COVER SHEET

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SEMIRARA MINING AND POWER
CORPORATION

(Company's Full Name)

2nd Floor DMCI PLAZA
2281 DON CHINO ROCES AVENUE
MAKATI CITY

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

John R. Sadullo	888-3000
(Contact Person)	(Company Telephone Number)

1 2 3 1	17-A	
Month *Day*	(Form Type)	*Month* *Day*
(Fiscal Year)		(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

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SEMIRARA MINING AND POWER CORPORATION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended: **December 31, 2023**

2. SEC Identification No.: **0000091447** 3. BIR Tax ID No.: **000-190-324-000**

4. Exact Name of issuer as specified in its charter: **Semirara Mining and Power Corporation**

5. **Philippines**
   Province, Country or other jurisdiction of Incorporation or organization

6. ______________ (SEC Use Only)
   Industry Classification Code:

7. **2nd Floor DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City 1231**
   Address of principal office   Postal Code

8. **(02) 8888-3000/8888-3055**
   Issuer's telephone number, including area code

9. **N/A**
   Former name, Address and fiscal year, if changed since last report

10. Securities registered pursuant to Secs. 8 & 12 of SRC, or Secs. 4 & 8 of RSA

Title of Each Class	Number of Shares Stock Outstanding and Amount of (Long-term) Debt Outstanding
Common	4,250,547,620 / 10,196,187,514

11. Are any or all of these securities listed on a Stock Exchange

    Yes (✓) No ( )

    If yes, state the name of such stock exchange and the classes of securities listed therein:
    Philippine Stock Exchange - Common Shares

12. Check whether the issuer:

    (a) Has filed all reports required to be filed by Sec. 17 of the SRC and SRC Rule17 thereunder or Sec. 11 of the RSA and RSA Rule 11 (a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

    Yes (✓) No ( )

    (b) Has been subject to such filing requirements for the past ninety (90) days.

    Yes (✓) No ( )

(c) State the aggregate market value of the voting stock held by non-affiliates of the Registrant.[1]

Name	No. Of Shares Held	% of Total	Aggregate Market Value (PHP)
PCD Nominee Corp. (Foreign)	172,615,005	4.04	5,903,556,172.00
Others	968,699,183	22.79	33,323,251,895.20
TOTAL	1,140,314,188	26.83	39,226,808,067.20

[1] Computed on the basis of closing price at P34.40 /share as of March 12, 2024 as quoted by the Philippine Stock Exchange.

SEMIRARA MINING AND POWER CORPORATION
SEC FORM 17-A

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PART I- BUSINESS AND GENERAL INFORMATION

DESCRIPTION OF BUSINESS

Business Development

Form and Year of Organization

Semirara Mining and Power Corporation (the "Company" or "SMPC") was incorporated on February 26, 1980 to explore, develop, and mine the coal resources in Semirara Island. On August 18, 2014, the Securities and Exchange Commission approved the change in the Company's name to include the word "power" in line with the forward integration of its business as a coal supplier or producer to power generation through its wholly-owned subsidiaries.

SMPC is the leading vertically integrated power generation company in the Philippines. To date, SMPC is still the only power producer in the country that owns and mines its fuel source. The Company is also the largest coal producer, accounting for 99% of the country's coal production.

The Company has nine (9) wholly-owned (100%) subsidiaries (direct and indirect):

1. SEM-Calaca Power Corporation (SCPC) was incorporated on November 19, 2009 to engage in the business of power generation. SCPC wholly-owned subsidiaries are:
    a. SEM-Calaca RES Corporation (SCRC) was incorporated on September 14, 2009 to engage in the business of selling electricity primarily to contestable market;
    b. Sem-Calaca Port Facilities Inc.[1] (SPFI) was incorporated on December 20, 2022 to engage in the business of commercial ports and other activities;
2. Southwest Luzon Power Generation Corporation (SLPGC) was incorporated on August 31, 2011 to engage in the business of power generation;
3. SEM-Cal Industrial Park Developers Inc.[1] (SIPDI) was incorporated on April 27, 2011 to engage the development of economic zone in accordance with Republic Act No. 7916, as amended, otherwise known as the Special Economic Zone Act of 1995;
4. Semirara Materials and Resources, Inc. (formerly: Semirara Claystone Inc.)[1] (SMRI) was incorporated on November 29, 2012 to engage in the business of manufacturing of other non-metallic mineral products, among others; SEC approved the change in company name of SCI to SMRI on April 15, 2022.
5. Semirara Energy Utilities Inc.[1] (SEUI) was incorporated on February 18, 2013 to perform qualified third-party functions as an alternative electric service provider authorized to serve remote and unviable areas;
6. Southeast Luzon Power Generation Corporation[1] (SELPGC) was incorporated on September 9, 2013 to engage in the business of power generation; and
7. St. Raphael Power Generation Corporation[1] (SRPGC) was incorporated on September 10, 2013 to engage in the business of power generation.

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[1] *non-operating entities as of March 31, 2023*

Business of Issuer

Principal Product or Services and their Markets

The Company generates its revenues through the production and sale of sub-bituminous coal. In 2023, total volume sold reached 15.8 million metric tons (MMT), 7% improvement from last year. Sales volume is mainly driven by export sales accounting for 51% of the shipments which mostly went to China and South Korea. SMPC has been successful in diversifying its export market from China to other Asian countries such South Korea, Brunei, Japan, India and Vietnam. The 49% consists of domestic sales that was sold to own power plants (47%), other power plants (36%), and to industrial and cement plants (17%).

As part of its vertical integration, the Company also provides baseload power to the Luzon and Visayas grids through its two wholly owned operating subsidiaries – SCPC and SLPGC.

Coal-fired thermal power plants of SCPC (2x300 MW) and SLPGC (2x150 MW) are both located in Brgy. San Rafael, Calaca, Batangas. Total dependable capacity as of December 31, 2023 stood at 710 MW with SCPC at 410 MW and SLPGC at 300 MW. The two companies provide baseload power through bilateral contracts with private distribution utilities, retail electricity supplier (RES), electric cooperatives and other large end-users. Excess capacity is sold to the Wholesale Electricity Spot Market (WESM) or spot market. Total contracted energy is at 238.2 MW as of end of 2023, of which 127 MW is for SCPC and 111.2 MW is for SLPGC.

On September 14, 2009, the Company established its own RES through the establishment of SEM-Calaca RES Corporation (SCRC). SCRC is a wholly-owned subsidiary of SCPC and is licensed under the Energy Regulatory Commission (ERC) to supply electricity to end users in contestable market.

The Company also established other subsidiaries to engage in power generation and other businesses aligned with the Company's business model and structure. These subsidiaries are still non operating as of December 31, 2023.

Percentage of Sales and Net Income Contributed by Foreign Sales for Each of the Last Three Years

For years 2023, 2022 and 2021, foreign sales accounted for 63%, 59% and 69% of consolidated coal revenues, respectively. Meanwhile, the contribution of foreign sales to net income are 22%, 27% and 22% in 2023, 2022 and 2021, respectively. These foreign sales pertain to export sales of the coal segment. There are no foreign sales component in the power segment.

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Distribution Methods of the Products or Services

For the coal segment, local sales are mostly composed of ultimate consumers such as power plants, industrial and cement plants, on FOB basis. Export sales are distributed through coal traders, also on FOB basis. Meanwhile, the power segment generates its revenue from sales to private distribution utilities, RES, electric cooperatives and other large end-users through bilateral contracts and sale of excess or uncontracted capacity to the spot market or WESM.

Competitive Business Conditions and the Registrant's Competitive Position in the Industry and Methods of Competition

Coal segment

Competition is not significant as far as domestic coal mine is concerned. SMPC's coal production registered a 12% growth from 14.3 MMT in 2021 to an all-time high of 16.0 MMT in 2022 and 2023. The Company remains to be the dominant player or biggest coal mining company in the Philippines. In terms of coal production, SMPC produced 99.5% of the local coal production based on the latest data from the Department of Energy. The nominal balance is shared by small-scale mines in Cebu, Batan Island, Albay, Surigao, Zamboanga and other areas. Nonetheless, domestic coal demand is still anchored heavily on imported coal. The competitiveness of domestic coal producers is challenged by the superior quality of imported coal as well as the government's policy on liberalization. This is however compensated by the Department of Energy's policy to promote indigenous energy resources and lower freight costs of local coal vis-à-vis imports. The Company remains to be competitive while it continues to exert efforts to improve the quality of its coal and keep production costs low. Common Effective Preferential Tariff rates (CEPT) on coal among ASEAN member nations is 0%, outside ASEAN, the tariff rate is at 5%.

In 2021 and 2022, local coal industry was priced competitively against imported coal due to surging coal indices. In 2023, SMPC's pricing for domestic coal is either on spot, fixed price or based on coal indices such as New Castle Index or Indonesian Coal Index, and related foreign exchange rate. With the normalization of coal and electricity prices in 2023, the Company's revenue dipped by 16% despite all time high coal sales volume and improved plant availability.

Power segment

The Electric Power Industry Reform Act (EPIRA) of 2001 or RA 9136 provided the mandate and the framework to introduce competition in the electricity market. The EPIRA has promoted a level playing field in the competitive retail electricity market. The privatization of NPC assets and NPC-IPP contracts in Luzon and Visayas, the creation of WESM for energy trading and the integration of the Luzon and Visayas grid therein as well as the initial commercial operations of the Retail Competition and Open Access (RCOA) are some of the major developments in the Philippine electricity market following the passage of the EPIRA.

The country's energy requirement is expected to continuously grow given the long-term economic growth trajectory of the Philippines. In 2022, the full reopening of the Philippine economy and election activities pushed up electricity demand. The upsurge in demand coupled with higher fuel costs and supply constraints following multiple plant outages and declining Malampaya output resulted to thin margins and persistent red and yellow alerts during the year. Given the country's growing demand and limited baseload capacity entering the market in the next few years, electricity spot prices are expected to remain elevated.

The developments brought by the EPIRA, and the long-term electricity requirement of the country have attracted many competitors in the power industry. Likewise, the dispatch and sale of electricity depends on the ability to offer a competitive price to the market. Moreover, the demand for the use of renewable energy sources has introduced new challenges in the power industry.

SMPC believes that due to its vertical integration, its power segment remains to be cost competitive compared to other generation companies in the industry. SMPC is continuously exploring other energy sources as part of its sustainability goals.

<u>Sources and Availability of Raw Materials and the Name of Principal Suppliers</u>

Coal segment

The Company has a Coal Operating Contract (COC) with Department of Energy (DOE) in 1977 (amended 1981) for the exploration, development, mining and utilization of coal over Semirara Island, Antique pursuant to Presidential Decree No. 972. On May 13, 2008, the DOE approved the term extension of the Company's COC from July 13, 2012 to July 14, 2027. Semirara Island has an estimated coal reserve of around 170 million MTs. On November 12, 2009, DOE and the Company amended the COC. The amendment changed the coordinates of the contract area to include an area of 3,000 and 4,200 hectares, more or less situated in Caluya Island and Sibay Island, Antique. On August 3, 2018, DOE and the Company executed the 2018 Amendment to COC No. 5 amending the coal contract area in order to optimize the development and production of coal resources in Semirara Island. Under said amendment, the Company relinquished coal blocks 294, 375, 377 and 16, and replaced with coal blocks 214, 215, 254 and 257 all located in Semirara Island. It also relinquished the areas in Caluya and Sibay, Antique.

In 2013, two new concessions were awarded to the Company located in Bulalacao, Oriental Mindoro and in Maitum and Kaimba, Province of Sarangan. In 2019 the Company voluntarily relinquished its rights over these concessions.

Power segment

The two operating power generation companies, SCPC and SLPGC, both operate coal-fired thermal power plants. To ensure security of supply and cost effectiveness, SCPC and SLPGC exclusively sources its annual coal requirement from its Parent Company (SMPC) through long-term coal supply contracts.

<u>Dependence on One or a Few Major Customers and Identification of Such</u>

Coal segment

The Company is not dependent upon a single customer as it successfully diversified its market base. In 2023, export and local sales registered at 55% and 45% in terms of value and 51% and 49% in terms of volume, respectively. While in 2022, export and local sales registered at 59% and 41% in terms of value and 48% and 52% in terms of volume, respectively. The domestic sales were sold to power plants, cement plants, and other industries.

Power segment

Approximately 32% of the total electricity sold by the power segment (SCPC and SLPGC) are under bilateral contracts for the year ended December 31, 2023. The remaining 68% was sold through WESM or the spot market.

Transactions With and/or Dependence on Related Parties

Please refer to Note 17 (Related Party Transactions) of Notes to Consolidated Financial Statements.

SMPC has no other transaction with other parties (outside the definition of "related parties") with whom SMPC or its related parties have relationship that enables the parties to negotiate terms of material transactions that may not be available from other. All related party transactions are made at terms and prices agreed upon by the parties. SMPC has an approval process and established limits when entering into material related party transactions. There is no financial assistance provided to subsidiaries or any affiliates.

Patents, Trademarks, Copyrights, Licenses, Franchises, Concessions and Royalty Agreement, or Labor Contracts Including Duration

Coal segment

On July 11, 1977, the Department of Energy (DOE) executed a Coal Operating Contract (COC) with Vulcan Industrial & Mineral Exploration Corporation and Sulu Sea Oil Development Corporation with a contract period until July 13, 2012. On April 7, 1980, all rights and interests of Vulcan and Sulu were assigned to SMPC. The COC was extended until July 14, 2027. SMPC's incentives from the COC are: (1) Exemption from all taxes except income tax; (2) Exemption from payment of tariff duties and compensating tax (VAT) on importation of machinery and equipment and spare parts, and material required for the coal operations, subject to certain conditions; (3) Accelerated depreciation on fixed assets necessary in coal operations, subject to certain conditions; (4) Right to remit at prevailing exchange rate at the time of remittance arising from foreign loans and contracts associated in the performance of COC, subject to Central Bank regulations; (5) Preference in grant of government loans in the performance of COC; (6) Engagement of alien technical and specialized personnel.

Further, SMPC is required to pay royalties to the DOE – at 30% of net proceeds (gross revenue less all expenses, excluding royalty and corporate tax) and compensation for entry and use of private lands under the provisions of PD 972, as amended by PD 1174, to land owners– Php0.50/MT for untitled land and Php1.00/MT for titled land.

Power segment

The business of power generation and retail electricity supply is not considered as a public utility operation under the EPIRA. As such, the power businesses of SMPC are not required to obtain franchise. In order to operate a generation facility, SCPC and SLPGC secures from the ERC Certificates of Compliance (COC) and complies with the standards, requirements and other terms and conditions set forth in the COC. Meanwhile, SCRC has obtained a RES license under ERC to engage in the business of selling electricity to end-users in the contestable market.

