subsidiaries neither result 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. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Provision for decommissioning and site rehabilitation costs

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, 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.

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 pertain to own equity instruments which are reacquired and are carried at cost and are 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 President is the chief operating decision maker. 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.

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.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the unaudited condensed 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.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ for 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.

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 re-perform 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.

b. Determination of components of ore bodies and allocation measures for stripping cost allocation

The Group has identified that each of its two active mine pits, Narra and Molave, is a whole separate ore component and cannot be further subdivided into smaller components due to the nature of the coal seam orientation and mine plan.

Judgment is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each component. The Group considers that the ratio of the expected volume of waste to be stripped for an expected volume of ore to be mined for a specific component of the coal body (i.e., stripping ratio) is the most suitable production measure. The Group recognizes stripping activity asset by comparing the actual stripping ratio during the year for each component and the component's mine life stripping ratio.

c. Classification of asset held-for-sale

The Group classified its 2x25 MW gas turbine plant as asset held-for-sale under PFRS 5, *Noncurrent Assets Held-for-Sale and Discontinued Operations*, as result of the assessment that the assets' carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The following criteria are met:

- a) The asset is available for immediate sale in its present condition.
- b) The sale is highly probable to be completed within 12 months from the classification date.
- c) The Group is committed to sell the 2x25 MW gas turbine plant as evidenced by the approval of the Group's BOD on August 2, 2022, and the clearances obtained from relevant government agencies.
- d) The Group has initiated an active programme to locate a buyer upon approval of the BOD.
- e) The Group determined that it is unlikely that the plan will be significantly changed or withdrawn.

The Group identified that the above criteria are met in October 2022 upon completely securing all relevant clearances from regulatory bodies to disconnect, deregister, decommission and sell the asset and reclassified the asset as held-for-sale.

d. 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.

e. Determination of lease term of contracts with renewal and termination options - Group as a lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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 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.

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 (specialists). 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.

The carrying values of mine properties included as part of 'Mine properties, mining tools and other equipment' under 'Property, plant and equipment' amounted to ₱2,951.35 million and ₱3,751.88 million as of June 30, 2024 and December 31, 2023, 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.

The Group has considered impact of COVID-19 pandemic and revised its assumptions in determining the macroeconomic variables and loss rates in the computation of ECL. The changes in the gross carrying amounts of receivables during the year and impact of COVID-19 pandemic did not materially affect the allowance for ECLs.

c. *Estimating stockpile inventory quantities*

The Group estimates the stockpile inventory of clean and unwashed coal by conducting a topographic survey which is performed by in-house and third-party surveyors. The survey is conducted by in-house surveyors on a monthly basis with a confirmatory survey by third party surveyors at year end. 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 profit for the year.

The coal inventory as of June 30, 2024 and December 31, 2023 amounted to ₱3,311.58 million and ₱1,634.43 million, respectively.

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.

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 have ended in the depleted mine pits. The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for decommissioning and mine 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 mine site rehabilitation plan, (e.g., cost of backfilling, reforestation, rehabilitation activities on marine and rainwater conservation and maintenance of the rehabilitated area), technological changes, regulatory changes, cost increases, and changes in inflation rates and discount rates. These 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. 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.

When indicators exist, an impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.

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

h. 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 estimated useful lives of property, plant and equipment are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets.

It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase depreciation expense and decrease noncurrent assets.

In estimating the useful life of depreciable assets that are constructed in a leased property, the Group considers the enforceability of and the intent of management to exercise the option to purchase the leased property. For these assets, the depreciation period is over the economic useful life of the asset which may be longer than the remaining lease period.

i. Deferred tax assets

The Group reviews the carrying amounts of the deferred income tax assets at each end of the reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. However, there is no assurance that the Group will utilize all or part of the deferred income tax assets.

Net deferred tax assets as of June 30, 2024 and December 31, 2023 amounted to ₱696.50 million and ₱767.66 million, respectively.

j. Estimating pension and other employee benefits

The cost of defined benefit pension plan and the present value of the pension liabilities are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These assumptions are described and include among others, the determination of the discount rates and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit liability.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary and pension increases are based on management's assumption aligned with the future inflation rates.

k. 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) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating). This rate reflects the amount that the entity would need to borrow over the term of the lease.

l. 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.

m. Determination of fair value less cost to sell

The Group estimated the recoverable amount of the 2 x 25 MW gas turbine plant based from offers received from buyers in the advanced stage of negotiations, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing the asset (e.g., dismantling and handling costs).

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF CONSOLIDATED RESULTS OF OPERATIONS AND FINANCIAL CONDITION
AS OF AND FOR THE PERIODS ENDED JUNE 30, 2024 AND 2023**

June 30, 2024 (Unaudited) vs June 30, 2023 (Unaudited)

I. RESULTS OF OPERATIONS

The table below summarizes the performance of Semirara Mining and Power Corporation (SMPC), its operating subsidiaries SEM-Calaca Power Corporation (SCPC) and Southwest Luzon Power Generation Corporation (SLPGC), and other non-operating subsidiaries, collectively referred to as “the Group” for the periods ended June 30, 2024 and 2023.

- SMPC is the only vertically-integrated power generator in the country that runs on its own fuel. The largest domestic coal producer, it supplies affordable fuel to power plants, cement factories and other industrial facilities across the Philippines. It also exports coal to China, South Korea, Brunei and other nearby markets.
- SCPC and SLPGC generate baseload power for the national grid. Both supply electricity through bilateral contract quantity (BCQ) and the wholesale electricity spot market (WESM).

In Php Millions except EPS	April to June (Q2)			January to June (H1)		
	2024	2023	Change	2024	2023	Change
SMPC	3,139	6,893	-54%	7,395	12,167	-39%
SCPC	1,570	2,264	-31%	2,875	5,377	-47%
SLPGC	1,336	1,011	32%	2,303	1,643	40%
Others	7	17	-59%	17	27	-37%
Core Net Income	6,052	10,185	-41%	12,590	19,214	-34%
Nonrecurring Items	-	-	0%	-	-	0%
Reported Net Income	6,052	10,185	-41%	12,590	19,214	-34%
EPS (reported)	1.42	2.40	-41%	2.96	4.52	-34%

Q2 2024 vs Q2 2023 Consolidated Highlights

- The SMPC Group's net income declined by 41% to P6.05 billion, from P10.19 billion last year, owing to normalizing energy markets. Higher coal and electricity sales volume cushioned the impact of softer selling prices. Consequently, earnings per share fell from P2.40 to P1.42.

Quarter-over-quarter, consolidated net income contracted by 7% from P6.54 billion, a result of reduced sales volumes (coal and electricity) and lower coal average selling prices (ASP).

Higher contributions from both segments increased total reported net income by 52% from P3.98 billion in Q2 2021 (the onset of the Russia-Ukraine conflict) and by 70% from P3.57 billion in Q2 2019 (pre-pandemic).

- Core EBITDA sank by 32%, from P12.41 billion to P8.43 billion, effectively reducing core EBITDA margin from 52% to 46%. The declines were attributed to the following:

Total revenues decreased by 24%, from P23.87 billion to P18.17 billion, primarily due to lower selling prices of coal and electricity. Total cash costs declined at a slower rate (-15%), from P11.46 billion to P9.74 billion, because of lower government share and higher sales volume (coal and electricity).