Governmental Approval of Principal Products or Services

Coal segment

SMPC has secured permits and licenses from the government as follows:

a) Extension of Coal Operating Contract with the DOE from 2012 to 2027
b) DENR Environmental Compliance Certificate No. 9805-009-302
c) DENR Environmental Compliance Certificate ECC-CO-1601-005 issued by the DENR for its Molave Coal Project
d) Business Permits issued by Caluya, Antique and Makati City

e) Aerodrome Registration Certificate No. AGA-R-009-2018A issued by CAAP-yearly renewable
f) Certificate of Registration of Port Facilities No. 149 until December 31, 2024

Power segment

As discussed previously, operating companies under the power segment (SCPC, SLPGC and SCRC) secures COCs and RES license with ERC. The generation facilities of SCPC and SLPGC complies with all the requirements under the ERC guidelines, the Philippine Grid Code, the Philippine Distribution Code, WESM rules and other relevant laws and regulations. Meanwhile, SCRC's license grants the right for the company to operate as a Retail Electricity Supplier (RES).

Effect of Existing or Probable Governmental Regulations on the Business

SMPC and its subsidiaries are subject to the laws generally applicable to all Philippine-registered companies with the Securities and Exchange Commission (SEC), such as corporation law, tax, local government code, labor and social legislations, i.e., SSS, Pag-Ibig and Philhealth, among others.

This also includes the Revised Corporation Code of the Philippines (RCC), RA 11232 which took effect on February 23, 2019, and other rules, regulations, and issuances of SEC. The RCC aimed at improving the ease of doing business and affording more protection to corporations and stockholders and promoting good corporate governance. Also, The Data Privacy Act of 2012, RA 10173 which was approved into law on August 15, 2012, imposes restrictions on the processing of personal information, sensitive or otherwise, held by a personal information controller, such as employers.

The Tax Reform for Acceleration and Inclusion (TRAIN) Law, RA 10963, became effective on January 1, 2018. It introduced amendments to personal income taxation, transfer tax, value-added tax, excise tax, taxation on sale of shares of stocks, and documentary stamp tax, among others. A major provision of the TRAIN Law is the staggered increase in oil and coal excise taxes. Rates were adjusted gradually between 2018 and 2020. The coal rates increased from P10 per metric ton to P50, P100, and P150 per metric ton, respectively, in 2018, 2019, and 2020, covering both domestic and imported coal.

The Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) Law was signed on March 26, 2021 and seeks to reduce corporate income tax rates and rationalizes the current fiscal incentives by making it time-bound, targeted, performed-based, and transparent. The incentives will be granted based on the number and quality of jobs that will be created, the investments made in research and development and skills training, the capital invested for countrywide infrastructure development, among others.

Coal segment

SMPC is required under Philippine laws to secure mining and exploration permits, as well as environmental clearances from appropriate government agencies for its continuing operations. Notable is the Environmental Compliance Certificate (ECC), which the Department of Environment and Natural Resources through the Environmental Management Bureau granted SMPC ECC-CO-2001-0001 dated May 28, 2020 for its Semirara Coal Mine Project located at Barangay Semirara, Caluya, Antique.

Moreover, SMPC is also required to register and/or secure permit to operate from the Philippine Ports Authority (PPA) pursuant to PD 857 dated December 23, 1975 and the relevant Administrative Orders issued by PPA for SMPC's private, non-commercial port located in Semirara, Caluya, Antique.

Power segment

The Electric Power Industry Reform Act of 2001 (EPIRA) was signed into law on June 8, 2001. It was enacted to provide a framework for the restructuring of the electric power industry, including the privatization of the assets of NPC, the transition to the desired competitive structure, and the definition of the responsibilities of the various government agencies and private entities. SCPC and SLPGC are required under the EPIRA to obtain a Certificate of Compliance (COC) from the Energy Regulatory Commission (ERC) which is renewable every five years.

Competitive Selection Process (CSP)
The DOE issued Department Circular No. DC2018-02-0003 dated February 1, 2018, adopting and prescribing the policy for the competitive selection process in the procurement by the distribution utilities of power supply agreement for the captive market.

ERC Reliability Performance Indices
The ERC issued Resolution No. 13, Series of 2020 as amended, or “A Resolution Adopting the Interim Reliability Performance Indices and Equivalent Outage Days per Year of Generating Units.” Its objectives, among others, are to set a reliability performance benchmark per technology for all generating units to lessen outages and ensure predictable power supply and rate; to promote accountability of Generation Companies, the System Operator, and the Transmission Network Provider to achieve greater operations and economic efficiency; and to monitor the actual planned and unplanned outages days of generating units.

ERC Revised Guidelines for Financial Capability Standards of Generation Companies
The ERC issued Resolution No. 06, Series of 2005 dated April 14, 2005, adopting the guidelines for the financial standards of generation companies. Its objectives are to promote the overall financial viability of the generation sector, ensure the affordability of electric power supply while maintaining the required quality and reliability, and protect the public interest.

Retail Competition and Open Access (RCOA)
Pursuant to DOE Department Circular No. DC2015-06-0010 dated June 19, 2015, governs the establishment and full implementation of RCOA. RCOA is the provision of electricity to a contestable market by suppliers through open access where it allows any qualified person to use the transmission, and/or distribution systems associated facilities subject to the payment of transmission and/or distribution retail wheeling rates duly approved by the ERC.

Renewable Portfolio Standards (RPS)
The DOE issued Department Circular No. DC2018-08-0024 dated August 24, 2018, promulgating the rules and guidelines governing the establishment of the renewable portfolio standards for off-grid areas in order to contribute to the growth of the renewable energy industry in the off-grid and missionary areas by mandating electric power industry participants to source and produce a specified portion of their electricity requirements form the eligible renewable energy resources.

Estimate of Amount Spent for Research and Development Activities (3 Fiscal Years)
None.

Costs and Effects of Compliance with Environmental Laws

Coal segment

SMPC has programs being implemented to comply with the conditions of ECC, which includes the Regular Monitoring by the Multi-partite Monitoring Team (MMT), Marine Assessment Studies/Surveys, and Social & Environmental Development Programs such as expanded mangrove areas, initiated and supported livelihood projects, implemented reforestation programs on the island and cultivated marine sanctuary, i.e., giant clams and abalones. SMPC has spent P1.56 billion on these activities from 1999-2023. SMPC has established an Environmental Monitoring Fund for MMT, which has an initial amount of P600,000.00 determined by the work and financial plan of the Monitoring Team. Also, an Environmental Guarantee Fund was established with a cash component of P15.61 million as of December 31, 2023. This enables the continued mining operations of SMPC.

Power segment

SCPC and SLPGC continue to go beyond compliance by implementing reforestation programs, marine protection, and river protection. A 50ha forested land that is part of Mt. Batulao was adopted last 2019 to protect and continuously reforest. The marine protection project is a 16ha area in Balayan Bay located in the town of Balayan, Batangas. Activities such as coastal clean-up, marine assessment, livelihood projects, artificial reef deployment, and information dissemination were implemented. Dacanlao and Cawong rivers were protected by SCPC and SLPGC. Steady improvement in the dissolved oxygen (DO) and biochemical oxygen demand (BOD) in the water quality of Cawong and Dacanlao rivers were recorded by DENR-EMB. These were concrete proofs that the river clean-up, tree planting along the riverbanks, and regular garbage collection of the trash traps were effective in improving the water quality.

Aside from outside activities, SCPC and SLPGC implemented resource management through water conservation initiatives, solid waste management, and fugitive dust mitigation. Three units of dust suppressors from Germany were acquired and used starting in 2021 to ensure that fugitive dusts are mitigated, and our host communities are protected. Water quality and solid waste management were consistently being implemented to meet the requirements of DENR and other government agencies.

Compliance to ECC conditions and other legal requirements are continuously being strengthened with the help of designated Compliance Officers at sites. The compliance officer is solely dedicated in ensuring that all ECC conditions, permit conditions, licenses, and legal requirements were monitored and complied. The position also conducts compliance reporting and compliance review to ensure that the processes of SCPC and SLPGC adheres to all legal requirements.

Total Number of Employees and Number of Full Time Employees

The number of employees per company, level and location as of December 31, 2023 are as follows:

Head Office	**SMPC**	**SCPC**	**SLPGC**
Executives	10	-	-
Managers	23	-	-
Supervisors	33	-	-
Rank and File	85	-	-
Total	**150**	**-**	**-**

Minesite/Power Plant	**SMPC**	**SCPC**	**SLPGC**
Executives	1	-	1
Managers	15	2	16
Supervisors	182	27	40
Rank and File	3,687	238	187
Total	**3,885**	**267**	**244**

Except for SCRC, other SMPC subsidiaries, namely: SIPDI, SCI, SEUI, SELPGC, SRPGC and SPFI are non-operational, hence, no employees were hired.

There are no existing labor unions in SMPC and subsidiaries.

SMPC and subsidiaries do not anticipate hiring additional employees for the ensuing year except when due to contingencies such as, but not limited to, additional roles and functions, separation, resignation, and termination services of existing employees, among others.

Major Risk/s Involved in Each of the Business of the Company and Subsidiaries

Major business risks are operational, regulatory compliance, and financial risks. The operational and regulatory risks are being mitigated by SMPC's compliance to its Integrated Management System (IMS) Policy covering Quality Management System (ISO 9001:2015), Environmental Management System (ISO 14001:2015), and Occupational Health and Safety Management System (ISO 45001:2008). SMPC has been ISO certified since 2008 and remains certified to date.

In 2023, our power subsidiaries mitigate its operational risks by structuring and executing the asset management plan to manage the prolonged unplanned shutdowns, and by securing industrial all risks with business interruption insurance cover for its power plants. Our coal segment has strengthened its Safety organization and has been accelerating the implementation of pit safety and ground control management to ensure safety of its workforce, and at the same time achieve the production targets.

DESCRIPTION OF PROPERTY

Property

Coal segment

The mine site located in Semirara Island, Caluya, Antique, is part of the coal mining reservation under Proclamation No. 649 issued by then President Manuel L. Quezon on November 20, 1940. Certain areas in the mine site are leased with rental payments of Php5.15 million for 2022. The infrastructures and road network, office administration buildings, and power plants, are some of the improvements made by the Company on the leased area, as well as the following:

a. Building/Offices	Units		Units
Administration Building	1	Motorpool MWS	1
Analab Building	1	MS1 Building	1
Civil Works Office & Warehouse	1	MS2 Building	1
Coal Power Plant 2 x 7.5MW	1	MS3 Building	1
Coal Power Plant 1 x 15MW	1	MS4 Building	1
Coal Silo	4	MS5 Building	1
Core House	1	MS7 Building	1
Refo Office	1	Oxygen/Acetylene Building	2
Genset Shed at CPP	1	Molave Pit Offices	1
IMS Office & Library	1	Molave Pitshop	1
Lime Plant	1	Narra Pit Offices	1
Magazine Building	3	Product Offices	2
Main Workshop	1	RMO Office	1
Warehouse	1	Sandblasting & Painting	3
Coal Shed at Product	1	Shipping Mayflower Office	1
HRD Building	1	Shipping Shipyard Office	1
Diesel Power Plant	1	Tire Shop at MWS	1
Roller and Belt Repair Shop	1		
b. Housing			
Altar Boys Quarter	1	Molave Housing (Laborer's Unit)	845
Group Staff House	4	Pinatubo Housing	52
Phase 7 Housing	153	Molave Phase 1 Extension	69
Kalamansig Housing	100	Waffle Crete Building	2
Laborer's Clusters 1-8	180	IS Extension	49
Bunlao Phase 5 & 6 Housing	200	Tabunan Staff House	3
Lebak Housing	150		
c. Others			
Commuter Terminal	1	Messhall at Waffle Crete	1
Covered Tennis Court	1	Mix Commercial Building	3
Gantry at mayflower	1	Multi-Purpose Gym	3
Gantry at MWS	1	Multi-Purpose Hall	4
Grotto	1	Evacuation/Covered Court	5
Hangar	4	ONB ATM Machine Building	1
Material Recovery Facility	1	Oval at Pinagpala Area	1
Messhall 1	1	Indoor Swimming Pool at Pinagpala	1
Messhall at Cluster 5	1	Pall Water Filtration Plant	1
Messhall at Cluster 7	1	Pottery Building	1
Semirara Plaza	1	Semirara Biodiversity Center	1
5k Slipway	1	Semirara Airstrip	1
SMC Infirmary	1	Wind Breaker	1
Tabunan hatchery & Laboratory	1	K2 Overpass Bridge	1

Desalination Plant	1

All properties with the net book values are active assets. These are all located in Semirara Island, Caluya, Antique (mine site). All properties are free of any liens and encumbrances. The Company also invested in mining and other equipment worth Php3.43 billion, Php2.95 billion, and Php1.29 billion for 2022, 2021, and 2020, respectively.

Power segment

The power segment owns the following equipment, structures, buildings and improvements among others:

SCPC
1. 32.1 ha of land in Calaca, Batangas
2. 2x300 MW CFB with its major components and accessories
3. Other structures:
   - Harbour/Unloading Facilities 1
   - Site Grading and Access Roads 1
   - Ash Disposal Yard 1
   - Coal Storage Yard and Facilities 1
   - Diesel Station 1
   - Perimeter Fence and Gate 1
   - Perimeter Lighting 1
4. Buildings/offices:
   - Office Buildings 4
   - Coal handling control room and Fuel laboratory 1
   - Maintenance Shop and Office 1
   - Carpentry and Motor Pool Building 1
   - Training Center and Office 1
   - Messhall 1
   - Warehouse 3
   - Chapel 1
   - Guesthouse/Dormitories 5

SLPGC
1. 8.27 ha of land in Calaca, Batangas
2. 2x150 MW CFB with its major components and accessories
3. 2x25 MW Gas Turbine with its major components and accessories*
4. Other structures:
   - Coal Yard 2
   - Road Networks 1
   - SemCal Bridge 1
   - Perimeter Lighting 1
5. Buildings/offices:
   - Administration Building 1
   - Warehouse 1
   - Maintenance Workshop Building 1

**Currently in the process of negotiated sale.*

These assets are located over parcels of land in Calaca, Batangas under a 25-year lease contract between SCPC and Power Sector Assets Liabilities and Management Corporation (PSALM). Total rental for the entire duration of the lease amounting to Php150.57 million has already been paid in advance. SCPC exercised its option to buy several parcels of land under the said lease contract with an aggregate area of 32.1 hectares on various dates. SCPC assigned its option to buy an additional 8.27-hectare lot to SMPC which option was exercised on July 4, 2011. The 8.27 hectares of land was later sold to SLPGC on August 28, 2013.

Mining Companies

The mining claims are located in Semirara Island, Caluya, Antique covering an area of 3,832 hectares. On March 10, 1999, the Company was granted an Exploration Permit for a period of two years and renewable for a like period for a maximum of 6 years. The Exploration Permit is for limestone, silica and other quarry minerals. On June 28, 2004, the Mines & Geoscience Bureau issued a renewal of the permit. The Company during the term of the Exploration Permit undertook geological mapping, rock sampling and analysis and beneficiation testing. The preliminary exploration conducted by the Company indicates a considerate resource of limestone, silica and clay with potential commercial value. On March 10, 2022, the DENR-MGB issued to SMPC its Mineral Production Sharing Agreement (MPSA).

Legal Proceedings

Meanwhile, SMPC and subsidiaries' existing legal cases, are as follows:

1. **The HGL Case**. Sometime in January 2004, SMPC received a complaint filed by HGL Development Corporation (HGL). The facts are as follows:

   On August 28, 1984, HGL entered into a Forest Land Grazing Lease Agreement (FLGLA No. 184) with the DENR covering a 367-hectare land located at the Barrios of Bobog and Pontod, Semirara, Antique. In its Order dated December 6, 2000, DENR cancelled FLGLA No. 184 on the ground that the subject area is within the coverage of Proclamation No. 649, which sets apart the island of Semirara in the Province of Antique as coal mining reservations.