Despite higher sales volumes, cash component of COS fell by 4% from P7.26 billion to P6.94 billion on lower coal production costs, fuel costs and replacement power purchases. Meanwhile, operating expenses rose by 22% from P880 million to P1.07 billion largely attributable to higher taxes, insurance and maintenance costs.

Government share plunged by 48% from P3.32 billion to P1.73 billion because of lower coal revenues and elevated coal production costs.

- Net income margin narrowed from 43% to 33% on lower EBITDA, higher tax provision and reduced other and net finance income, cushioned by lower depreciation and amortization.

Depreciation and amortization declined by 10% from P1.84 billion to P1.66 billion on the combined effect of lower direct costs following increased quarterly production, more fully depreciated assets.

Other income plummeted by 89%, from P282 million to P32 million, largely due to net foreign exchange loss and lower income from fly ash sales.

From a net foreign exchange gain of P165 million, net foreign exchange loss reached P61 million largely due to less coal export sales and higher import payments from refueling activities. In contrast to last year, PHP:US\$ exchange rate depreciated by 2%, moving from P54.4:US\$1 (as of March 31, 2023) to P55.6:US\$1 (as of June 30, 2023).

- Net finance income declined by 6%, from P113 million to P106 million, due to a lower cash balance. Provision for tax expenses increased by 9%, from P780 million to P852 million, driven by higher taxable income from the power segment.
- No nonrecurring item was recorded during the period.
- Coal and SCPC contributions dropped by 54% and 31% respectively, cushioned by a higher contribution (+32%) from SLPGC.
- The coal business accounted for 52% of total net income, followed by SCPC (26%) and SLPGC (22%).

H1 2024 vs H1 2023 Consolidated Highlights

- The SMPC Group reported a net income of P12.59 billion, a 34% decline from P19.21 billion during the same period last year. This decrease is primarily due to stabilizing selling prices and higher total coal production costs (both cash and non-cash), partially offset by increased coal and electricity sales.

Consequently, earnings per share dropped from P4.52 to P2.96. Despite this, return on equity remained robust at 21% over the 6-month period.

- Consolidated net income was twice the group's bottom line of P6.28 billion prior to the global energy crisis (H1 2021) and 2.2 times its pre-pandemic level of P5.67 billion (H1 2019)
- Core EBITDA dropped by 29%, from P23.63 billion to P16.82 billion, due to lower revenue and a slower decline in cash costs. Consequently, core EBITDA margin narrowed from 53% to 46%. To further elaborate:

Total revenues contracted by 18%, from P44.57 billion to P36.59 billion, primarily due to lower selling prices (coal and electricity).

Total cash costs fell at a slower pace (-6%), from P20.95 billion to P19.78 billion, driven by higher COS and operating expenses, partially offset by lower government share.

The cash component of COS grew by 11%, from P12.41 billion to P13.81 billion, on the combined effect of higher coal sales, carried-over coal production costs from beginning inventory, higher fuel consumption, labor and materials handling cost (resulting from the relocation of conveyor lines and expansion in mining fleet). Improved coal blending and lower generation fuel costs tempered the impact of higher total coal production costs.

Operating expenses rose by 10%, from P2.00 billion to P2.20 billion, on the back of higher taxes, insurance and maintenance costs.

Government share plunged by 42%, from P6.54 billion to P3.76 billion, owing to lower coal revenues and higher total coal production costs.

- Net income margin thinned from 43% to 34%, mainly due to elevated depreciation and amortization expenses. However, higher income from fly ash sales and net finance income, minimal net foreign exchange loss and lower tax provisioning tempered the impact of narrower margins.

Margins remained healthy, still above the group's normalized levels of 26% (H1 2021) and 24% (H1 2019).

D&A expenses rose by 10% from P3.08 billion to P3.40 billion because of higher coal shipments, recent acquisition of new mining equipment and increased amortization of the capitalized stripping asset for Narra mine.

Other income shifted from a net expense of P27 million to a gain of P242 million, mainly due to shift from net foreign exchange losses of P264 million to P17 million in net foreign exchange gain.

Net finance income grew by 37% from P209 million to P287 million on reduced debt payables. Meanwhile, provision for tax expenses fell by 11% from P1.51 billion to P1.35 billion because of lower taxable income.

- No nonrecurring item was recorded during the period.
- The coal business accounted for 59% of total net income, while SCPC and SLPGC contributed 23% and 18%, respectively.
- Last March 22, SMPC declared regular (P1.50/share) and special (P2.00/share) cash dividends, both sourced from its unrestricted retained earnings. This resulted in a total payout of P3.50 per share or P14.88 billion, which was paid on April 19.
- The Group's key financial position metrics as of June 30, 2024, showed further improvement compared to December 31, 2023:

Current ratio increased by 7%, from 2.38 to 2.55, due to lower accounts payable and government share payable, despite a reduced cash balance.

Total cash balance dropped by 27%, from P18.99 billion to P13.94 billion, following a P20.2 billion outflow for dividend payments, debt servicing and capital expenditures. Consequently, the group's net cash position declined from P12.26 billion to P9.34 billion. Both SMPC (parent) and SLPGC maintained their net cash positions.

Loans payable decreased by 32%, from P6.73 billion to P4.59 billion, due to regular amortization and the absence of new borrowings.

Book value per share (BVPS) slightly declined (-4%), from P14.68 to P14.14, mainly due to cash dividend payments drawn from the company's unrestricted retained earnings. Quarter-over-quarter, BVPS increased by 11%, from P12.71 as of March 31, 2024.

Q2 2024 vs Q2 2023 Segment Performance

Coal

Standalone revenues decreased by 32%, from P18.82 billion to P12.81 billion, due to weaker selling prices, cushioned by higher sales volume. Meanwhile, core EBITDA decreased by 45%, from P8.93 billion to P4.90 billion, due to a slower decline in cash costs (-6%).

Reported net income posted a sharper decline (-53%), from P7.94 billion to P3.73 billion, largely the result of lower revenues, a slight reduction in direct costs (cash component of COS) and higher operating expenses.

Net of intercompany eliminations, net income decreased by 54%, from P6.89 billion to P3.14 billion. The power segment's efficient coal blending and reduced gross margin, driven by

lower selling prices, led to a 43% decrease in eliminating entries, from P1.05 billion to P593 million.

Eliminating entries represent gross margins from intercompany transactions between the coal and power segments.

To further explain the segment's results:

- **Uptick in sales volume.** Total coal shipments rose by 2% from 4.5 million metric tons (MMT) to 4.6 MMT on stronger domestic demand.

Domestic shipments accelerated by 16%, from 1.9 MMT to 2.2 MMT, largely due to higher internal consumption. Sales to own plants grew by 25%, from 0.8 MMT to 1.0 MMT, driven by improved average capacity and generation.

External domestic sales increased by 7%, from 1.1 MMT to 1.2 MMT, boosted by sales to cement and industrial plants.

Foreign shipments decreased by 8%, from 2.6 MMT to 2.4 MMT, mostly due to a 90% drop in deliveries to South Korea, from 1.0 MMT to 0.1 MMT, caused by high sulfur content in some commercial-grade coal. This decline was partially offset by a 64% increase in shipments to China, which rose from 1.4 MMT to 2.3 MMT.

China accounted for 95% of total export sales, followed by South Korea (3%) and Brunei (2%).

Year-to-date, total shipments reached 9.4 MMT, the highest ever for the first half (H1) period. This represents an 18% jump from 8.0 MMT last year, fueled by stronger exports and increased domestic demand.