   HGL's letter-reconsideration dated January 12, 2001 was denied by the DENR on December 9, 2002.

   The Caloocan Case

   On November 17, 2003, HGL filed a complaint (Civil Case No. C-20675) against the DENR for specific performance and damages in Branch 121, Regional Trial Court of Caloocan City (RTC-Caloocan). HGL prayed that the DENR should be compelled to fulfil its contractual obligations under FLGLA No. 184 and pay HGL for moral and exemplary damages and attorneys' fees.

   On March 2, 2004 SMPC filed a motion for intervention, which was granted by RTC-Caloocan. Subsequently, SMPC filed a motion to dismiss for lack of cause of action/jurisdiction and forum shopping. On June 10, 2005, the RTC-Caloocan denied the motion for dismissal and the subsequent motion for reconsideration. SMPC challenged the said Order via a petition for review with the Court of Appeals on November 28, 2005 (Semirara Mining Corporation vs. Judge Adoracion G. Angeles and HGL Development Corporation, Court of Appeals, Manila, G.R. SP No. 92238).

   On January 15, 2007, the Court of Appeals reversed the RTC–Caloocan's decision and ordering the dismissal of the case in view of HGL's failure to appeal before the Office of the President the cancellation of its FLGLA No. 184 by the DENR. On July 2, 2008, the Court of Appeals denied with finality HGL's appeal.

   With the denial of HGL's motion for reconsideration, HGL filed a petition for certiorari on November 14, 2007 before the Supreme Court (SC G.R. No. 177844). Said petition was denied for failure to sufficiently show any reversible error on the assailed Court of Appeals' decision. HGL's motion for reconsideration was denied with finality on July 2, 2008.

   Meanwhile, a separate petition was filed by DENR docketed as *"Secretary of the Department of Environment and Natural Resources vs. Judge Adoracion G. Angeles and HGL Development Corp., CA G.R. SP Case No. 92311*." As the petition was denied by the Court of Appeals, DENR filed a petition for certiorari before the Supreme Court (G.R. No. 180401). On February 4, 2008, the Supreme Court denied the petition of DENR. Its motion for reconsideration was likewise denied with finality on March 25, 2009.

   Citing as basis the dismissal of the RTC-Antique case (Civil Case No. C-146) on the ground of forum shopping, SMPC filed a motion to dismiss the case with RTC-Caloocan on August 15, 2008 for lack of jurisdiction and forum shopping. On December 24, 2008, the RTC-Caloocan denied the motion and retained jurisdiction over the case. With the denial of its motion for reconsideration on June 24, 2009, SMPC filed a petition for certiorari with the Court of Appeals on September 14, 2009 (Semirara Mining Corporation vs. Judge Adoracion G. Angeles and HGL Development Corp., CA G.R. SP No. 110460). On October 31, 2013, the Court of Appeals dismissed SMPC's petition. Its motion for reconsideration dated November 22, 2013, was likewise denied.

On May 29, 2014, SMPC filed its petition for review on certiorari under Rule 45 with the Supreme Court (G.R. No. 212018). After directives given by the Supreme Court in June 2017, SMPC filed its Reply to HGL's comment to the petition. On April 26, 2021, the Supreme Court directed the Court of Appeals to elevate the complete records of the case. The case remains pending to date.

The Culasi Case

HGL also filed a separate case (Civil Case No. C-146) against SMPC on November 17, 2003 in Branch 13 of the Regional Trial Court of Culasi, Antique (RTC-Culasi) for the recovery of possession over a 367-hectare land located in the Barrios of Bobog and Pontod, Semirara, Antique, with prayer for the issuance of a preliminary mandatory injunction; actual, moral and exemplary damages; and attorney's fees in the total amount of P10 million. SMPC received the summons on January 15, 2004.

On February 6, 2004, SMPC filed its Answer and prayed for the outright dismissal of the case as the Order canceling the FLGLA No. 184 had long been final and executory and can no longer be disturbed. SMPC claims exemplary and moral damages and attorneys' fees.

On September 16, 2004, the RTC-Culasi granted HGL's prayer for preliminary mandatory injunction. SMPC did not seek reconsideration. As the issuance of the writ was sustained by the Court of Appeals-Cebu (CA-GR CEB-SP No. 00035) in its Decision dated January 31, 2005, SMPC filed a Petition for Certiorari to the Supreme Court (G.R. No. 166854) with prayer for Temporary Restraining Order (TRO) and/or Injunction. The Supreme Court initially granted the TRO on March 2, 2005, but on December 6, 2006, it denied SMPC's Petition and lifted the TRO. On January 18, 2007, SMPC filed a Motion for Reconsideration and a Supplemental Motion for Reconsideration on January 25, 2007, which were both denied with finality by the Supreme Court on February 14, 2007. The Supreme Court's December 6, 2006 Decision became final and executory on March 13, 2007.

On the basis of the denial of SMPC's Petition, HGL filed a Motion to Execute the RTC-Culasi's order for preliminary mandatory injunction. On March 26, 2007 SMPC opposed HGL's Motion based on supervening event, i.e., SMPC have secured on March 12, 2007 a DENR Temporary Special Land Use Permit over a 60-hectare portion of the property subject of the case valid until March 2010. SMPC instead sought the dismissal of the case based on Forum Shopping, which the RTC-Antique granted with prejudice on July 18, 2007. HGL's motion for reconsideration was denied on November 20, 2007. No appeal was taken by HGL.

On February 6, 2008, HGL filed with the Supreme Court a Petition for Indirect Contempt (SC G.R. No. 181353). HGL alleged, among others, that the dismissal of the Culasi case constitutes indirect contempt as HGL was not able to implement the Supreme Court's December 6, 2006 Decision (affirming the earlier order of RTC-Culasi granting HGL's prayer for preliminary mandatory injunction) and resolution dated February 14, 2007, as RTC-Culasi dismissed the main case or the Culasi case on the ground of forum shopping.

On June 6, 2016, the Supreme Court partially granted HGL's Petition and reinstates Civil Case No. C-146 and remands it to RTC-Culasi for the specific purpose of hearing and determining the damages to be awarded to HGL for the non-enforcement of the Writ of Preliminary Mandatory Injunction dated October 6, 2004.

On August 4, 2023, the RTC-Culasi issued a Resolution ordering SMPC to pay HGL the amount of P3,000,000.00 as temperate damages and P3,521,168.00 attorney's fees while the claim for moral damages was denied for lack of basis. All monetary awards shall earn 6% legal interest per annum from finality of the Resolution until its full satisfaction. On October 11, 2023, SMPC filed its partial Motion for Reconsideration praying the award of damages be deleted. HGL filed likewise its own motion to claim P21,850,000 in actual damages or in the alternative P8,000,000 in temperate damages and attorney's fees of P4,869,455.17. In an Order dated December 18, 2023, the case is deemed submitted for resolution.

2. **Forcible Entry Case.** – The complaint docketed as *Gabinete, et. al. vs. SMPC, et. al., Civil Case No. 210-C, MCTC-Pandan, Antique* hinges from the alleged entry of SMPC to a portion of Gabinete's properties located in Barangay Alegria, Caluya, Antique. The occupation of SMPC was based on the authority of the new owner of the property. Gabinete prayed that the Court order SMPC to vacate the properties and pay damages and attorney fees. On March 11, 2015 SMPC submitted its affidavits and position paper as required by the Court. The case is submitted for resolution/decision of the Court.

3. **Annulment of Deeds of Sale Case. –** The complaint docketed as *Gabinete, et. al., vs. SMPC, et. al., Civil Case No. C-260, RTC-Culasi, Antique, Branch 13* seeks the annulment of the deeds of sale which Gabinete executed with the defendant, George G. San Pedro covering parcels of land located in Brgy. Alegria, Caluya, Antique due to alleged unsound mind at the time of execution. Gabinete filed an amended complaint, which was admitted by RTC on April 27, 2015. A motion to drop SMPC as defendant to the case was granted by RTC per its Order dated December 12, 2019. With the denial of Gabinete's motion for reconsideration, a petition for certiorari under Rule 65 dated November 9, 2020 was filed. On April 18, 2022, the RTC dismissed the case for lack of legal capacity to sue on the part of plaintiff, Richelle G. Mesullo and Rick M. Lavega.

4. **Declaratory Relief with Injunction Case. –** This is a case filed by SMPC against the *Bureau of Internal Revenue [BIR], Bureau of Customs [BOC] & Department of Finance [DOF] under Civil Case No. 13-1171, RTC Makati Br. 146*. On May 21, 2013 SMPC was granted a Certificate of Qualification for Tax Exemption under PD 972 by the Department of Energy (DOE) for its 36,000,000 liters of diesoline. SMPC made the first partial shipment of 6,176,367 liters. BIR assessed VAT and excise tax on said shipment in the amount of P27,341,714.00, which was paid under protest. As a result, SMPC filed a petition for Declaratory Relief with the RTC-Makati on October 3, 2013 seeking to enjoin BIR and BOC from implementing BIR Revenue Regulation No. 2-2012 (RR No. 2-2012) by imposing advance payment of VAT on SMPC's importation of diesel fuel for its own use and consumption. BIR rationalizes its issuance of RR No. 2-2012 for the purpose of curtailing smuggling. While under said regulations payment of VAT is subject to right of refund by SMPC (effectively 0% rated) being exempted from VAT under its Coal Operating Contract (COC) and PD 972, SMPC contested the application of said regulation as it effectively diminishes its exemption granted by law and impairs the rights under its COC pursuant to the non-impairment clause of the Constitution.

   On October 30, 2013, SMPC secured a 20-day TRO and on November 21, 2013 the RTC-Makati issued a preliminary injunction against the BIR, BOC and DOF in so far as the implementation of said regulation specifically against SMPC. Defendants moved for reconsideration but were denied by the RTC-Makati on February 4, 2014. On February 10, 2014, the RTC-Makati granted SMPC's petition and declared that in view of the tax exemption provided under PD 972 and the COC, RR No. 2-2012 issued by the respondents was held inapplicable to SMPC's direct importation of petroleum products.

   The DOF and BOC filed a petition for review on certiorari under Rule 45 of the Rules of Court (ROC) with the Supreme Court (G.R. No. 211188) on April 8, 2014 while the BIR on May 13, 2014 filed with the Court of Appeals (CA-G.R. No. 135364) a petition for review under Rule 65, ROC with prayer for TRO and/or writ of preliminary injunction. Meanwhile, SMPC filed a petition on September 2, 2015 with the Court of Tax Appeals (CTA Case No. 9133) in view of the denial by the BIR of its claim for tax refund in the amount of P27,341,714.00 as VAT paid under protest.

   <u>SC G.R. No. 211188</u>
   This case is an offshoot of the RTC-Makati (Branch 146) Order dated February 4, 2014 and its Resolution dated February 13, 2014, which granted SMPC's petition for declaratory relief. Thus, the DOF and BOC filed a Petition for Review on Certiorari under Rule 45 of the Rules of Court with Supreme Court on April 08, 2014 assailing the RTC's Resolution dated February 13, 2014. In a Resolution dated September 19, 2021, the Supreme Court dismissed the petition filed by Petitioners Secretary of Finance, et. al. on the ground of mootness as BIR's RR No. 2-2012 was declared null and void by the Supreme Court in the case of Purisima vs. Lazatin, G.R. No. 210588, November 29, 2016. On March 28, 2022, an Entry of Judgement was issued by the Supreme Court.

CA G.R. SP No. 135364
This case is likewise an offshoot of the RTC-Makati City (Branch 146) Order dated February 4, 2014 and its Resolution dated February 13, 2014, which granted SMPC's petition for declaratory relief. Thus, the BIR filed a Petition for Certiorari under Rule 65 with prayer for TRO and/or Writ of Preliminary Injunction with the Court of Appeals on May 13, 2014. In a Resolution dated July 23, 2014, the Court of Appeals ruled that the petition as "deemed abandoned" for having been filed out of time. The BIR filed an Motion for Reconsideration (MR), which was denied in a Resolution dated January 26, 2015. The BIR filed a petition for review under Rule 45 with the Supreme Court (G.R. No. 217712). SMPC has submitted its comment to the petition. On June 8, 2020, the Supreme Court dismissed the petition for being a wrong mode of appeal. On December 10, 2020, an Entry of Judgement was issued by the Supreme Court.

CTA Case No. 9133
This is case is a petition for review filed on September 2, 2015 by SMPC on the denial of its claim by the BIR for tax refund involving the amount of P27,341,714.00 as VAT paid under protest for the first shipment of its diesoline importation. On July 27, 2018, the Court of Tax Appeals promulgated its decision granting SMPC's petition and ordering the BIR to refund the amount of P27,341,714.00. On August 17, 2018, the BIR moved for reconsideration on the July 27, 2018 decision, which the Court of Tax Appeals' denied in its Resolution dated January 15, 2019 for lack of merit. The BIR filed a petition for review with the Court of Tax Appeals *En Banc* (CTA EB No. 2005) on February 15, 2019. On June 30, 2020, the Court of Tax Appeals *En Banc* promulgated its Decision denying for lack of merit the BIR's petition and affirmed the Court of Tax Appeals' Decision dated July 27, 2018 and its Resolution dated January 15, 2019. Its motion for reconsideration was likewise denied on March 2, 2021. On April 9, 2021, the BIR filed a Petition for Review on Certiorari with the Supreme Court (G.R. No. 255900) praying for the reversal of the June 30, 2020 Decision and March 2, 2021 Resolution of the Court of Tax Appeals *En Banc*. The case remains pending to date.

5. **Illegal Dismissal Case.** – SMPC received a copy of the complaint/summons dated August 30, 2022 for the alleged illegal dismissal docketed as *"Jose Roberto C. Cabili, Complainant vs. Semirara Mining and Power Corp., Cristina C. Gotianun, and Almar G. Valdemar, Respondents, RAB Case No. VI-08-10689-22, National Labor Relations Commission [NLRC], Bacolod City."* The termination from employment is based on just cause, after being involved in an accident resulting in damages to SMPC's equipment due to his gross negligence. SMPC filed its Position Paper on November 28, 2022. On January 31, 2023 the Labor Arbiter dismiss the complaint and money claims for lack of factual and legal basis. The NLRC on June 23, 2023 affirmed the Labor Aribter's findings and denied Cabili's Motion for Reconsideration on October 16, 2023. Cabili appealed the case to the Court of Appeals through a Petition for Certiorari dated January 19, 2024. The case remains pending to date.

6. **In Re: Violation of Article V of ERC Resolution No. 10, Series of 2020, Sem-Calaca Power Corporation, Respondent, ERC Case Nos. 2021-063 SC & 2021-064 SC**. – Sem-Calaca Power Corporation (SCPC), a subsidiary of SMPC received on February 8, 2022 the Energy Regulatory Commission (ERC) Decision imposing a penalty of P337,200.00 for allegedly exceeding the number of allowed unplanned outages by 5.24 days for Unit 1; and P3,975,600.00 for allegedly exceeding the number of allowed unplanned outages by 96.2 days for Unit 2. Both are in excess of the maximum allowable unplanned outage of 16.8 days pursuant to Article V of ERC Resolution No. 10, Series of 2020. On February 15, 2022, SCPC filed a Motion for Reconsideration. The case remains pending to date.