- **Stabilizing prices.** The average selling price (ASP) of Semirara coal dropped by 33%, from P4,151 per metric ton (MT) to P2,780 per MT, due to stabilizing market indices and growing demand for non-commercial grade coal.

Market indices have converged as a result of global supply chain stability. Both the average Newcastle Index (NEWC) and Indonesian Coal Index 4 (ICI4) decreased by 16%.

Average NEWC declined from US\$160.7 to US\$135.6 while ICI4 dropped from US\$65.1 to US\$55.0. Quarter-over-quarter, NEWC rose by 8% from US\$125.8, while ICI4 fell by 4% from US\$57.2.

The ASP decline is largely due to a 167% increase in shipments of lower-priced non-commercial grade coal, which rose from 0.6 MMT to 1.6 MMT. This coal variant accounted for 13% of total quarterly sales volume in 2023 versus 35% in 2024.

Demand for non-commercial grade coal increased due to efficient coal blending in the power segment, along with robust demand from several Chinese power plants.

- **Slim but strong margins.** Core EBITDA margin decreased from 47% to 38%, and the standalone net income margin declined from 42% to 29%, primarily due to a weaker topline, increased operating expenses and net foreign exchange losses.

Total cash costs decreased by 20%, from P9.89 billion to P7.91 billion, a slower rate than the 32% decline in topline revenue. This was due to a combination of a slight reduction in the cash component of COS, higher operating expenses, and a lower government share.

The cash component of COS declined by 6%, from P6.45 billion to P6.04 billion, mainly due to increased mainly due to increased coal production and higher coal production cost per MT in Q2 2023.

Operating expenses increased by 17%, from P125 million to P146 million, driven by ICT-related expenses and office renovation costs. Meanwhile, government share dropped by 48%, from P3.32 billion to P1.73 billion, due to a weaker topline and increased total coal production costs.

- **Lower noncash costs.** Depreciation and amortization expenses contracted by 12%, from P1.26 billion to P1.11 billion, due to lower production cost on a per unit basis.
- **Net foreign exchange (forex) loss.** Net forex loss stood at P74 million, from P165 million net forex gain last year, due to lower export sales and higher import payments for refueling activities.
- **Reduced net finance income.** Net finance income declined by 37%, from P139 million to P87 million, due to lower cash balances following dividend payments and reduced loans payable.

The coal segment also reported the following operational highlights:

- **Strong production recovery.** Coal production surged by 73%, from 3.0 MMT to 5.2 MMT, primarily due to lower rainfall levels (640.7 mm compared to 817.6 mm in 2023) and the near depletion of Molave mine last year, which created a low base effect.

For 2024, full-year strip ratio is expected to fall by 5%, from 13.2 to 12.3, as operations will only be in Narra mine.

From January to June, total production reached 10.2 MMT, 12% higher than the 9.1 MMT produced last year and the highest ever for this period.

- **Lower inventory.** Total coal inventory stood at 2.4 MMT, a 14-percent decline from 2.8 MMT last year. Meanwhile, commercial grade coal contracted by 2545% from 1.6 MMT to 1.2 MMT.

Amid record-setting first half production and sales, ending coal inventory decreased by 14%, from 2.8 MMT to 2.4 MMT. Of this, 1.2 MMT are commercial-grade coal, 24% lower than last year's 1.6 MMT.

Power

Standalone revenues from the power segment remained largely unchanged, increasing by 1% from P6.82 billion to P6.86 billion, as lower average selling prices (ASP) offset improved generation and sales.

Total cash costs decreased by 3%, from P3.28 billion to P3.19 billion, due to lower generation costs and replacement power purchase, although this was tempered by higher operating expenses from increased taxes, insurance and maintenance costs.

As a result, core EBITDA margin slightly increased from 52% to 53%, while the standalone net income margin improved from 32% to 34%. This improvement was mainly due to the following:

In Php Millions	2024	2023	Change
Depreciation and Amortization	714	708	1%
Other Income	101	117	-14%
Net Finance Income	18	(28)	164%
Tax Expense Provisions	773	740	4%

Net of intercompany eliminations, reported net income decreased by 11%, from P3.28 billion to P2.91 billion, due to lower eliminating entries resulting from efficient coal blending, reduced fuel costs and narrower coal segment margins. No non-recurring items were recorded during either period.

The segment's financial results are attributable to the following:

- **Higher average capacity.** Total average capacity during running days increased by 17%, from 685 MW to 801 MW, due to the restoration of SCPC Unit 2's dependable capacity to 300 MW on May 27, along with reduced deration in SLPGC plants.
- **Uptick in plant availability.** Overall plant availability slightly improved from 80% to 81% on fewer outage days (69 days vs 74 days).

SCPC plant availability deteriorated from 84% to 71%, largely due to the commencement of Unit 2's 77-day planned maintenance activities on March 6. This led to an increase in SCPC's total outage days from 29 to 53.

Meanwhile, SLPGC plant availability dramatically improved from 75% to 91%, as outage days dropped from 45 to 16.

- **Better generation and sales.** The double-digit improvement in average capacity and the increase in average plant availability led to a 12% rise in gross generation, from 1,212 GWh to 1,352 GWh, largely driven by SLPGC.

Correspondingly, total power sales expanded by 12%, from 1,097 GWh to 1,228 GWh. While majority (59%) of total power sales were directed to the spot market, bulk (94%) of the growth (131 GWh) came from BCQ sales due to higher contracted capacity.

- **Growth in BCQ sales.** Sales to the spot market rose by 1%, from 720 GWh to 728 GWh, as the segment secured more bilateral contracts (BCQ) for additional average capacity.

Net of variable station service, initial exposure to the spot market declined by 12%, from 471.90 MW at the end of March 2023 to 413.1 MW at the end of March 2024.

Conversely, BCQ sales jumped by 33%, from 377 GWh to 500 GWh, due to higher contracted capacity. The initial contracted capacity expanded by 26%, from 188.70 MW at the end of March 2023 to 238.2 MW at the end of March 2024.

Station service refers to the electricity produced by the plant that is used within the facility to power lights, motors, control systems, and other auxiliary electrical loads necessary for plant operation.

- **Stabilizing prices.** Overall average selling price (ASP) decreased by 10%, from P6.22/kWh to P5.58/kWh, primarily due to a 12% decline in spot market ASP, which fell from P7.11/kWh to P6.25/kWh, and generally lower fuel costs for baseload plants.

However, the higher BCQ ASP and increased proportion of BCQ sales (rising from 34% to 41%) provided some relief. The BCQ ASP increased by 2%, from P4.52/kWh to P4.62/kWh, following the negotiation of new contracts with more favorable terms over the past twelve months.

- **More contracted and dependable capacity.** As of June 30, 2024, over a third (33% or 274.4 MW) of total dependable capacity (840 MW) has been contracted, with approximately 9% of this contracted capacity including a fuel pass-through provision.

Quarter-over-quarter, dependable capacity increased by 18%, from 710 MW to 840 MW, following the synchronization of SCPC Unit 2 after a 77-day planned maintenance, restoring its dependable capacity to 300 MW from 170 MW.

Majority (62%) of the total contracted capacity is under SCPC, aligning with Management's guidance to contract approximately half of the dependable capacity. Additionally, 84% of the contracted capacity is set to expire within the year, with the remainder expiring from 2030 onwards.

Excluding station service requirements (84 MW), which vary periodically, the segment has 481.60 MW available for spot sales.

- **Minimal spot purchases.** Total spot purchases plunged by 72%, from P47 million to P13 million, due to increased plant availability, average capacity and strategic contracting of capacity.

The power segment was a net seller to the spot market by 726 GWh (vs 715 GWh in Q2 2023).

SCPC standalone revenues declined by 12%, from P4.45 billion to P3.98 billion, mainly due to lower selling prices and reduced plant availability, though partially offset by improved average capacity.

Total cash costs decreased by 4%, from P2.20 billion to P2.11 billion, on the combined effect of higher operating expenses and slower cash cost.

Operating expenses surged by 61%, from P384 million to P620 million, due to higher taxes, insurance and maintenance costs, while the cash component of COS decreased by 18%, from P1.81 billion to P1.49 billion, due to efficient coal blending and lower fuel and replacement power costs.

Consequently, core EBITDA fell by 19%, from P2.30 billion to P1.87 billion, with margin slightly narrowing from 51% to 47%.

Standalone net income contracted by 22%, from P1.48 billion to P1.15 billion, owing to the cumulative impact of lower EBITDA, stable depreciation and amortization expenses, decreased income from fly ash sales, lower net finance costs and tax provisions.

Net of intercompany eliminations, SCPC's net income contribution plummeted by 31%, from P2.26 billion to P1.57 billion, due to lower eliminations from efficient coal blending and reduced fuel costs.

The following further explains the financial results of the company:

- **Higher average capacity.** Average capacity (based on running days) increased by 26%, from 399 MW to 503 MW, following the May 22 resynchronization of SCPC Unit 2, after a 77-day planned maintenance outage to re-install its rewound generator and restore dependable capacity to 300 MW.

During this period, Unit 2's average capacity expanded by 54%, from 174 MW to 268 MW, while Unit 1 saw a 4% increase, from 225 MW to 235 MW.

As a result, SCPC's total dependable capacity stood at 540 MW at the end of the period.

- **Reduced plant availability.** Plant availability declined from 84% to 71%, primarily driven by Unit 2's planned maintenance outage from March 6 to May 22. In turn, total outage days rose from 29 to 53.

Unit 1's continuous operation and 100% availability helped mitigate the impact of Unit 2's downtime.

Meanwhile, the increase in outage days led to a downturn in Unit 2's availability from 82% to 42%.

- **Uptick in generation and dispatch.** Expanded average capacity offset the impact of lower plant availability, resulting in a 3% growth in gross generation, from 735 GWh to 759 GWh.

In turn, total power sales rose by 4%, from 675 GWh to 701 GWh, largely driven by sales through bilateral contracts (BCQ sales). Majority (61%) of total sales were directed to the spot market.

BCQ sales nearly tripled, increasing by 191% from 95 GWh to 276 GWh, mostly due to higher contracted capacity. At the beginning of both periods (end-March 2023 and 2024), contracted capacity rebounded by 182%, from 45 MW to 127 MW.

Spot sales fell by 27%, from 580 GWh to 425 GWh, due to lower exposure to the spot market. At the beginning of both periods (end-March 2023 and 2024), SCPC's spot market exposure declined by 26%, from 345.60 MW to 254.30 MW, partially offset by expanded average capacity.

- **Weaker selling prices.** Overall ASP retreated by 15%, from P6.67/KWh to P5.66/KWh, on lower spot prices and fuel costs, partially offset by higher prices from bilateral contracts (BCQ ASP).

Spot ASP contracted by 15%, from P6.97/KWh to P5.92/KWh), while BCQ ASP rose by 8% from P4.86/KWh to P5.27/KWh. The impact of lower spot ASP was cushioned by a higher proportion of BCQ sales (rising from 14% to 39%) and improved ASP of newly signed contracts.

- **Cut back on spot buys.** Spot purchases plunged by 72% from P43 million to P12 million, mainly used for station service.

SCPC maintained its position as a net seller to the spot market in both periods, from 576 GWh in 2023 to 423 GWh in 2024.

- **Lower other income.** Other income contracted by 41%, from P98 million to P58 million, on lower fly ash sales resulting from reduced plant availability.
- **Flattish depreciation and amortization.** D&A expenses stood at P382 million compared to P381 million last year.
- **Lower net finance costs.** A reduction in loan and cash balances resulted in a decline in net finance costs (net of finance income) from P36 million to P4 million.

During the first half of 2024 (versus December 2023), loans payable decreased by 31%, from P5.17 billion to P3.56 billion, while the ending cash balance dropped by 41%, from P4.51 billion to P2.66 billion. This was due to dividend payments to the parent company (SMPC) and capital expenditures.

- **Drop in tax expense.** Provisions for income taxes fell by 23%, from P504 million to P389 million, on lower taxable income.
- **Growth in contracted capacity.** As of June 30, 2024, SCPC had 171 MW (32%) of its 540 MW dependable capacity under bilateral contracts. Of this, 26% (or 45 MW) is scheduled to expire in 2030 or later, while the remaining 126 MW will expire within 2024. Additionally, 15% of the contracted capacity includes a fuel pass-through provision.

Excluding station service (54 MW), which fluctuates periodically, SCPC had 315 MW of capacity available for spot sales at the end of the period.

SLPGC standalone revenues increased by 24%, from P2.33 billion to P2.89 billion, driven by improved plant performance.

Total cash costs grew at a significantly slower rate (1%), from P1.08 billion to P1.09 billion, largely due to efficient fuel management, better plant performance and slightly lower operating expenses.

This resulted in a 45% surge in core EBITDA, from P1.25 billion to P1.80 billion, with the core EBITDA margin improving from 54% to 62%.

Standalone net income rose by 62%, from P709 million to P1.15 billion, due to the interplay of higher EBITDA, uptick in depreciation and amortization, increased income from fly ash sales, higher net finance income and higher provision for tax expenses. Consequently, net income margin expanded from 30% to 40%.

Net of intercompany eliminations, net income grew by 32%, from P1.01 billion to P1.34 billion, tempered by lower eliminating entries resulting from efficient coal blending and lower fuel costs. Eliminating entries decreased by 39%, from P302 million to P185 million.

The following further explains the results:

- **Better plant performance.** Overall plant availability jumped from 75% to 91%, driven by the improved performance of Unit 1. Total outage days dropped from 45 to 16 days.

Unit 1 availability doubled from 50% to 100% owing to uninterrupted operation (versus 45 outage days last year). Meanwhile, Unit 2 availability declined from 100% to 83% as outage days increased from 0 to 16.

Unit 2 had an emergency outage on March 30 due to coal coking incidents in its furnace. The plant resumed operations on April 16.

Total average capacity (based on running days) rose by 4%, from 286 MW to 298 MW, mainly due to less derations of Unit 1. Unit 1's average capacity expanded by 9%, from 137MW to 149MW, while Unit 2 stood at 149MW on both periods.

- **Double-digit growth in generation and dispatch.** Gross generation rallied by 24%, from 477 GWh to 593 GWh, on the back of improved plant performance.

Total power sales climbed by 25%, from 422 GWh to 527 GWh, largely driven by spot sales. Majority (57%) of the electricity sales went to the spot market, up from 33% last year.