7. **In the Matter of Violation of ERC Orders, Rules and Regulations; Sem-Calaca Power Corporation, Respondent, ERC Case No. 2019-022 SC**. – SCPC received a copy of the ERC Decision dated August 5, 2022. The case pertains to the failure to comply with the submission of outage occurrence and resumption of operation reports through short message service (SMS) within the prescribed timeline for unplanned outages on February 12, 2019 and April 27, 2019, and resumption of operation on March 16, 2019, and May 5, 2019, respectively, in violation of ERC Resolution No. 04, Series of 2015. The ERC directed SCPC to pay P400,000.00 as penalty, which was paid on June 16, 2023.

8. **In Re: Violation of Article V of ERC Resolution No. 10, Series of 2020, Southwest Luzon Power Generation Corporation, Respondent, ERC Case No. 2021-079 SC**. – Southwest Luzon Power Generation Corporation (SLPGC), a subsidiary of SMPC received on October 28,

2021 the ERC Decision imposing a penalty of P135,400.00 for allegedly exceeding the number of allowed unplanned outages by 0.54 days for Unit 2 in excess of the maximum allowed unplanned outage of 16.9 days pursuant to Article V of ERC Resolution No. 10, Series of 2020. On November 4, 2021, SLPGC filed a Motion for Reconsideration. The case remains pending to date.

Except for the foregoing cases, SMPC or its subsidiaries is not a party to any pending material legal proceedings. It is not involved in any pending legal proceedings with respect to any of its properties. Apart from the foregoing, therefore, it is not involved in any claims or lawsuits involving damages, which may materially affect it or its subsidiaries.

PART II – SECURITIES OF THE REGISTRANT

MARKET PRICE OF AND DIVIDENDS ON REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

SMPC's common shares are traded on the Philippine Stock Exchange.

SMPC's stocks closed at P30.25 per share on the last trading day of 2023 with a corresponding market capitalization of P128.6 billion. As of March 12, 2024, market capitalization rose to P146.22 billion based on closing price of P34.40 per share.

The high and low stock prices of the Company's common shares for each quarter of the past three (3) years are as follows:

In Php	High	Low	Close
2021			
Jan-Mar	14.22	11.40	13.58
Apr-Jun	14.92	11.76	14.74
July-Sep	21.40	14.78	21.00
Oct-Dec	30.80	20.60	21.35
2022			
Jan-Mar	35.00	22.10	30.70
Apr-Jun	37.25	26.85	35.00
July-Sep	44.40	34.60	39.00
Oct-Dec	42.50	28.85	34.50
2023			
Jan-Mar	36.45	28.05	32.35
Apr-Jun	32.95	27.00	28.00
July-Sep	35.70	27.70	34.90
Oct-Dec	37.05	27.90	30.25
2024			
Jan-Mar[2]	34.55	29.90	34.40

Holders

Approximate Number of Holders of Each Class of Common Security

(1) As of March 12, 2024 Record Date, SMPC has 749 shareholders with 4,250,547,620 common shares outstanding of which 4.07% or 173,169,528 shares are owned by foreign stockholders.

[2] As of March 14, 2022.

Nationality	Classes of Shares	Number of Shares	Percentage of Total
Filipino	Common	4,077,378,092	95.93
Foreign	Common	173,169,528	4.07
Total Number of Common Outstanding Shares		**4,250,547,620**	**100.00**

Names of Top Twenty (20) Stockholders as of March 12, 2024 (Common Stockholders):

No.	Name of Stockholders	No. of Shares	Percentage of Total
1.	DMCI Holdings, Inc.	2,407,770,396	56.65
2.	PCD Nominee Corp. (Filipino)	801,128,157	18.85
3.	Dacon Corporation	542,067,778	12.75
4.	PCD Nominee Corp. (Foreign)	172,615,005	4.06
5.	Privatization Management Office	145,609,296	3.43
6.	DFC Holdings Inc.	82,346,916	1.94
7.	Augusta Holdings Inc.	23,243,622	0.55
8.	Freda Holdings Inc.	18,640,092	0.44
9.	Regina Capital Development Corp.	13,200,000	0.31
10.	Berit Holdings Inc.	9,290,592	0.22
11.	Meru Holdings, Inc.	6,854,198	0.16
12.	Daveprime Holdings Inc.	5,622,789	0.13
13.	Great Times Holdings Corporation	4,635,704	0.11
14.	Artregard Holdings Inc.	3,390,390	0.08
15.	F. Yap Securities Inc.	2,760,000	0.06
16.	Garcia, Jaime B.	2,193,768	0.05
17.	Tashiding Holdings Inc.	1,832,400	0.04
18.	Windermere Holdings Inc.	1,192,648	0.03
19.	San Juan, Romulo D.	800,000	0.02
20.	Vendivel, Olga P.	720,000	0.02

A list of SMPC's top 100 stockholders and PCD's list of beneficial ownership of securities as of March 12, 2024 is hereto integrally attached.

More than Five (5) Percent Beneficial Owner of Registrant's Common Equity
The table sets forth the record or beneficial owners of more than 5% of the outstanding Common Shares of SMPC, which are entitled to vote and the amount of such record or beneficial ownership as of March 12, 2024:

Title of Class	Name	Number of Shares Held	Percentage of Total
Common	DMCI Holdings, Inc.	2,407,770,396	56.65
Common	PCD Nominee Corp. (Filipino)	801,128,157	18.85
Common	Dacon Corporation	542,067,778	12.75

Each director and nominee:

Office	Names
Director, Chairman & CEO	Isidro A. Consunji
Lead Independent Director	Ferdinand M. dela Cruz
Independent Director	Roberto L. Panlilio
Independent Director	Francisco A. Dizon
Director, President, COO & CSO	Maria Cristina C. Gotianun
Director	Jorge A. Consunji
Director	Cesar A. Buenaventura
Director	Herbert M. Consunji
Director	Ma. Edwina C. Laperal
Director	Josefa Consuelo C. Reyes
Director	Antonio Jose U. Periquet, Jr.

All Directors and Officers as a Group
All directors and officers as a group, and the registrant's present commitments to such persons with respect to the issuance of any class of its common equity.

Title of class	Name of beneficial owner	Amount and nature of beneficial ownership			Citizenship	%
		Direct	Indirect[3]	Total		
Common	Isidro A. Consunji	24,144	30,079,770	30,103,914	Filipino	0.71
Common	Jorge A. Consunji	500,144	5,175,704	5,675,848	Filipino	0.13
Common	Herbert M. Consunji	139,920	-	139,920	Filipino	0.00
Common	Cesar A. Buenaventura	292,120	100,000	392,120	Filipino	0.01
Common	Maria Cristina C. Gotianun	1,428	26,344,245	26,345,673	Filipino	0.62
Common	Ma. Edwina C. Laperal	4,188	15,180,283	15,184,471	Filipino	0.36
Common	Josefa Consuelo C. Reyes	412,400	8,763,998	9,176,398	Filipino	0.22
Common	Antonio Jose U. Periquet, Jr.	-	4,333,000	4,333,000	Filipino	0.10
Common	Ferdinand M. dela Cruz	124,900	-	124,900	Filipino	0.00
Common	Roberto L. Panlilio	1,000	-	1,000	Filipino	0.00
Common	Francisco A. Dizon	6,000	-	6,000	Filipino	0.00
Common	John R. Sadullo	-	-	-	Filipino	0.00
Common	Jose Anthony T. Villanueva	3,000	55,560	58,560	Filipino	0.00
Common	Andreo O. Estrellado	-	-	-	Filipino	0.00
Common	Ruben P. Lozada	475,200	-	475,200	Filipino	0.01
Common	Carla Cristina T. Levina	-	-	-	Filipino	0.00
Common	Christopher Thomas C. Gotianun	1,000	76,000	77,000	Filipino	0.00
Common	Edgar C. Mariano	-	-	-	Filipino	0.00
Common	Lora Liza S. Dioquino	-	-	-	Filipino	0.00
Aggregate Ownership of all directors and officers as a group		**1,985,444**	**90,134,660**	**92,120,104**		**2.17**

Dividends
The Company's dividend policy is to declare a minimum of 20% of its net profit after taxes as an annual cash dividend subject to the approval of the Board of Directors. Provided, however, that the Board shall have the option to declare more than 20% if there is excess cash and less than 20% if no sufficient cash is available. Below are the cash dividends declared for the past three (3) years:

Year	Board Approval	Nature	Dividend/ Share (P)	Total Amount of Dividend (P)	Record Date	Payment Date
2021	3/25/21	Cash	1.25	5,313,184,525.00	4/13/21	4/23/21
2021	10/11/21	Cash	1.75	7,438,458,335.00	10/25/21	11/9/21
2022	3/31/22	Cash	1.50	6,375,821,430.00	4/18/22	4/28/22
2022	10/17/22	Cash	3.50	14,876,916,670.00	10/31/22	11/15/22
2023	3/27/23	Cash	1.80	7,650,985,716.00	4/13/23	4/25/23
2023	3/27/23	Cash	1.70	7,225,930,954.00	4/13/23	4/25/24
2023	10/9/23	Cash	3.50	14,876,916,670.00	10/23/23	11/8/23

Recent Sales of Unregistered Securities
No unregistered securities were sold in 2023, 2022 and 2021.

PART III - FINANCIAL INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Full Years 2022-2023

December 31, 2023 (Audited) vs. December 31, 2022 (Audited)

[3] Shares are either held by family members sharing the same household or by a corporation of which the reporting person is a controlling shareholder.

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 December 31, 2023 and 2022.

- 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, Japan, Vietnam 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	January to December (FY)		
	2023	**2022**	**Change**
SMPC	17,993	32,400	-44%
SCPC	7,854	5,131	53%
SLPGC	2,098	2,482	-15%
Others	45	14	221%

Core Net Income	**27,990**	**40,027**	**-30%**
Nonrecurring Items	(57)	(156)	-63%
Reported Net Income	**27,933**	**39,871**	**-30%**
EPS (reported)	**6.57**	**9.38**	**-30%**

FY 2023 vs FY 2022 Consolidated Highlights

- Reported net income declined by 30% from P39.87 billion to P27.93 billion, marking the Group's second-highest profit on record. All-time high coal shipments and electricity sales volume partially offset a sharp correction in market prices.

  Earnings per share fell from P9.38 to P6.57. Return on equity reached 44%, the highest among listed energy peers in the Philippines.

  Excluding nonrecurring items, core net income fell by 30% from P40.03 billion to P27.99 billion. 2023 nonrecurring item pertains to recognized loss from the planned sale of the 2x25MW gas turbines, while 2022 nonrecurring item was due to the write-down of the gas turbines' value based on its estimated price when the assets were reclassified to Assets Held for Sale.

- Contribution from the coal segment receded by 44% from P32.40 billion to P17.99 billion. Meanwhile, the power segment contributed P9.90 billion, a 33-percent increase from P7.46 billion. The marked improvement was largely due to SCPC, whose contribution rose by 53% from P5.13 billion to P7.85 billion, muting the 12-percent contribution reduction of SLPGC from P2.33 billion to P2.04 billion.

- Coal accounted for 65% of total net income, followed by SCPC (28%) and SLPGC (7%). The significant rise in power contributions (from 19% to 35%) was primarily due to improved overall plant performance amid a decline in coal earnings.

- Core EBITDA margin narrowed from 52% to 46% on the combined effect of lower revenues, higher operating cash costs and lower government share.

- Revenues sank by 16% from P91.13 billion to P76.96 billion mainly due to lower selling prices, while total cash costs slipped by 6% from P43.76 billion to P41.21 billion on lower government share, which dropped by 33% from P15.96 billion to P10.68 billion.

  Cash component of COS went up by 9% from P24.09 billion to P26.24 billion on record coal shipments, higher carried-over production costs from beginning inventory and increased costs for labor, lubricants and contracted services among others. Meanwhile, Opex rose by 16% from P3.71 billion to P4.30 billion on higher plant maintenance expenses, insurance premium and taxes.

  Consequently, Core EBITDA declined by 25% from P47.37 billion to P35.75 billion.

- Depreciation and amortization costs increased by 17% from P5.74 billion to P6.74 billion mostly due to new mining equipment and accelerated amortization of Molave mine due to its early closure.

  Expected mine life was shortened by one year as increased mudflow from the adjacent area made mining operations in Molave uneconomic, given the adjusted stripping ratio and heightened risks. Consequently, the remaining assets valued at P247 million were expensed in the fourth quarter.

- Other income dropped by 56% from P1.25 billion to P550 million on high-base effect, as the Group recorded a net forex loss of P176 million versus a net forex gain of P1.00 billion last year.

  In 2022, the Philippine Peso depreciated by 11% against the US Dollar, weakening from P50.77 (as of December 31, 2021) to P56.12 (as of December 29, 2022). However, from December 29, 2022 to December 29, 2023, the local currency appreciated by 1% to P55.57:US$1, indicating a more stable forex market.

  Additionally, Other income included a P206 million refund of wharfage fees from the Philippine Ports Authority, a P31 million insurance claim for the SLPGC 2x25MW gas turbines, P472 million from the sale of fly ash, and P6 million in income from gas turbine storage fees.

- The Group recorded a net finance income of P597 million versus a net finance cost of P444 million last year because of prudent cash management and regular loan amortization.

- Income taxes slipped by 10% to P2.17 billion from P2.40 billion due to the accrual of tax expenses and interest for year 2020, following a Board of Investments-approved adjustment to the Molave mine's Income Tax Holiday period. Higher taxable profits from the power segment mitigated this decline.

- Total cash balance slid by 5% from P20.06 billion to P18.99 billion, after paying out P29.75 billion in cash dividends (P7/share), the highest ever for the company.

  The dividend payout translated to 75% of the previous year's reported net income (P39.87 billion), well above the dividend policy of 20%.

- Book value per share remained healthy despite a slight decline (-3%) from P15.12 to P14.68, after spending a total of P37.26 billion on cash dividends (P29.75 billion), capital expenditures (P4.02 billion) and debt payment (P3.49 billion).

- Loans payable declined by 34% from P10.20 billion to P6.73 billion, bolstered by strong cash flow that enabled steady amortization and financing of capital expenditures.

- Group financial position remained very healthy with current ratio at 2.38 (from 2.91). Debt ratio was flattish at 0.36, following the declaration of cash dividends from the unrestricted retained earnings.

Net cash position strengthened, climbing from P9.86 billion to P12.26 billion, as SMPC and SLPGC reported net cash positions as of the end of the period..

FY 2023 vs FY 2022 Segment Performance

Coal

Standalone coal revenues dropped by 21% from P76.18 billion to P59.82 billion on the combined effect of lower average selling prices (-26%) and higher coal shipments (+7%).

Core EBITDA fell by 35% to P39.44 billion from P25.83 billion, as total cash costs declined at a slower pace (-7%). Meanwhile, net income dropped by 39% from P35.99 billion to P21.90 billion because of higher depreciation, absence of net foreign exchange gain, improved net finance income and normalized tax expense.