BCQ sales shrank by 21%, from 282 GWh to 224 GWh, owing to reduced contracted capacity. At the beginning of both periods (end-March 2023 and 2024), contracted capacity receded by 23% from 143.70MW to 111.20MW.

Conversely, sales to the spot market more than doubled (116%), from 140 GWh to 303 GWh, due to higher spot market exposure and generation. Excluding station service capacity, spot exposure at the beginning of both periods (end-March 2023 and 2024) expanded by 26%, from 126.30 MW to 158.80 MW.

- **Flattish selling prices.** Overall ASP stood at P5.48/KWh compared to P5.50/Kwh last year, as increased spot sales offset the impact of lower BCQ ASP.

Spot ASP fell by 13% (P7.73/KWh to P6.71/KWh) while BCQ ASP likewise decreased by 13% (P4.40/KWh to P3.82/KWh).

- **No spot buys.** Replacement power purchases declined from 0.5 GWh to zero during the period.

With no spot buys and higher spot exposure, SLPGC remained a net seller to the spot market, from 140 GWh to 303 GWh.

- **Higher other income.** Other income from fly ash sales more than doubled from P19 million to P43 million because of improved plant performance.
- **Net finance income.** Net finance income (net of finance cost) grew 2.75x from P8 million to P22 million on the back of higher net cash position and elevated interest rates. At the beginning of each period (end-March 2023 and 2024), net cash position expanded 10x from P1.00 million to P1.26 billion.
- **Lower contracted capacity.** As of June 30, 2024, 103.4 MW of the company's 300 MW dependable capacity is under contract, with all contracts set to expire within 2024. None of these contracts include a fuel pass-through provision.

Excluding station service (30 MW), which varies periodically, SLPGC has 166.6 MW of capacity exposed to the spot market. This aligns with Management's guidance to maintain a balance between contracted capacity and spot market exposure.

CAPEX

In line with previous guidance, group capital expenditures (capex) in the second quarter rose by 8% year-on-year, due to rewinding activities for SCPC Unit 2 and ongoing re-fleeting activities for the coal segment. SLPGC capex was unchanged, reflecting improved plant availability during the reporting period.

For the first half of the year, group capex surged by 52%, primarily due to low-base effect, as spending in 2023 was concentrated in the second half. The 100% increase in SLPGC capex was due to the preparations done in Q1 for the planned maintenance outage of SLPGC Unit 1 in Q3.

In Php billions	Q2 2024	Q2 2023	Change	H1 2024	H1 2023	Change
Coal	1.1	1.0	10%	2.2	1.6	38%
SCPC	0.3	0.2	50%	0.8	0.3	167%
SLPGC	0.1	0.1	0%	0.2	0.1	100%
Total	1.4*	1.3	8%	3.2	2.1*	52%

In Php billions	2024F	2023	Change
Coal	4.7	3.0	57%
SCPC	1.2	0.8	50%
SLPGC	0.5	0.3	67%
Total	6.4	4.0	68%

**Rounding may cause total not to match the sum of parts*

Full year 2024 projected capex budget was trimmed by 9% from P7.0 billion (previously disclosed) to P6.4 billion, following the deferred acquisition of heavy equipment for the coal segment (moved to 2025).

The revised capex budget of P6.4 billion represents a 68% increase over 2023 actual spending. Majority (73%) of the capex will be allocated to the coal segment for re-fleeting and mine exploration activities. Meanwhile, major activities in the power segment have led to a 55% increase in capex, rising from P1.1 billion to P1.7 billion.

A substantial portion (67%) of SCPC's budget has already been spent on replacing Unit 2's generator, restoring its dependable capacity to 300 MW following a 77-day planned outage. Unit 1 is scheduled for a 20-day planned outage starting on October 20.

Both SLP GC units are scheduled for their annual maintenance in H2 2024. For the remainder of the year, SLP GC will spend P300 million on the annual maintenance activities of Units 1 and 2, and the acquisition of assurance spares.

Market Review and Outlook

Coal

Asia accounted for more than 80% of global coal consumption in 2023. China was reportedly the top coal importer, accounting for 32% of global import demand, which totaled 1.1 million tons. South Asia (including India) and Southeast Asia contributed 18% and 13% of the total, respectively.

However, since the beginning of 2024, oversupply in the Chinese market and economic slowdown risks have impacted coal demand across the Asian region. In China, normalized internal production and a recovery in hydropower generation have further weakened demand. Similarly, in India, cooler temperatures from the monsoon season and increased hydro generation have led to reduced import demand.

While demand in China slightly picked up in May as the country capitalized on lower prices ahead of the summer season, utilities in South Korea, Japan and Europe have been destocking since early this year, adding to pricing risks. Conversely, demand in smaller markets like Vietnam and Pakistan has remained robust due to heatwaves and lower-than-expected hydro generation.

From January to June, amidst weakening market indices, the Newcastle Index (NEWC) and Indonesian Coal Index 4 (ICI4) displayed moderate volatility. NEWC fell by 11%, from US\$149.0 at the end of December 2023 to US\$132.0 at the end of June 2024, while ICI4 declined by 8%, from US\$58.0 to US\$53.6. Year-on-year, NEWC and ICI4 dropped by 16%, from US\$160.7 to US\$135.6 and from US\$65.1 to US\$55.0, respectively.

In Q2 2024, average prices for NEWC and ICI4 remained substantially above pre-pandemic (Q2 2019) levels, at US\$79.9 (+70%) and US\$37.5 (+47%), respectively.

For the rest of 2024, NEWC and ICI4 are expected to hover around US\$134 and US\$54 as global markets stabilize. Demand is seen to pick up slightly in H2, with fresh demand ahead of the winter season expected to sustain the indices, considering normalized supply volumes.

Given the key risks and a bearish short-term outlook, Management is focusing on strengthening the domestic market and improving operational efficiency to meet the production target of 15.5 to 16 million metric tons, while also meeting mid-calorific value (CV) quality requirements for key Asian markets.

Power

The peak heat index reached dangerous levels in the second quarter due to El Niño, resulting in a 10% year-on-year increase in average demand, from 11,787 MW in 2023 to 13,002 MW during this period. Year-to-date (H1), average demand similarly increased by 10%, from 10,858 MW to 11,952 MW, primarily driven by heightened cooling requirements.

In parallel, average supply rose by 9%, from 13,219 MW to 14,466 MW in Q2 and from 12,870 MW to 13,985 MW in H1. This increase was driven by the greater availability of additional baseload and mid-merit capacities. In addition, Mindanao's contribution, through the Mindanao-Visayas Interconnection, reached the maximum line capacity of 450 MW beginning March. [Note: Supply figures exclude the more expensive and peaking oil-based capacity of about 1,600 MW.]

Despite average demand growing faster than supply, average spot prices decreased slightly by 6%, from P7.39/kWh to P6.91/kWh in Q2. Price volatility persisted in H1, with spot prices contracting by 16%, from P6.84/kWh to P5.76/kWh. This was partly due to lower fuel costs, particularly for baseload plants. For instance, the ICI4 index declined by 21%, aligning with H1 spot price trends.

Looking ahead to the full year of 2024, the price outlook grew by 6% from previous guidance (P4.90/kWh) on higher-than-expected Q2 actual prices following unplanned outages in some baseload plants in Luzon and the prolonged outage of baseload Visayas plant. Management anticipates spot prices to average around P5.21/kWh, lower than the 2023 average of

P5.96/kWh, due to stabilizing fuel costs and the addition of new capacities. Approximately 1,200 MW of baseload and 1,000 MW of renewable energy projects are expected to be synchronized in H2.