Net of intercompany eliminations, net income plunged by 44% from P32.40 billion to P17.99 billion. Eliminating entries rose by 9% from P3.59 billion to P3.91 billion on lower selling prices and thinner gross margins, muted by improved plant availability.

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

The following provides additional context on the segment's financial performance:

- **Highest-ever shipments.** Total shipments reached a record 15.8 million metric tons (MMT) from 14.8 MMT (+7%), exceeding the 2019 high of 15.2 MMT by 1%. Record exports and higher internal sales accounted for the spectacular results.

  Exports expanded by 14% from 7.1 MMT to 8.1 MMT on higher fourth-quarter China demand (up 218% from 1.1 MMT to 3.5 MMT) and availability of commercial-grade coal.

  China shipments surged by 31% from 4.0 MMT to 5.2 MMT, accounting for the export sales growth (+1.2 MMT). Coal deliveries to South Korea was unchanged at 2.2 MMT. The two countries accounted for 92% of total exports, followed by Brunei (4%), Japan (2%), India (1%) and Vietnam (1%).

  Domestic sales was flat at 7.7 MMT, as higher shipments to SMPC-owned plants offset weaker sales to external local customers. High sulfur content in some commercial-grade coal curbed external sales.

  Improved overall plant availability led to a 38-percent surge in internal sales from 2.6 MMT to 3.6 MMT, while sale to other power plants, cement and industrial plants contracted by 20% from 5.1 MMT to 4.1 MMT.

- **Stabilizing prices.** Semirara coal average selling price (ASP) declined by 26% from P5,136 per metric ton (MT) to P3,796 per MT, in line with the Indonesian Coal Index 4 (ICI4).

  Full-year average Newcastle index (NEWC) plummeted by 64% from a historic high of US$360.2 to US$128.9, while average ICI4 fell at a slower pace (26%) from peak US$85.9 to US$63.2. Market differences and heightened geopolitical risks drove index price divergence and volatility last year.

  For 2023, strong industrial activity and increased demand for lower-grade coal in Asia sustained the ICI4, while high coal stockpiles, slowing economic growth and increased renewable energy capacity in developed countries translated to elevated NEWC volatility.

- **Normalizing margins.** Core EBITDA margin declined from 52% to 43%, and standalone net income margin fell from 47% to 37%, primarily due to last year's record topline, which created a high base effect.

  Strong profit margins were maintained, with the net income margin significantly exceeding both 2021 (35%) and pre-pandemic 2019 (23%) levels.

  Revenues declined by 21% from P76.18 billion to P59.82 billion due to lower selling prices, but total cash costs fell slower (-7%) from P36.75 billion to P33.99 billion.

  Cash component of the cost of sales (COS) went up by 13% from P19.96 billion to P22.50 billion owing to higher coal sales and carried-over production costs from beginning inventory.

  Elevated fuel costs, accounting for 33% of cash costs in 2022, drove up COS due to the sale of high-cost inventory (beginning balance: 2.0 MMT). Opex remained flat year-on-year at P810 million.

  Government share declined by 33% from P15.96 billion to P10.68 billion because of lower topline and higher costs. In effect, government share of the topline slipped from 21% to 18%.

- **Higher noncash items.** Depreciation and amortization accelerated by 38% from P3.29 billion to P4.54 billion, driven by higher shipment volumes, new mining equipment purchases and accelerated amortization of Molave mine due to its early closure (P247 million).

- **Absence of net forex gain.** Net forex gain reversed from P1.02 billion to a net forex loss of P159 million on stabilizing US$:PHP forex market. As of December 31, 2023, P195 million of gross forex loss remained unrealized.

- **Better net finance income.** Finance income (net of finance costs) expanded 22x from P31 million to P675 million on the back of healthy cash levels, elevated interest rates, prudent treasury management and lower debt levels.

The segment also reported the following operational highlights:

- **Production at maximum capacity.** For the second straight year, coal production reached 16 MMT, which is the annual limit set by the company's Environmental Compliance Certificate (ECC).

  Effective strip ratio rose by 30% to 12.5 from 9.6 because of higher rainfall (243.0 millimeter in 2023 vs 227.7 millimeter in 2022), resumption of Narra mine operations and low-base effect from the near-depletion of Molave mine. In turn, materials moved jumped by 31% from 169.2 million bank cubic meters (MBCM) to 220.9 MBCM.

  Total production was almost evenly split between Molave (51%) and Narra (49%) mines.

  Molave's slightly higher average strip ratio (13.4 vs Narra's 12.8) stemmed from increased activity across more coal blocks.

  Full-year actual strip ratio (13.1) was slightly higher than the initial 2023 guidance of 12.83, as mudflow in Molave South Block 6 prevented the full stripping of materials in the area.

- **Low inventory.** Total coal inventory dropped by 10% from 2.0 MMT to 1.8 MMT on lower third-quarter production and stronger China demand in the fourth quarter.

  With record exports, commercial-grade coal inventory plummeted by 78% from 1.1 MMT to 0.2 MMT.

Power

Standalone power segment revenues jumped by 20% from P20.40 billion to P24.40 billion on improved plant availability. Core EBITDA climbed faster than topline from P8.22 billion to P10.50 billion (+28%), mostly from lower replacement power purchases.

Net income grew by 55% from P3.86 billion to P5.98 billion on higher gross generation and sales volume amid normalizing market prices.

Excluding nonrecurring items, core net income accelerated by 50% from P4.02 billion to P6.04 billion. Nonrecurring items pertain to an additional loss of P57 million, which was recognized in relation to the planned sale of the 2x25MW gas turbines in 2023, while the P156 million pertains to asset write-down for said turbines, which were previously reclassified as Assets Held for Sale.

Net of intercompany eliminations, reported net income went up by 31% from P7.46 billion to P9.90 billion.

To further elaborate on the segment's results:

- **Better plant availability.** Overall plant availability improved from 62% to 81% on reduced outage days (279 days vs 552 days), following the commercial operations of SCPC Unit 2 on October 9, 2022.

  SCPC and SLPGC reported contrasting results, with the former more than doubling (107%) its plant availability (from 44% to 91%) because of fewer outage days (from 411 to 68). Meanwhile, SLPGC plant availability contracted from 81% to 71% on increased outage days (from 141 to 211).

  Total average capacity, based on running days, slipped by 5% from 706 MW to 672 MW on the occasional deration of SCPC Unit 2 and SLPGC Unit 1.

- **Improved output and sales.** With higher plant availability, total gross generation surged by 31% from 3,735 gigawatt hours (GWh) to 4,890 GWh. SCPC accounted for 65% of total output (versus 46% last year).

  Increased plant output led to a 26-percent expansion in total power sales from 3,596 GWh to 4,515 GWh. Bulk (68%) of the volume sold went to the spot market, from 52% last year.

  Total spot sales soared to a record high of 3,076 GWh, up by 64% from 1,881 GWh, because of higher plant output and uncontracted capacity. Combined spot market exposure (excluding variable station service) grew by 61% from 298.85 MW (beginning-2022) to 480.75 MW (beginning-2023).

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

  Conversely, BCQ sales declined by 16% from 1,715 GWh to 1,439 GWh, as contracted capacity at the beginning of the periods slightly declined from 194.35MW (beginning-2022) to 189.15MW (beginning-2023).

- **Normalizing selling price.** Overall average selling price (ASP) dipped by 5% from P5.67/ kilowatt hour (kWh) to P5.40/kWh mainly due to lower WESM prices, cushioned by better ASP for BCQ sales.

  BCQ ASP rose by 19% from P3.71/KWh to P4.41/KWh, driven by a new SLPGC contract with higher pricing, and 2022 SCPC contracts with fuel pass-through provisions (covering 13% of its contracted capacity). Meanwhile, spot market ASP declined by 21% (P7.46/KWh to P5.87/kWh) due to wider grid supply margins and lower fuel costs.

- **Better contracted capacity.** As of December 31, 2023, more than a third (34% or 238.2MW) of the power segment's dependable capacity (710MW) has been contracted. Contracted capacity grew by 26% over the twelve-month period, from 189.15MW.

  Majority (53%) of the contracted capacity is under SCPC, aligning with Management's guidance to contract approximately half of the dependable capacity.

  Excluding variable station service requirements (58.7MW), the segment has 413.10MW available for spot sales.

- **Lower spot purchases.** Total spot purchases dropped by 59% from P1.76 billion to P721 million owing to improved plant availability and lower spot prices.

  The power segment was a net seller to the spot market by 2,973 GWh (vs 1,656 GWh in 2022).

SCPC standalone revenues surged by 44% from P11.75 billion to P16.91 billion on the combined effect of improved operating performance and lower replacement power purchases, tempered by lower selling prices.

Core EBITDA jumped by 37% from P5.71 billion to P7.81 billion, while margin slightly thinned from 49% to 46% on lower selling prices and higher operating expenses.

Standalone net income grew by 63% from P3.00 billion to P4.89 billion, with margin expanding from 26% to 29% on higher fly ash income and lower net finance costs.

Net of intercompany eliminations, SCPC net income contribution soared by 53% from P5.13 billion to P7.85 billion. Intercompany eliminations went up by 39% from P2.13 billion to P2.96 billion on higher coal consumption because of improved plant availability.

To further elaborate:

- **Better plant performance.** Plant availability more than doubled (107%) from 44% to 91%, mainly due to the full-year operations of Unit 2 and reduced outage days of Unit 1.

  Unit 1 availability increased from 72% to 91% as outage days decreased from 103 to 34. This improvement was driven by a significant reduction in scheduled maintenance outages (22 days in 2023 vs. 90 days in 2022). The plant also had a 12-day emergency shutdown on May 1 due to boiler tube leaks.

  Unit 2 availability surged fivefold from 16% to 91%, as outage days plummeted from 280 to 34 following its October 2022 return to service. The plant also had two emergency shutdowns because of boiler tube leaks (10 days starting May 29 and 13 days starting September 30).

  Average capacity, based on running days, fell by 4% from 420 MW to 402 MW due to Unit 2's deration, pending rewinding works.

- **Improved generation and sales.** Gross generation rallied by 86% from 1,713 GWh to 3,192 GWh on better plant availability.

  With higher output, total power sales accelerated by 79% from 1,639 GWh to an all-time high of 2,926 GWh, mostly on account of higher spots sales (+1,155-GWh). Bulk (87%) of total sales went to the spot market, from 84% last year.

  Spot sales soared by 84% (1,378 GWh to 2,533 GWh) due to increased spot capacity exposure at the start of the period. SCPC's spot exposure broadened by 75% from 202.75 MW (beginning-2022) to 354.45 MW (beginning-2023).

Sales through bilateral contracts grew by 51% from 261 GWh to 393 GWh, as contracted capacity at the beginning of the period more than doubled (122%) from 20.45 MW to 45.45 MW.

- **Normalizing selling prices.** Overall ASP declined by double digits (19%) from P7.17/KWh to P5.78/KWh on the combined effect of lower BCQ and WESM prices.

  BCQ ASP slumped by 16% from P5.94/KWh to P5.01/KWh on lower fuel costs, as 56% of contracted capacity (45MW) had a fuel pass-through provision. Meanwhile, Spot ASP fell by 20% from P7.40/KWh to P5.89/KWh on stabilizing supply margins in the grid.

- **Minimal spot purchases.** Replacement power purchases plummeted by 82% from P549 million to P100 million owing to better plant performance.

  SCPC was a net seller to the spot market for both periods (2,526 GWh in 2023 vs 1,312 GWh in 2022).

- **Higher cash costs.** Total cash costs surged by 51% from P6.04 billion to P9.10 billion on higher power generation.

  COS (cash component) jumped by 61% from P4.48 million to P7.22 billion on higher fuel consumption, tempered by lower replacement power purchases. Meanwhile operating expenses grew by 21% from P1.56 billion to P1.88 billion on higher insurance and tax expenses.

- **Surge in other income.** Other income more than tripled (3.4x) from P117 million to P401 million on the back of higher fly ash sales from increased power generation.

- **Higher noncash items.** Depreciation and amortization increased by 5% from P1.45 billion to P1.53 billion because of higher 2022 capital spending (P1.2 billion in 2022 vs P0.8 billion in 2023).

- **Lower net finance cost.** Net finance costs tumbled by 65% from P394 million to P136 million owing to strong operating cash flow, continuous debt amortization and elevated interest rates.

  As of December 31, 2023, loans payable dropped by 32% from P7.6 billion to P5.2 billion, while cash balance swelled by 73% from P2.6 billion to P4.5 billion.

- **Higher tax expense.** Provisions for income taxes surged by 68% from P986 million to P1.66 billion on higher taxable earnings.

- **Growing contracted capacity.** As of December 31, 2023, SCPC had 127 MW (31%) of its 410 MW dependable capacity under contract. Of which, 35% (or 45 MW) is scheduled to expire in 2030 or later, while the remaining 82 MW will end within 2024. Additionally, 20% of the contracted capacity includes a fuel pass-through provision.

  Net of variable station service (28.7 MW), SCPC had 254.3 MW of capacity available for spot sales at the end of the period.

SLPGC standalone revenues dropped by 13% from P8.64 billion to P7.49 billion on lower generation and sales volume. Core EBITDA registered a 7-percent uptick from P2.50 billion to P2.69 billion on the back of higher selling prices and lower replacement power purchases.

Net income increased by 25% from P865 million to P1.09 billion, driven by higher core EBITDA and net finance gain, partially offset by an increase in income tax.

Excluding nonrecurring items, core net income climbed by 12% from P1.02 billion to P1.14 billion. Nonrecurring items include an additional recognized loss of P57 million, in relation to the planned sale of the 2x25MW gas turbines of SLPGC, and a P156 million write-down of the turbines in 2022.

Net of intercompany eliminations, net income receded by 12% from P2.33 billion to P2.04 billion. Intercompany eliminations dropped by 35% from P1.46 billion to P956 million on lower consumption, power sales and improved coal blending.

To further elaborate:

- **Reduced plant availability.** Overall plant availability subsided from 81% to 71% on higher outage days (211 vs 141 in 2022).

  Unit 1 availability declined from 84% to 62%, as outage days rose from 60 to 138. Its performance drop was primarily driven by emergency shutdowns: 30 days due to tube leak (May 15), 66 days because of high axial displacement (June 17), 10 days on account of excessive inboard bearing vibration (October 27) and 9 days for vibration issues (December 22).

  Unit 2 availability saw a slight increase from 78% to 80%, despite outage days reducing from 81 to 73. This was largely due to a 36-day planned maintenance (January 7) and a 28-day emergency shutdown (September 16) for coking incidents and planned maintenance.

  Average capacity compressed by 6% (286 MW to 270 MW) due to occasional Unit 1 deration, primarily from vibration issues.

- **Lower generation and dispatch.** Gross generation declined by 16% from 2,022 GWh to 1,698 GWh due to lower availability and average capacity.

  Consequently, total power sales fell by 19% from 1,957 GWh to 1,589 GWh, driven by reduced BCQ sales and partially offset by increased spot sales.

  Bilateral contracts, comprising 66% of sales, declined by 28% from 1,454 GWh to 1,046 GWh. This resulted from a 17-percent drop in contracted capacity from 173.90 MW (beginning-2022) to 143.70 MW (beginning-2023). Conversely, spot sales increased by 8% from 503 GWh to 543 GWh.

- **ASP uptick.** Overall ASP went up by 7% from P4.42/KWh to P4.71/KWh on higher BCQ prices and spot sales.

  Spot ASP dropped by 25% from P7.62/KWh to P5.73/KWh due to the boost in baseload capacity from new and reintegrated plants and the unification of the grid.

  Meanwhile BCQ ASP expanded by 27% from P3.31/KWh to P4.19/KWh due to new contracts signed in H2 2022. Better BCQ ASP boosted overall ASP.

- **Lower spot buys.** Replacement power purchases plunged by 49% from P1.22 billion to P621 million because of reduced contractual obligations and lower purchase price.

  SLPGC remained a net seller to the spot market at 447 GWh compared to 344GWh last year owing to higher spot sales and lower spot buys.

- **Flat noncash items and lower other income.** Depreciation and amortization stood at P1.31 billion on both periods on the back of controlled maintenance spending.

  Meanwhile, Other income tapered by 3% from P106 million to P103 million on lower sale of fly ash (from P100 million to P70 million) due to lower generation, and collection of a storage fee of P6 million, as penalty for the delayed pullout of the two 25MW gas turbines by the buyer.

- **Net finance gain.** Net interest cost of P83 million reversed into a net finance gain of P31 million due to lower debt levels, elevated interest rates and higher cash balance.

- **Net cash position.** SLPGC's net cash position further improved from P131 million (December 31, 2022) to P936 million (December 31, 2023).

  Loans payable decreased by 50% from P1.67 billion to P834 million on debt amortization and non-availment of additional loans, while cash balances picked up by 18% from P1.80 billion to P2.13 billion on robust operating cash flow.

- **Lower contracted capacity.** As of December 31, 2023, 111.2 MW out of the 300 MW dependable capacity is under contract, with 90% of these contracts due to expire in Q4 2024. None of these contracts include a fuel pass-through provision.

  Net of variable station service (30MW), SLPGC has 158.8MW of capacity exposed to the spot market. This is in line with the previous Management guidance to maintain a balance between contracted capacity and spot market exposure.

CAPEX

In 2023, Group capex slipped by 7% from P4.3 billion to P4 billion owing to lower maintenance expenditures under the power segment.

In Php billions	Q4 2023	Q4 2022	Change	2023	2022	Change
Coal	0.6	0.3	100%	3.0	2.5	20%
SCPC	0.3	0.3	0%	0.8	1.2	-33%
SLPGC	0.1	0.1	0%	0.3	0.6	-50%
Total	**1.0**	**0.7**	**43%**	**4.0***	**4.3**	**-7%**

Coal capital spending trended higher, doubling in the fourth quarter and increasing by 20% over the entire year because of continuous re-fleeting and improvements in material handling capabilities.

For the power segment, fourth-quarter capex was unchanged at P0.4 billion, as expenses for SCPC Unit 2's generator rewinding and swapping was deferred to 2024. Meanwhile, annual capex declined by 39% from P1.8 billion to P1.1 billion owing to a reduction in outage days, with SCPC Unit 1's planned maintenance activities notably decreasing from 90 to 22 days.

For 2024, the Group expects capex spending to grow by 75% from P4 billion to P7 billion, with most (74%) of the budget going to the coal segment for its re-fleeting and mine exploration activities.

In Php billions	2024F	2023	Change
Coal	5.2	3.0	73%
SCPC	1.3	0.8	63%
SLPGC	0.6	0.3	100%
Total	**7.0***	**4.0***	**75%**

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

Capital expenditures in the power segment are projected to rise by 73% from P1.1 billion to P1.9 billion. Of this, around 32% or P600 million is earmarked for the rewinding and swapping of SCPC Unit 2's generator during the first half of 2024.

This activity will involve an 80-day outage beginning on March 5, more than a month after the original February 3 schedule, due to manufacturing delays for the stator bars. The replacement of the defective GE generator is expected to raise the plant's dependable capacity back to 300MW by mid-2024. The remaining capital expenditure budget will be allocated to the annual maintenance of both SCPC plants.

SLPGC's capital expenditures are projected to double to P600 million, with both units undergoing extended maintenance outages in the second half of 2024. Unit 1 is scheduled for a 40-day outage starting August 1, and Unit 2 for a 50-day outage beginning October 30.

The budget also includes P36 million for repairs on SLPGC Unit 1's high-pressure/intermediate-pressure (HIP) turbine rotor, following a high axial displacement incident in Q3 2023 and subsequent discussions with reinsurers.

These repairs, initially estimated at P200 million for a replacement rotor, are set to be completed in Q2 2024. Plant management may install the repaired rotor or keep it as an assurance spare, depending on the outcome of its technical review and actual operating conditions.

Market Review and Outlook

Since the start of the pandemic, the global energy markets have experienced unprecedented volatility, influenced by COVID-19 restrictions, geopolitical tensions, sustainability concerns, energy security, and rapidly evolving regulations. These factors have made the demand-supply dynamics within the coal and electricity markets increasingly unpredictable.

Since 2020, the Newcastle Price (NEWC) has fluctuated dramatically, ranging from $49.8 in August 2020 to a peak of $434.0 in September 2022. Similarly, the Indonesian Coal Index 4 (ICI4) has seen a wide trading range, from $23.5 in September 2020 to $133 in October 2021.

In the local electricity spot market, prices have moved significantly, hitting a low of Php 1.40/KWh in April 2020 and then soaring to Php 8.87/KWh in October 2022.

In 2023, the energy markets experienced a notable shift towards stabilization, following a prolonged period of volatility. This period was characterized by the correction of prices, the normalization of supply chains and a rebound in demand.

<u>Coal</u>

Coal production, exports and consumption are primarily concentrated in Asia, as regions like Europe and North America move to reduce coal utilization for power generation.

The NEWC index witnessed a 52-percent decline from US$360.2 to US$173.0 on easing demand from developed countries, particularly Japan—Australian coal's largest market. Meanwhile, the ICI4 index decreased at a slower pace (-26%) from US$85.9 to US$63.2 on record high Indonesian exports amid strong demand from China and India.

In the fourth quarter, NEWC prices posted a sharper drop, plunging by 64% from US$379.5 to US$135.6. The decrease in ICI4 prices was more gradual at 35% from US$90.5 to US$58.9, partly due to China increasing its coal stockpiles in response to record-breaking cold temperatures and in anticipation of the Chinese New Year holiday.

Quarter-over-quarter, both indices displayed less volatility, with NEWC falling by 8% from US$147.8 and ICI4 rising by 13% from US$52.0 on higher demand from India, Indonesia and China.

By January 2024, the NEWC and ICI indices appeared to have found equilibrium, averaging US$128.2 and US$57.5, respectively. The declines were largely due to slowing economic activity and continuous geopolitical strains.

For the rest of the year, demand for coal, especially low-calorific value types, is expected to stay strong, likely maintaining prices above the pre-pandemic averages of US$77 (NEWC) and US$35 (ICI4). However, increased capacity and production in Indonesia, India and China could mute the impact of higher demand.

SMPC management projects coal prices to stabilize at the onset of 2024, with the NEWC index anticipated to average around US$124.0, marking a 28% reduction from US$173.0 in 2023. For ICI4, it is expected to average around US$54.5.

Meanwhile, strip ratio is expected to level at around 13.21, with all production now coming from the Narra mine. In January, the Department of Energy approved the early closure of the Molave mine after excessive mudflow was recorded in South Block 6.

Power

Fourth-quarter average spot prices decreased by 43% from P8.41/KWh to P4.83/KWh on better supply margins amid higher demand. Average supply in the Luzon-Visayas grid increased by 13% from 11,900 MW to 13,400MW, while average demand rebounded by 7% from 10,600MW to 11,300MW.

For FY2023, the average spot price fell by 21% from P7.39/KWh to P5.86/KWh, as the addition of 300MW in baseload capacity, the reintegration of a major 1,200MW baseload plant, and the additional capacity from Mindanao's connection to the Luzon-Visayas grid boosted overall supply. Meanwhile, average demand increased by 5% from 10,600MW to 11,100MW.

Looking ahead to 2024, management expects spot prices to likely to remain stable, but lower than 2023 levels. This is due to the introduction of approximately 1,500MW in additional capacities in the Luzon-Visayas grid, and the increasing capacity contribution from Mindanao. However, heightened El Niño conditions in the first half of the year may cause spot prices to spike, especially during the summer season when El Niño's effects on hydropower production and electricity consumption exert upward pressure on rates.

To mitigate price and operational risks, management plans to contract half of SCPC and SLPGC's dependable capacity during the year.

II. Explanation on movements of accounts

A. Consolidated Statement of Income

Revenue
Consolidated revenue declined by 16% from P91.13 billion in 2022 to P76.96 billion in 2023 due to normalizing prices in the coal segment in spite the all-time high shipments, cushioned by the improved plant output from the power segment.

Cost of Sales
Cost of sales jumped by 11% mainly due to higher shipment volume of coal operations plus the combined effects of higher carried-over production costs from beginning inventory and depreciation of both segments.

Operating Expenses
Operating expenses declined by 24% to P15.12 billion in 2023 as government royalties stood at P10.69 billion, 33% down from P15.96 billion due to exceptional profits from the coal segment last year. Excluding government royalties, operating expenses rose by 11% to P4.43 billion on higher taxes, repairs and maintenance, insurance and personnel-related costs

Finance Cost
Consolidated finance costs fell by 31% to P589 million following the repayment of bank loans

Finance Income
Consolidated finance income rose more than 2x (187%) to P1.19 billion due to higher placements and interest rates.

Forex Gains (Losses) - Net

The Group recognized net forex losses of P175.81 million from a net forex gain of P1 billion last year mainly due to stabilizing forex rates. Also, forex loss on import payments offset forex gains from dollar-denominated export collections.

Other Income
Other income increased by 199% due to higher fly ash sales, recoveries from insurance claims and refund of wharfage fees from the Philippines Port Authority.

Provision for Income Tax
Income taxes declined by 9% to P2.15 billion from P2.35 billion due to absence of last year's accrual of P897 million income tax expense for 2020 in relation to the deferral of Molave mine's ITH, cushioned by higher taxable income from the power segment.

B. Consolidated Statement of Financial Position

The Company's financial condition for the period slightly declined as consolidated total assets and total equity amounted to P85.1 billion and P62.34 billion, respectively as of December 31, 2023. This is a 2% and 3% decline from last year's balances, which is mainly due to all-time high dividends.

Consolidated cash and cash equivalents slipped by 5% from P20.1 billion in December 31, 2022 to P19.0 billion in December 31, 2023 due to lower cash generated from operations, loan repayments, capital expenditures and all-time high dividends and government royalties.

Receivables rose by 5% from P10.2 billion to P10.8 billion in 2023 due to higher revenue from power segment and due to timing of collection during the period.

Consolidated inventories increased by 15% to P14.6 billion due to higher coal inventory and spare parts.

Other current assets diminished by 5% to P1.1 billion due mainly to the application of tax credits to income tax payable during the year.

Asset held-for-sale was revalued to P713.22 million to reflect the asset's carrying amount based on the current net realizable value or fair value less cost to sell.

Property, plant and equipment stood at P37.5 billion, 8% down from P41.0 billion last year as depreciation and amortization more than offset capital expenditures for 2023.

Right-of-use assets declined by 17% due to amortization recognized for 2023.

Deferred tax assets expanded by 58% mainly due to the reversal of deferred tax liability arising from the taxable temporary difference on unrealized foreign exchange gains of the Parent Company.

Other noncurrent assets declined by 4% due mainly to realization of deferred input VAT.

Accounts and other payables grew by 34% owing mainly to timing of payments to suppliers and contractors and higher government royalties to DOE.

Income tax payable declined by 52% due to payment of 2020 income tax in 2023.

Long-term debts dropped by 34% to P6.7 billion following bank loan repayments.

Lease liabilities (current and noncurrent) fell by 19% due to payments made in 2023.

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 increased by 94% following accrual of retirement expense for the year.

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

Consolidated retained earnings stood at P52.4 billion at year-end, 3% dip from P54.2 billion at the close of 2022 after generation of P27.9 billion net income and declaration of P29.8 billion SMPC Parent dividends. The amount also includes appropriated retained earnings of P6.8 billion as of and for the years ended December 31, 2023 and 2022.

III. Performance Indicators

1. Net income after tax – declined by 30% following a high-base effect from its record-high performance last year. Coal segment contribution dropped by 44% but were moderated by the 33% growth in earnings from the power segment.

2. Dividend payout – remarkable liquidity enabled the company to declare P3.50 per share special dividends on October 9, 2023 and P1.70 per share special dividends on March 27, 2023, on top of the P1.80 per share regular dividends declared on March 27, 2023. Total dividend payout to shareholders for 2023 reached an all-time high of P29.8 billion.

3. Debt to equity ratio (interest bearing loans) - DE ratio dropped to 0.11 at the end of 2023 from 0.16 last year due to bank loan repayment and record-high dividends declaration.

4. Core EBITDA margin – Fell to 46% in 2023 from 52% in 2022 due to all-time high coal shipments and electricity sales volume partially offset by the stabilizing market prices.

5. Current ratio – As of December 31, 2023, current ratio slightly declined to 2.38:1 compared to 2.91:1 as of December 31, 2022, which is still in a healthy condition in spite of capex payments, all-time high cash dividends and loan payments.

Full Years 2021-2022

December 31, 2022 (Audited) vs December 31, 2021 (Audited)

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 December 31, 2022 and 2021.

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, Thailand, Cambodia, Vietnam and other nearby markets.

SCPC and SLPGC generate baseload power for the Luzon-Visayas grid. Both supply electricity through bilateral contract quantity (BCQ) and the wholesale electricity spot market (WESM).

In Php Millions except EPS	**January to December (FY)**		
	2022	**2021**	**Change**
SMPC	32,400	11,448	183%
SCPC	5,131	3,433	49%
SLPGC	2,482	1,446	72%
Others	14	6	133%
Core Net Income	**40,027**	**16,333**	**145%**
Nonrecurring Items	(156)	(133)	17%
Reported Net Income	**39,871**	**16,200**	**146%**
EPS (reported)	**9.38**	**3.81**	**146%**

FY 2022 vs FY 2021 Consolidated Highlights

- The SMPC Group set a new annual profit record after more than doubling (146%) its bottom line from P16.2 billion to P39.9 billion. This translated to an earnings per share of P9.38 and a return on equity of 73%, the highest among power and mining peers for the year.

  Its outstanding performance was mainly attributed to the combined effect of all-time high coal production, market pivot strategies for its coal and power businesses, elevated market prices and favorable forex rates.

- Other income soared by 116% from P578 million to P1.25 billion, primarily due to foreign exchange gains from its coal exports (in US$) and Japan imports (in JP¥). Net forex gain stood at P1.00 billion, nearly three-fold (196%) from P340 million in 2021. Year-on-year US$/PHP surged 11% from US$1:PHP 50.77 in December 2021 to US$1:PHP 56.12 in December 2022, and peaked at US$1:PHP 58.91 in September 2022.