Additionally, spot prices are expected to normalize around P4.65/kWh in the second half with the onset of the La Niña season.

With the synchronization of SCPC Unit 2 on May 22, the company is focusing on contracting half of its dependable capacity (840 MW) to minimize spot buy risks for contracted capacity and enhance operational efficiency to reduce costs.

II. Explanation on movements of accounts

A. Consolidated Statement of Income

Revenue

Consolidated revenue for the first half decreased by 18% from P44.6 billion in 2023 to P36.6 billion in 2024 following softer market prices for both coal and power segment coupled with higher proportion of non-commercial grade coal shipments. The decline was cushioned by increased coal shipments and electricity dispatch.

Cost of Sales

Cost of sales increased by 11% to P17.2 billion as higher coal production costs and sales volume eclipsed the decline in power generation costs for the first half of 2024. The increase is mainly attributable to higher stripping activities, labor costs and depreciation and amortization (resulting from an elevated depletion rate for Narra mine). Additional expenses were also incurred from lubricants and materials and parts, following the relocation of conveyor lines and expansion in mining fleet.

Operating Expenses

Operating expenses dipped by 30% to P6.0 billion in H1 2024 as government royalties stood at P3.8 billion, 42% lower from P6.5 billion of same period last year due to lower coal performance. Excluding government royalties, operating expenses grew by 10% to P2.2 billion on higher taxes, repairs and maintenance, insurance and ICT-related expenses.

Finance Cost

Consolidated finance costs slipped by 30% to P221.2 million following the repayment of bank loans.

Finance Income

Consolidated finance income slightly decreased by 3% to P509.1 million due to the combined effect of lower volume of placements and higher interest rates.

Foreign Exchange Gains (Losses) - Net

The Group recognized net forex gains of P17.3 million from a net forex loss of P264.2 million last year due to the shift in PHP:USD exchange rate as a result of the Philippine Peso depreciation.

Other Income

Other income declined by 5% due to lower fly ash sales following SCPC planned outage.

Provision for Income Tax

Income taxes down by 11% owing to lower taxable income.

B. Consolidated Statement of Financial Position

The Company's financial condition for the period remained healthy as consolidated total assets as of June 30, 2024 stood at P78.1 billion, which is 8% down from P85.1 billion at the end of 2023. Meanwhile, total equity lowered by 4% to P60.1 billion after dividend declaration.

Consolidated cash and cash equivalents dropped by 27% from P19.0 billion in December 31, 2023 to P13.9 billion in June 30, 2024 after higher capex disbursements, loan repayments and dividend payment last April 2024 amid generation of P15.0 billion cash from operations.

Receivables up by 3% from P10.8 billion to P11.1 billion as revenues earned eclipsed collections for the period.

Consolidated inventories dropped by 3% to P14.1 billion due to the net effect of lower spare parts and fuel inventory and higher volume of coal inventory.

Other current assets lowered by 25% to P805.4 million mainly due to maturity of short-term placement during the first quarter of 2024 and application of available creditable withholding tax to income tax payable.

The Company has derecognized its Asset held-for-sale upon consummation of sale to a third party in March 2024. The Asset pertains to the 2x25 MW gas turbine which was decommissioned in Q4 2022 and was classified as held-for-sale following the criteria set out in Philippine Financial Reporting Standards (PFRS) 5, Non-current Assets Held for Sale and Discontinued Operations.

Property, plant and equipment (including right-of-use assets) stood at P36.8 billion, 2% down from P37.5 billion last year as depreciation and amortization more than offset capital expenditures for the first half of 2024.

Deferred tax assets decreased by 9% due to realization and application of deductible loss in our income tax for the period.

Other noncurrent assets fell by 18% due mainly to realization of deferred input VAT and recoupment of advances to suppliers and contractors.

Accounts and other payables decreased by 18% owing to lower government royalties.

Long-term debts plunged by 32% to P4.6 billion following bank loan repayments.

Lease liabilities (current and noncurrent) fell by 13% due to lease payments.

Provision for decommissioning and site rehabilitation pertains to accrual for estimated cost of rehabilitation activities for the mine site and dismantling and restoration activities on its powerplant site.

Pension liabilities grew by 26% following accrual of retirement expense for the period.

Decrease in other noncurrent liabilities pertain to amortization of deferred rent income of SLPGC.

Consolidated retained earnings stood at P50.1 billion at end of June 2024, 4% lower from P52.4 billion at the close of 2023 after generation of P12.6 billion net income and declaration of P14.9 billion SMPC Parent dividends.

III. Performance Indicators

1. Net income after tax – declined by 34% following stabilization of coal and electricity prices and higher coal production costs tempered by improved coal shipments and electricity generation.
2. Dividend payout – the Parent Company declared P1.50 per share regular dividends and P2.00 per share special dividends or a total of P3.50 per share cash dividends on March 22, 2024. The total dividends amounting to P14.9 billion were paid on April 19, 2024.
3. Debt to equity ratio (interest bearing loans) – improvement in DE ratio from 0.11 as of December 31, 2023 to 0.08 as of June 30, 2024 as continuous debt repayment more than offset the decline in retained earnings.
4. Core EBITDA margin – H1 2024 margins narrowed to 46% from 53% last year owing to combined effect of lower market prices and slower decline in cash costs.
5. Current ratio – Healthy cash position and consistently positive operational results amid continuous loan repayments and lower government royalties contributed to the 7% improvement in the current ratio from 2.38x at the end of 2023 to 2.55x as of June 30, 2024.

PART II – OTHER INFORMATION

1. The Company's operation is a continuous process. It is not dependent on any cycle or season.
2. Coal prices are generally hinge on the commodities market. Sales to WESM of power generation segment depends on the supply-demand of electricity.
3. There were no undisclosed material subsequent events and transferring of assets not in the normal course of business that have not been disclosed for the period that the company have knowledge of;
4. There are no material contingencies during the interim period; events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation has been disclosed in the notes to financial statements.
5. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
6. There are no known trends or any known demands, commitments, events or uncertainties that will result in or that will have a material impact on the registrant's liquidity.
7. The Group does not have any offering of rights, granting of stock options and corresponding plans thereof.
8. All necessary disclosures were made under SEC Form 17-C.

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
Principal Executive and Operating Officer

Date: August 1, 2024


CARLA CRISTINA T. LEVINA
Chief Finance Officer

Date: August 1, 2024


VINEL O. PESTAÑO
Controller

Date: August 1, 2024

**PART IV
ANNEX A**

**AGING OF ACCOUNTS RECEIVABLE
AS OF JUNE 30, 2024**

TRADE RECEIVABLES

	Neither past due nor impaired	Past due but not impaired				Impaired	Total
		<30 days	30-60 days	61-90 days	>90 days		
COAL	₱3,547,116	₱410,500	₱38,247	₱6,182	₱62,121	₱36,113	₱4,100,279
POWER	3,669,205	1,022,036	123,430	39,783	581,454	1,570,046	7,005,954
TOTALS	₱7,216,321	₱1,432,536	₱161,677	₱45,965	₱643,575	₱1,606,159	₱11,106,233
ALLOWANCE FOR DOUBTFUL ACCOUNTS							1,606,159
							₱9,500,074

NON-TRADE RECEIVABLES

COAL	₱127,252	₱-	₱-	₱-	₱-	₱5,815	₱133,067
POWER	66,193	23,587	38,721	129	498	1,686	130,814
TOTALS	₱193,445	₱23,587	₱38,721	₱129	₱498	₱7,501	₱263,881
ALLOWANCE FOR DOUBTFUL ACCOUNTS							7,501
							₱256,380

DUE FROM RELATED PARTIES

NET RECEIVABLES (in thousands)

₱1,309,044

₱11,065,498

ANNEX B

SEMIRARA MINING AND POWER CORPORATION FINANCIAL RISK MANAGEMENT DISCLOSURES

As of June 30, 2024

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 and movement of WESM price power
- 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 June 30, 2024 and December 31, 2023.