- Tax expense swelled by nearly twelvefold (1,034%) from P212 million to P2.40 billion, primarily due to the accrual of year 2020 tax expense for the deferral of Molave mine's income tax holiday (ITH), higher standalone SCPC taxable income and expiry of SLPGC's ITH.

  The Board of Investments recently approved the correction of the ITH availment period of Molave mine, which was originally set to expire in October 2022. The approval effectively extends SMPC's ITH status up to October 2023, subject to the payment of its 2020 tax due (without the ITH incentive) of P897 million and related interest.

  Excluding nonrecurring losses of P133 million on remeasurements following CREATE law enactment in 2021 and asset write-down of P156 million for the SLPGC 2x25 MW gas turbines in 2022, core net income expanded by 145% from P16.33 billion to P40.03 billion.

  The P156 million-nonrecurring loss in 2022 pertains to the write-down of SLPGC's 2x25MW gas turbines, to reflect the difference between its book value and estimated net selling price.

- Coal core contribution surged by 183%, while SCPC and SLPGC registered double-digit growths at 49% and 72%, respectively.

- Bulk of the consolidated core net income came from coal (81%), followed by SCPC (13%) and SLPGC (6%).

- The Group maintained a strong cash balance of P20.06 billion and a net cash position, as debt levels dropped by 32% from P15.07 billion to P10.20 billion. A total of P46.83 billion was paid in royalties (P15.70 billion), capex (P4.31 billion), debt and interest payments (P5.57 billion) and dividend payout (P21.25 billion) during the period.

- Even after all the above-cited payments, balance sheet remained very healthy as current ratio (liquidity) improved from 1.85x to 2.91x, debt ratio dropped from 0.57x to 0.36x and BVPS surged by 41% from 10.73 to 15.12.

FY 2022 vs FY 2021 Segment Performance

<u>Coal</u>

Standalone revenues accelerated by 86% from P40.86 billion to P76.18 billion on higher selling prices, and boosted by favorable foreign exchange rates. Reported net income more than doubled (149%) owing to better operating margins.

Net of intercompany eliminations, reported net income contribution expanded nearly threefold (184%) from P11.42 billion to P32.40 billion, following a 19-percent increase in eliminating entries from P3.02 billion to P3.59 billion. The improvement was attributable to higher margins and SLPGC utilization of lower-grade coal.

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

The above results are due to the following:

- **Elevated selling prices.** Semirara coal ASP sizzled by 91% from P2,695 per metric ton (MT) to P5,136 per MT on elevated market indices and the company's strategic pivot to domestic and other Asian markets.

  Average Newcastle index (NEWC) surged by 162% from $137.3 to $360.2, peaking at $452.8 on September 9 before ending the year at $398.50. Average Indonesian Coal Index (ICI4) grew at a slower pace (32%) from $65.3 to $85.9, and ended the year at $90.45 .

- **Lower sales.** Shipments slightly declined (-3%) from 15.2 MMT to 14.8 MMT, mainly due to weaker demand from Chinese buyers.

  Semirara coal exports dropped by 24% from 9.4 MMT to 7.1 MMT. China sales fell by 55 % from 8.9 MMT to 4.0 MMT, but sale to other foreign buyers improved more than 6x (520%) from 0.5 MMT to 3.1 MMT.

  China accounted for 56% of foreign shipments, followed by South Korea (31%), Thailand (7%), Cambodia (2%), Vietnam (2%), Brunei (1%) and India (1%).

  Domestic sales expanded by 33% from 5.8 MMT to 7.7 MMT mainly due to the company's strategic pivot away from China and stronger demand from SLPGC.

  Coal shipments to other power plants skyrocketed by 83% from 1.8 MMT to 3.3 MMT while sale to own plants rose by 13% from 2.3 MMT to 2.6 MMT. Sale to industrial and cement plants stood at 1.8 MMT, 6% higher than 1.7 MMT in 2021.

- **Better EBITDA margin.** Core EBITDA more than doubled (115%) from P18.35 billion to P39.44 billion, which translated to higher Core EBITDA margin from 45% to 52%.

  The margin expansion was due to the combined effect of stronger topline, slower growth in cost of sales (COS) – cash component and higher government share.

  COS – cash increased by 27% from P15.67 billion to P19.96 billion largely due to a 71-percent increase in fuel costs from P5.31 billion to P9.05 billion. Fuel costs accounted for 48% of total COS-cash costs, versus 36% the previous year.

  Government share surged by 151% from P6.36 billion to an all-time high of P15.96 billion.

- **Favorable foreign exchange rate.** The segment booked P1.02 billion in net forex gain following a 11-percent jump in average US$/PHP exchange rate from US$: PHP49.3 to US$:PHP 54.5.

- **Higher tax expenses.** Tax expense swelled more than 20x (1,918%) from P60 million to P1.21 billion owing to the accrual of income tax expense of P897 million for year 2020 in relation to the deferral of Molave mine's income tax holiday (ITH).

The segment also reported the following operational highlights:

- **All-time high production.** Production rose by 12% from 14.3 MMT to 16 MMT, which is the maximum allowable volume under the company's Environmental Compliance

Certificate. Good weather conditions, sustained water seepage management and better-than-expected strip ratio led to the record high production.

- **Better strip ratio.** Strip ratio was at 9.9, 10% lower than last year (11.0) and 8% below the expected level for 2022 (10.8). The improved strip ratio was attributable to the near-depletion of East Block 4 and South Block 5 (both in Molave mine), together with the reduced water seepage level in the area.

- **Double-digit inventory growth.** Ending high-grade coal inventory grew by 22% from 0.9 MMT to 1.1 MMT on robust production and slightly lower shipments. Including lower grade coal, inventory increased by 67% from 1.2 MMT to 2.0 MMT.

<u>Power</u>

Standalone net income of the power segment more than doubled (117%) from P1.78 billion to P3.86 billion, largely driven by better selling prices, more spot sales and lower replacement power purchases.

Net of intercompany eliminations, the segment's net income contribution rose by 56% from P4.78 billion to P7.46 billion on better margins.

The above results are due to the following:

- **Reduced plant availability, average capacity and gross generation.** Overall plant availability dipped (-2%) from 63% to 62%, as the 54-day increase in SCPC outage days (412 days vs 358 days in 2021) was moderated by the 34-day decrease in SLPGC outage days (143 days from 177 days in 2021). In turn, better SLPGC availability (from 76% to 80%) cushioned the effect of lower SCPC availability (from 51% to 44%).

  Total average capacity fell by 5% from 749 MW to 708 MW because of the deration of SCPC Unit 2 from 230 MW to 190 MW (average dependable capacity).

  Gross generation dropped by 6% from 3,959 GWh to 3,729 GWh on the combined effect of lower plant availability and average capacity. SLPGC contributed bulk (54%) of total generation (versus 48% last year) on better operating performance.

- **Weaker power sales.** Reduced power generation led to an 11-percent decline in total power sales from 4,032 GWh to 3,596 GWh. BCQ sales sustained a 43-percent drop from 3,004 GWh to 1,715 GWh, cushioned by an 83-percent upsurge in spot sales from 1,028 GWh to 1,881 GWh. Spot sales accounted for 52% of power sales (vs. 25% last year) due to lower contracted capacity.

- **Higher spot exposure.** At the beginning of 2022, the segment had 345.65MW or 64% of running dependable capacity (540MW) uncontracted and available for spot selling.

  By the end of 2022, spot exposure widened by 56% to 540.85 MW due to the commercial operation of SCPC Unit 2 on October 9. This represents 74% of the segment's total dependable capacity (730MW).

- **Robust selling prices.** Overall ASP rallied by 38% from P4.11/KWh to P5.67/KWh mainly due to elevated spot prices.

  Persistent red and yellow alerts, elevated fuel prices and thin supply margins led to a 53-percent jump in average spot prices in the Luzon-Visayas grid, from P4.83/KWh to P7.39/KWh.

  BCQ ASP firmed up by 2% from P3.64/KWh to P3.71/KWh owing to fixed prices in the companies' power supply agreements, while Spot ASP rose by 35% from P5.51/KWh to P7.46/KWh.

SCPC standalone revenues expanded by 27% from P9.27 billion to P11.75 billion mainly due to higher selling prices. Reported net income grew more than six times (533%) from P474 million to P3.00 billion on better topline and lower cash costs.

Net of intercompany eliminations, net income contribution from SCPC jumped by 54% from P3.33 billion to P5.13 billion. To further explain:

- **Weak plant performance.** Overall plant availability fell by 14% from 51% to 44% on higher outage days for both plants (412 days in 2022 vs 358 days in 2021). Unit 1 availability declined by 14% from 85% to 73%, while Unit 2 availability retreated by 13% from 16% to 14%.

  Average capacity declined by 9% from 465 MW to 422MW on the deration of SCPC Unit 2 from 230 MW to 190 MW (average dependable capacity) post-GE works.

  Consequently, gross generation slumped by 17% from 2,067 GWh to 1,712 GWh. Unit 1 accounted for 86% of generation (from 84% last year) owing to better availability and capacity (compared to Unit 2).

- **Anemic sales**. Power sales shrank by 19% from 2,023 GWh to 1,639 GWh on lower gross generation, contracted capacity and replacement power volume.

- **More spot sales.** Spot sales accelerated by 90% from 727 GWh to 1,378 GWh due to high level of uncontracted capacity and the commercial operations of Unit 2 in October 2022. Spot sales accounted for 84% of total sales, a marked increase from 36% last year.
- **Better selling prices.** Overall ASP climbed by 57% from P4.58/KWh to P7.17/KWh on the combined effect of higher spot prices and fuel pass-through of some BCQ sales.

  In turn, BCQ ASP improved by 44% from P4.12/KWh to P5.94/KWh, while spot ASP increased by 37% from P5.41/KWh to P7.40/KWh.

- **Higher spot buys.** Replacement power expenses jumped by 40% from P392 million to P549 million due to simultaneous plant outages in Q4 and higher spot prices.
- **Lower cash costs.** Cash costs declined by 10% from P6.72 billion to P6.04 billion on lower generation and sales, combined with higher power plant maintenance and insurance costs.

SCPC also reported the following operational highlights:

- **More contracts.** Year-end contracted capacity more than doubled (122%) from 20.45 MW to 45.45 MW. More than half (55%) of the 2022 contracts have fuel pass-through provisions.

- **Net Seller.** SCPC remained a net seller, with volume more than doubling (104%) from 644 GWh to 1,312 GWh.

- **Ample uncontracted capacity.** As of December 31, 2022, bulk (89%) of running dependable capacity (430 MW) is available for spot selling (384.55 MW).

SLPGC standalone revenues grew by 18% from P7.32 billion to P8.65 billion mainly due to improved plant availability, higher spot exposure and better selling prices. Net income declined by 34% from P1.31 billion to P865 million pesos on higher cash costs, tax provisions and asset write-down.

Net of intercompany eliminations, SLPGC net income accelerated by 61% from P1.45 billion to P2.33 billion due to the combined effect of the following:

- **Mixed plant results.** Overall plant availability improved from 76% to 80% because of lower outage days (143 days vs 177 days in 2021).
  Unit 1 showed a 27-percent improvement in availability from 66% to 84%. However, Unit 2 dropped by 10% from 86% to 77% due to the deferment of its Q4 2021 planned outage to Q1 2022.

Average capacity was mostly flat (1%) from 284MW to 286GW as the improvement in Unit 1 capacity (+9MW) was offset by the reduced capacity of Unit 2 (-7MW).

Gross generation rose by 7% from 1,892 GWh to 2,017 GWh because of Unit 1, whose gross generation jumped by 36% from 780 GWh to 1,060 GWh. Meanwhile, Unit 2 output fell by 14% from 1,112 GWh to 957 GWh.

Unit 1 contributed 53% of total generation vs. 41% in 2021.

- **Lower power sales.** Total power sales slipped by 3% from 2,009 GWh to 1,957 GWh on lower contracted capacity and replacement power volume. 2021 sales included dispatch from the 2x25MW gas turbines (GT). Excluding sales from the GT's, total power sales fell by 2% from 1,984 GWh to 1,954 GWh.
  Spot market exposure expanded by 24% from 126.10MW to 156.30 MW following the expiry of a 50MW contract on December 25, 2022. BCQ sales went down by 15% from 1,708 GWh to 1,454 GWh, while spot sales jumped by 67% from 301 GWh to 503 GWh.

  As of year-end, almost half (143.70 MW) of its 300 MW dependable capacity has been contracted with no fuel pass-through provision in place. SLPGC was a net market seller at 344 GWh (vs net market buyer 3 GWh in 2021)

- **Better ASP.** Overall ASP climbed by 21% from P3.64/KWh to P4.42/KWh following a strategic pivot to spot sales, coupled with better market prices.

  BCQ ASP was flattish (1%) from P3.27/KWh to P3.31/KWh, while spot ASP surged by 33% from P5.74/KWh to P7.62/KWh mainly due to tight supply margins, higher fuel costs and prolonged outages of several baseload plants.

- **Steeper cash cost.** While replacement power purchases fell by 26% from P1.64 billion to P1.22 billion on lower contracted obligations and better plant performance, cash costs rose by 34% from P4.58 billion to P6.15 billion owing to elevated fuel costs, maintenance activities and insurance costs.

- **Higher taxes.** Income taxes swung from P2 million tax benefit to P201 million tax provision following the expiration of its ITH at the end of 2021.

- **More eliminating entries.** Intercompany eliminating entries jumped by 61% from P1.45 billion to P2.33 billion because of better plant availability, higher fuel consumption and higher margins.

- **Absence of GT sales.** Excluding revenues contributed by the 2x25 MW gas turbines last year, revenues expanded by 25% from P6.87 billion to P8.61 billion.

  In 2021, GTs 1 and 2 served as peaking plants, selling exclusively to the spot market before both went on outage on January 22 and February 10, 2022, respectively.

- **Asset write-down**. Management has ongoing negotiations to sell the GTs, and has received approvals from the Department of Energy and other regulatory agencies for the asset decommissioning.

  In accordance with PFRS 5, the equipment was revalued to reflect the price difference between its book value and estimated net selling price. This resulted in a write-down (nonrecurring loss) of P156 million and a reclassification of the long-term asset as Assets Held for Sale.

CAPEX
Group capex grew by 10% on SCPC's planned maintenance activities.

In Php billions	2022	2021	Change

Coal	2.5	2.5	0%
SCPC	1.2	0.8	50%
SLPGC	0.6	0.6	0%
Total	**4.3**	**3.9**	**10%**

For 2023, the Group is projecting a 42-percent increase in capital spending to sustain its operations. Bulk of the spending will go to the coal segment to replace old mining equipment and acquire additional ones to boost material handling capacity and improve cost efficiency. The rest will be used for power plant maintenance activities.

In Php billions	**2023F**	**2022**	**Change**
Coal	4.1	2.5	64%
SCPC	1.3	1.2	8%
SLPGC	0.7	0.6	17%
Total	**6.1**	**4.3**	**42%**

Market Review and Outlook

Coal

In the fourth quarter alone, average Newcastle price (NEWC) doubled (106%) from US$183.9 to US$379.5, while Indonesian Coal Index 4 (ICI4) price slipped by 2% from US$ 92.7 to $ 90.5 as a result of the Indonesian price cap and China pivot to heavily discounted Russian coal.