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 global 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 referenced to coal indices such as New Castle Index and Indonesian Coal Index. Global 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 global 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 is no assurance that global coal prices will remain higher than pre-pandemic level 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):

	06/30/2024	12/31/2023
Domestic Market	30.35%	33.59%
Export Market	69.65%	66.41%
<i>as a percentage of total coal sales volume</i>		

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 June 30, 2024 and December 31, 2023 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 6-month and 1-year historical price movements in 2024 and 2023.

Change in coal prices	Effect on income before income tax	
	June 30, 2024	December 31, 2023
Based on coal ending inventory		
Increase by 108% in 2024 and 29% in 2023	₱1,612,198,398	₱774,424,326
Decrease by 108% in 2024 and 29% in 2023	(1,612,198,398)	(774,424,326)
Based on coal sales volume		
Increase by 46% in 2024 and 33% in 2023	7,055,887,343	13,164,052,954
Decrease by 46% in 2024 and 33% in 2023	(7,055,887,343)	(13,164,052,954)

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 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 presented by maturity profile:

		June 30, 2024					
	Interest	Within 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years	Total
Cash in banks and cash equivalents	0.030% to 7.125%	P13,935,970,486	P-	P-	P-	P-	P13,935,970,486
Peso (PHP) long-term debt*							
a) 1,400.00 million loan	Fixed annual interest rate of 4.97% - 5.13% per annum	P254,624,365	P244,581,307	P173,942,272	P-	P-	P673,147,944
b) 3,000.00 million loan	Fixed annual interest rate of 4.88% - 4.90% per annum	381,922,089	-	-	-	-	381,922,089
c) 2,000.00 million loan	Fixed annual interest rate of 4.88% - 4.90% per annum	315,773,278	301,648,357	145,527,333	-	-	762,948,968
d) 2,700.00 million loan	Fixed annual interest rate of 4.88% - 4.90% per annum	477,458,517	456,097,257	220,038,156	-	-	1,153,593,930
e) 3,500.00 million loan	Fixed annual interest rate of 4.88% - 4.90% per annum	1,440,675,356	-	-	-	-	1,440,675,356
f) 4,000.00 million loan	Fixed annual interest rate of 5.00% - 5.13% per annum	426,083,898	-	-	-	-	426,083,898
		P3,296,537,504	P1,002,326,921	P539,507,761	P-	P-	P4,838,372,186

*Includes future interest payables

		December 31, 2023					Total
	Interest	Within 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years	
Cash in banks and cash equivalents	0.030% to 7.125%	₱18,985,080,896	₱–	₱–	₱–	₱–	₱18,985,080,896
Peso (PHP) long-term debt*							
g) 1,400.00 million loan	Fixed annual interest rate of 4.97% - 5.13% per annum	₱264,915,019	₱250,183,136	₱235,544,101	₱56,711,835	₱–	₱807,354,091
h) 3,000.00 million loan	Fixed annual interest rate of 4.88% - 4.90% per annum	773,377,083	–	–	–	–	773,377,083
i) 2,000.00 million loan	Fixed annual interest rate of 4.88% - 4.90% per annum	320,219,313	306,277,456	292,346,027	–	–	918,842,796
j) 2,700.00 million loan	Fixed annual interest rate of 4.88% - 4.90% per annum	485,391,157	464,310,058	443,241,418	–	–	1,392,942,633
k) 3,500.00 million loan	Fixed annual interest rate of 4.88% – 4.90% per annum	1,641,668,550	707,939,901	–	–	–	2,349,608,451
l) 4,000.00 million loan	Fixed annual interest rate of 5.00% - 5.13% per annum	862,386,243	–	–	–	–	862,386,243
		₱4,347,957,365	₱1,728,710,551	₱971,131,546	₱56,711,835	₱–	₱7,104,511,297

*Includes future interest payables

The following table demonstrates the sensitivity of the Group's income before tax to a reasonably possible change in interest rates on June 30, 2024 and December 31, 2023, with all variables held constant, through the impact on floating rate borrowings.

Basis points (in thousands)	Effect on income before income tax Increase (decrease)	
	June 30, 2024	December 31, 2023
+100	(P17,943)	(P21,531)
-100	17,943	21,531

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 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 June 30, 2024 and December 31, 2023 based on undiscounted contractual payments:

	June 30, 2024					Total
	On Demand	Within 1 year	Beyond 1 year to 2 years	Beyond 2 year to 3 years	Beyond 3 years	
Financial Assets						
Cash in banks and cash equivalents	₱13,935,970,486	₱–	₱–	₱–	₱–	₱13,935,970,486
Receivables						
Trade:						
Outside parties	9,500,073,930	–	–	–	1,606,158,997	11,106,232,927
Related parties	1,309,044,079	–	–	–	–	1,309,044,079
Others ⁽¹⁾	256,379,956	–	–	–	7,501,270	263,881,226
Environmental guarantee fund	–	–	–	–	17,637,972	17,637,972
	₱25,001,468,451	₱–	₱–	₱–	₱1,631,298,239	₱26,632,766,690
Financial Liabilities						
Trade and other payables						
Trade:						
Payable to suppliers and contractors	₱9,304,833,103	₱–	₱–	₱–	₱–	₱9,304,833,103
Related parties	249,263,168	–	–	–	–	249,263,168
Accrued expenses and other payables ⁽²⁾	2,355,084,173	–	–	–	–	2,355,084,173
Lease liabilities	–	20,852,091	20,827,207	7,514,130	914,033	50,107,461
Peso long-term debt with interest payable in arrears ⁽³⁾						
1,400.00 million loan	–	254,624,365	244,581,307	173,942,272	–	673,147,944
3,000.00 million loan	–	381,922,089	–	–	–	381,922,089
2,000.00 million loan	–	315,773,278	301,648,357	145,527,333	–	762,948,968
2,700.00 million loan	–	477,458,517	456,097,257	220,038,156	–	1,153,593,930
3,500.00 million loan	–	1,440,675,356	–	–	–	1,440,675,356
4,000.00 million loan	–	426,083,898	–	–	–	426,083,898
	₱11,909,180,445	₱3,317,389,595	₱1,023,154,128	₱547,021,891	₱914,033	₱16,797,660,092

⁽¹⁾Excludes advances to officers and which are considered as non-financial asset

⁽²⁾Excludes statutory liabilities

⁽³⁾Includes future interest payable

	December 31, 2023					Total
	On Demand	Within 1 year	Beyond 1 year to 2 years	Beyond 2 year to 3 years	Beyond 3 years	
Financial Assets						
Cash in banks and cash equivalents	₱18,985,080,896	₱–	₱–	₱–	₱–	₱18,985,080,896
Receivables						
Trade:						
Outside parties	10,697,037,984	–	–	–	–	10,697,037,984
Related parties	1,391,298,124	–	–	–	–	1,391,298,124
Others ⁽¹⁾	191,415,020	–	–	–	–	191,415,020
Environmental guarantee fund	–	–	–	–	17,637,972	17,637,972
	₱31,264,832,024	₱–	₱–	₱–	₱17,637,972	₱31,282,469,996
Financial Liabilities						
Trade and other payables						
Trade:						
Payable to suppliers and contractors	₱9,423,938,254	₱–	₱–	₱–	₱–	₱9,423,938,254
Related parties	353,107,400	–	–	–	–	353,107,400
Accrued expenses and other payables ⁽²⁾	355,391,215	–	–	–	–	355,391,215
Lease liabilities	–	17,153,963	9,639,833	9,639,833	37,410,572	73,844,201
Peso long-term debt with interest payable in arrears ⁽³⁾						
1,400.00 million loan	–	264,915,019	250,183,136	235,544,101	56,711,835	807,354,091
3,000.00 million loan	–	773,377,083	–	–	–	773,377,083
2,000.00 million loan	–	320,219,313	306,277,456	292,346,027	–	918,842,796
2,700.00 million loan	–	485,391,157	464,310,058	443,241,418	–	1,392,942,633
3,500.00 million loan	–	1,641,668,550	707,939,901	–	–	2,349,608,451
4,000.00 million loan	–	862,386,243	–	–	–	862,386,243
	₱10,132,436,869	₱4,365,111,328	₱1,738,350,384	₱980,771,379	₱94,122,407	₱17,310,792,367

⁽¹⁾Excludes advances to officers and which are considered as non-financial asset

⁽²⁾Excludes statutory liabilities

⁽³⁾Includes future interest payable

Foreign Currency Risk

Majority of the Group's revenue are generated in Philippine Peso, however, there are also significant export coal sales as well as capital expenditures which are in US\$.

The Group manages this risk by matching receipts and payments in the same currency and monitoring. Approximately, 43.46% and 43.11% of the Group's sales as of June 30, 2024 and December 31, 2023, respectively, were denominated in US\$ whereas approximately 29.17% and 24.40% of payables as of June 30, 2024 and December 31, 2023, respectively, were denominated in US\$.

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

	June 30, 2024		December 31, 2023	
	U.S. Dollar	PHP Equivalent	U.S. Dollar	PHP Equivalent
Assets				
Cash and cash equivalents	\$49,333,250	₱2,891,421,806	\$145,489,122	₱8,084,830,510
Trade receivables	30,106,617	1,764,548,818	69,163,967	3,843,441,646
Liabilities				
Trade payables	(89,370,425)	(5,238,000,623)	(99,887,893)	(5,550,770,214)
Net exposure	(\$9,930,558)	(₱582,029,999)	\$114,765,196	₱6,377,501,942

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 June 30, 2024 and December 31, 2023.

	Currency	Increase (decrease) in Philippine Peso/ Foreign exchange rate	Effect on profit before tax
2024	USD	2.00%	₱11,640,600
		(2.00%)	(11,640,600)
2023	USD	6.66%	₱424,741,629
		(6.66%)	(424,741,629)

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 5 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, however, due to the regulated environment that the Group operates in, collectability of financial assets is impacted by government regulations or actions.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due of the customer with loss pattern. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The tables below present the summary of the Group's exposure to credit risk as of June 30, 2024 and December 31, 2023 and show the credit quality of the assets by indicating whether the assets are subjected to the 12-month ECL or lifetime ECL.

June 30, 2024				
	12-month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Total
Cash in banks and cash equivalents	₱13,935,970,486	₱–	₱–	₱13,935,970,486
Receivables:				
Trade receivables – related parties	–	1,309,044,079	–	1,309,044,079
Trade receivables – outside parties	–	9,500,073,930	1,606,158,997	11,106,232,927
Others*	–	256,379,956	7,501,270	263,881,226
Environmental guarantee fund	–	17,637,972	–	17,637,972
	₱13,935,970,486	₱11,083,135,937	₱1,613,660,267	₱26,632,766,690

*Excludes non-financial assets

December 31, 2023				
	12-month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Total
Cash in banks and cash equivalents	₱18,985,080,896	₱–	₱–	₱18,985,080,896
Receivables:				
Trade receivables - related parties	–	1,391,298,124	–	1,391,298,124
Trade receivables - outside parties	–	9,089,193,000	1,607,844,984	10,697,037,984
Others*	–	185,599,661	5,815,359	191,415,020
Environmental guarantee fund	–	17,637,972	–	17,637,972
	₱18,985,080,896	₱10,683,728,757	₱1,613,660,343	₱31,282,469,996

*Excludes non-financial assets

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 June 30, 2024 and December 31, 2023.

	June 30, 2024	December 31, 2023
Interest-bearing loans	₱4,593,623,071	₱6,726,332,549
Total equity	60,091,401,863	62,377,978,690
Debt-equity ratio	0.08:1	0.11:1
EPS (Note 25)	₱2.96	₱6.57

The debt-to-equity ratio, expressed in percentage, is carefully matched with the strength of the Group's financial position, such that when a good opportunity presents itself, the Group can afford further leverage.

The Group considers long-term debt as 'interest-bearing loans' in determining debt-to-equity ratio.

The following table shows the components of the Group's capital as of June 30, 2024 and December 31, 2023:

	June 30, 2024	December 31, 2023
Total paid-up capital	₱10,940,136,701	₱10,940,136,701
Acquisition of treasury shares	(739,526,678)	(739,526,678)
Net remeasurement losses on pension plan	(174,298,459)	(174,298,459)
Retained earnings – unappropriated	43,265,090,299	45,551,667,126
Retained earnings – appropriated	6,800,000,000	6,800,000,000
	₱60,091,401,863	₱62,377,978,690

Some loan agreements have covenants that require the Group to maintain debt-to-equity (DE) ratios, among others (see Note 13).

Fair Values

Fair Value Information

Cash and cash equivalents, receivables, environmental guarantee fund, trade payables, accrued expenses and other payables approximate fair value. Most of these financial instruments are relatively short-term in nature.

Long-term debt

The carrying values approximated the fair value because of recent and regular repricing of interest rates (e.g. monthly, quarterly, semi-annual or annual basis) based on current market conditions. In 2024 and 2023, interest rate ranges from 4.50% to 5.13%.

Asset held-for-sale

The fair value less costs to sell is the estimated price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. This was based from offers received from buyers in the advanced stage of negotiations, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing the asset (e.g. dismantling and handling costs).

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data. There has been no reclassification from Level 1 to Level 2 or 3 category in 2024 and 2023.

ANNEX C**COMPARATIVE FINANCIAL SOUNDNESS INDICATORS**

	June 30, 2024	December 31, 2023
Current ratio	2.55	2.38
Quick ratio	1.59	1.57
Debt to equity ratio (total liabilities)	0.30	0.36
Debt to equity ratio (interest bearing loans)	0.08	0.11
Net debt to equity ratio (interest bearing loans)	(0.16)	(0.20)
Asset to equity ratio	1.30	1.36

	June 30, 2024	June 30, 2023
Return on assets	15%	21%
Return on equity	21%	29%
Interest coverage ratio	115.32	100.48
Gross profit margin	53%	65%
Net profit margin	34%	43%