Full-year average NEWC advanced even faster (162%) from US$137.3 to $360.2, while ICI4 ascended more slowly (32%) from US$65.3 to US$85.9.

For 2023, global coal price indices are expected to consolidate as key markets face easing energy crisis, high inventories from aggressive stockpiling, warmer-than-expected winter, slow economic recovery and influx of steeply-discounted Russian coal.

NEWC is seen to become more volatile and primed for a correction compared to ICI given the former's EU exposure and the latter's focus on Asian markets. In turn, the divergence between the two indices is expected to narrow during the year.

With Semirara coal pricing mostly derived from ICI, Management expects its ASP to be more stable, hovering below the 2022-level but still above pre-pandemic level. Meanwhile, it expects average NEWC (2023F) to ease from US$360 to around US$200.

Power

Q4 average spot prices in the Luzon-Visayas grid jumped by 45% from P5.79/KWh to P8.41/KWh mainly due to higher fuel costs and multiple plant outages from October to November 2022.

Full-year spot prices surged by 53% from P4.83/kWh to P7.39/kWh on growing electricity demand and limited baseload capacity.

For 2023, spot prices are expected to remain elevated (~P7.10/kWh), with some upside potential, given growing demand and limited baseload capacity entering the market in 2023 (~300MW).

II. Explanation on movements of accounts

A. Consolidated Statement of Income

Revenue
Consolidated revenue soared by 74% from P52.4 billion in 2021 to a record-high of P91.1 billion in 2022 owing mainly to elevated market prices, market pivot strategies of both coal and power segments and favorable forex rates.

Cost of Sales

Cost of sales jumped by 13% mainly due to higher fuel costs for coal operations which was partially offset by the decrease in spot purchases of the power segment.

Operating Expenses
Operating expenses surged to P20.0 billion in 2022 as government royalties grew to P16.0 billion, more than doubled of last year's P6.4 billion due to the all-time high performance of the coal business. Excluding government royalties, operating expenses incurred rose by 37% to P4.0 billion due to higher maintenance, insurance and personnel costs, recognition of loss on asset write-down and accrual of interest relative to the deferral of Molave mine's income tax holiday (ITH).

Finance Cost
Consolidated finance costs fell by 12% to P858 million following the repayment of bank loans.

Finance Income
Consolidated finance income swelled more than 18x (1,734%) to P413 million due to higher placements and interest rates.

Forex Gain
Forex gains expanded by 196% owing to higher forex rates and higher dollar-denominated short-term placements during the year.

Other Income
Other income increased by 1% due to higher fly ash sales.

Provision for Income Tax
Income taxes grew more than 6x (581%) from P345 million to P2.4 billion owing to higher taxable income following the remarkable performance of SCPC and the expiration of SLPGC's ITH last year. The accrual of P897 million income tax expense for 2020 in relation to the deferral of Molave mine's ITH further contributed to the increase in tax provisions for the year.

B. Consolidated Statement of Financial Position

The Company's financial condition for the period improved as consolidated total assets and total equity amounted to P87.1 billion and P64.3 billion, respectively as of December 31, 2022. This is an improvement of 22% and 41%, respectively.

Consolidated cash and cash equivalents surged by 144% from P8.2 billion in December 31, 2021 to P20.1 billion in December 31, 2022 due to higher cash generated from operations after loan repayments, capital expenditures and all-time high dividends and government royalties .

Receivables rose by 47% from P6.9 billion to P10.2 billion in 2022 due to higher revenue and due to timing of collection during the period.

Consolidated inventories increased by 20% to P12.7 billion due to higher coal inventory and spare parts.

Other current assets slipped by 7% to P1.1 billion due mainly to the application of tax credits to income tax payable during the year.

The Group reclassified its 2x25 MW gas turbine as an "Asset held for sale" upon its assessment that its value will be recovered principally through a sale transaction rather than continuing use. In accordance with PFRS 5, the asset is carried at its fair value less costs to sell which resulted to a write-down of P156 million.

Property, plant and equipment stood at P41.0 billion, 5% down from P43.1 billion last year as depreciation and amortization more than offset capital expenditures for 2022. The reclassification of gas turbine to "Asset held for sale" further pulled down the balance of the account.

Right-of-use assets declined by 15% due to amortization recognized for 2022.

Deferred tax assets dropped by 13% mainly due to the separate presentation of the Parent Company's deferred income tax. In 2022, the deferred tax effect of SMPC's unrealized foreign exchange gains is significantly higher than its deferred tax assets resulting to net deferred tax liabilities of P125 million.

Other noncurrent assets dipped by 30% due mainly to realization of deferred input VAT and recoupment of advances to suppliers and contractors.

Accounts and other payables grew by 7% owing mainly to timing of payments to suppliers and contractors, higher government royalties to DOE and accrual of interest relative to the deferral of Molave mine's income tax holiday (ITH).

Long-term debts contracted by 32% to P10.2 billion following bank loan repayments.

Lease liabilities (current and noncurrent) fell by 20% due to payments made in 2022.

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 increased by 17% following accrual of retirement expense for the year.

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

Consolidated retained earnings stood at P54.2 billion at year-end, 52% up from P35.6 billion at the close of 2021 after generation of P39.9 billion net income and declaration of P21.3 billion SMPC Parent dividends. The amount also includes appropriated retained earnings of P6.8 billion as of and for the years ended December 31, 2022 and 2021.

III. Performance Indicators

1. Net income after tax – record-high performance of the coal segment coupled with significant improvement in power segment pushed up consolidated net income after tax by 146%.

2. Dividend payout – record-high profitability and remarkable liquidity enables the company to declare P3.50 per share special dividends on October 17, 2022, on top of the P1.50 per share regular dividends declared last March 31, 2022. Total dividend payout to shareholders for 2022 reached an all-time high of P21.3 billion.

3. Debt to equity ratio (interest bearing loans) - DE ratio dropped to 0.16 at the end of 2022 from 0.33 last year due to bank loan repayment and higher net income.

4. Core EBITDA margin – from 44% in 2021 to 52% in 2022 due mainly to all-time high coal production and favorable market conditions for both coal and power segment resulting in elevated market prices.

5. Current ratio – cash position remains healthy despite capex, all-time high dividends and loan payments. As of December 31, 2022, current ratio improved to 2.91:1 compared to 1.85:1 as of December 31, 2021.

Full Years 2020-2021

December 31, 2021 (Audited) vs December 31, 2020 (Audited)

I. RESULTS OF OPERATIONS

The table below summarizes the performance of Semirara Mining and Power Corporation (SMPC) and its subsidiaries, SEM-Calaca Power Corporation (SCPC) and Southwest Luzon Power Generation Corporation (SLPGC), collectively referred to as "the Group" for the period ended December 31, 2021 and 2020.

In P Millions except EPS	January to December (FY)		
	2021	**2020**	**Change**
SMPC	11,448	1,797	537%
SCPC	3,433	1,412	143%
SLPGC	1,446	183	690%
Others	6	91	-93%
Core Net Income	**16,333**	**3,483**	**369%**
Nonrecurring Items	(133)	(197)	-32%
Reported Net Income	**16,200**	**3,286**	**393%**
EPS (reported)	**3.81**	**0.77**	**393%**

FY 2021 vs FY 2020 Consolidated Highlights

- Consolidated net income went up nearly five times (393%) from P3.29 billion to P16.20 billion, setting a new earnings record for the company. This led to a 393-percent rise in earnings per share to P3.81 and further translated to a return on equity of 36%.

  The stellar outcome was largely attributable to stronger-than-expected coal demand, which pushed index prices to record-highs before settling at elevated levels because of the China price cap during the latter part of the year.

  High beginning coal inventory (2.0 MMT), improved coal production (8%) and around 50% of uncontracted capacity allowed the Group to take advantage of the improved market conditions. However, the prolonged forced shutdown of SCPC Unit 2 and higher replacement power purchases of SLPGC provided some drag.

- Excluding a non-recurring loss of P133 million this year mainly from the deferred tax remeasurement due to the effectivity of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, and 2020 one-offs from impairment losses from the gas turbines (P157 million), accelerated depreciation of SCPC Units 1 and 2 in relation to its Life Extension Program or LEP (P101 million) and gain from a financial contract (P61 million), consolidated core net income surged by 369% from P3.48 billion to P16.33 billion.

- The coal segment (70%) remained the main core net income contributor while SCPC and SLPGC contributed 21% and 9%, respectively.

- The Company reached its highest dividend payout in 41 years at P12.7 billion, after declaring a regular cash dividend of P1.25/share in March and a special cash dividend of P1.75/share in October. At current year net income, the total amount translated to a payout ratio of 78%.

FY 2021 vs FY 2020 Segment Performance

Coal

The coal segment recorded its best-ever top and bottom line results as standalone coal revenues surged by 98% from P20.63 billion to P40.86 billion while net income soared by 346% from P3.24 billion to P14.44 billion.

Net of intercompany eliminations, the segment staged a solid 535-percent rebound from a ten-year low of P1.80 billion to P11.42 billion due to the following:

- **Improved production.** Aggregate (actual) strip ratio declined from 13.9 to 11.0 as both the weather and water seepage conditions significantly improved. Consequently, total production grew by 8% from 13.2 million metric tons (MMT) to 14.3 MMT.

- **High beginning inventory.** At the end of 2020, coal stockpile stood at 2.0 MMT, around 45% of which was high grade (820,000 MT).
- **Double-digit sales volume growth.** Higher production and inventory levels allowed the company to ramp-up shipments during the year. Total shipments expanded by 16% from 13.1 MMT to 15.2 MMT, mainly driven by external sales. Export sales grew by 24% from 7.6 MMT to 9.4 MMT, and accounted for 62% of total shipments. Bulk of the exports went to China (95%), followed by South Korea (3%), India (1%) and Cambodia (1%). Excluding sale to own plants, domestic sales grew faster (35%) than exports from 2.6 MMT to 3.5 MMT. Sale to own plants declined by 21% from 2.9 MMT to 2.3 MMT because of the prolonged outage of SCPC Unit 2.
- **Record-high prices.** Semirara coal average selling prices (ASP) soared by 71% from P1,577 to P2,695, tempered by contracts from December 2020 that were delivered in Q1 and domestic ceiling prices (9M). Faster-than-expected economic recovery and supply disruptions led to a global energy crunch, which pushed index prices to more than double. Average Newcastle coal prices (NEWC) swelled by 127% from $60.45 to $127.28 while Average Indonesian Coal Index 4 (ICI4) picked up by 122% from $29.40 to $65.30.
- **Wider profit margins.** Standalone net profit margin grew from 15.7% to 35.3% as revenues nearly doubled (98%) from P20.63 billion to P40.86 billion, while COS grew by roughly 33% from P11.76 billion to P15.67 billion.

Power

The power segment recorded a striking turnaround amid lower plant output owing to improved market conditions and higher spot market exposure.

Overall gross generation dropped by 15% from 4,677 GWh to 3,959 GWh largely due to the forced, planned and prolonged plant outages of SCPC. Consequently, total power sales slipped by 4% from 4,218 GWh to 4,032 GWh and total replacement power purchases expanded by 139% from 162 GWh to 387 GWh.

However, narrower demand-supply margin more than doubled (113%) average spot prices from P2.27 /KWh to P4.83/KWh, which translated to a 49-percent recovery in overall ASP from P2.76 /KWh to P4.11/KWh. Magnifying the impact of the price movement is the 1,028 GWh of electricity sales to spot market.

SCPC standalone revenues grew by 28% from P7.26 billion to P9.27 billion, resulting in a dramatic net income recovery of 1,381% from P32 million to P474 million. Its performance was due to the combined effect of the following:

- **Lower plant availability.** Overall plant availability declined by 31% from 74% to 51% mainly due to the extended plant outage of Unit 2. Total outage days grew by 87% from 191 to 358 days.
- **Decreased output.** Lower plant availability translated to a 34-percent decline in gross generation from 3,123 GWh to 2,067 GWh.
- **Reduced sales volume.** Electricity sales fell by 25% from 2,692 GWh to 2,023 GWh on lower gross generation. Most of the volume (64%) was sold via bilateral contract quantity (BCQ) contracts. While BCQ sales grew by 15% from 1,127 GWh to 1,296 GWh, spot sales sustained a sharp drop (54%) from 1,565 GWh to 727 GWh.
- **Soaring sales price.** Overall ASP surged by 70% from P2.70/KWh to P4.58 /KWh on higher spot market prices and the effect of a fuel cost pass-through provision in a bilateral contract. Spot prices rose by 134% from P2.31 /KWh to P5.41 /KWh while BCQ prices increased by 28% from P3.23/KWh to P4.12/KWh. The rise in BCQ prices is largely due to a 170MW-supply contract that ran for the most part of the year (until October 25).
- **Higher replacement power purchases.** Lower plant availability and higher contracted capacity led to a 1053-percent upturn in replacement power purchases from P34 million to P392 million.

Excluding nonrecurring losses from the remeasurement of deferred tax asset under CREATE Act in 2021 (P104 million) and accelerated depreciation of Units 1 and 2 prior to its LEP replaced parts in 2020 (P101 million), SCPC core earnings expanded by 335% from P133 million to P578 million.

Net of intercompany eliminations, net income contribution from SCPC grew by 154% from P1.31 billion to P3.33 billion, largely due to its coal purchase from SMPC at soaring market prices.

SLPGC standalone revenues grew by 67% from P4.39 billion to P7.32 billion while its bottom line swung back to positive territory from P123 million net loss to P1.31 billion in net income. Its performance was largely the result of the following:

- **Improved plant availability.** Overall plant availability grew by 23% from 62% to 76% following a 37percent drop in total outage days from 280 to 177 days.
- **Higher output.** Gross generation expanded by 22% from 1,554 GWh to 1,892 GWh on improved plant availability.
- **Tempered sales price.** ASP increased by 26% from P2.88/KWh to P3.64/KWh, primarily driven by a 147-percent hike in spot prices from P2.32/KWh to P5.74/KWh. This was tempered by a 9-percent contraction in BCQ sale prices from P3.60/KWh to P3.27/KWh, as 85% of the electricity sales were via bilateral contracts with fixed prices.
- **Higher sales volume.** Electricity sales grew by 32% from 1,526 GWh to 2,009 GWh on higher plant output, boosted by sales from its 2x25MW gas turbines (24.4 GWh). Bulk of the sales went to BCQs due to its high contracted capacity (223.9MW out of 300MW dependable capacity until December 25).
- **Significant replacement power purchases.** Unplanned outages, higher contracted capacity and elevated spot market prices triggered a 336-percent jump in replacement power purchases, which amounted to P1.64 billion versus P377 million last year.

Excluding a nonrecurring net loss of P96 million last year due to the gas turbines' impairment loss (P157 million) and gain from a financial contract (P61 million), core bottom line improved by 4,941% from P27 million (net loss) to P1.31 billion (net income).

Net of intercompany eliminations, SLPGC net income grew by 1,563% from P87 million to P1.45 billion.

CAPEX

Group capex declined by 22% from P5.0 billion to P3.9 billion in 2021 owing to the absence of LEP-related expenditures for SCPC Unit 2.

The bulk of the spending (64%) went to the re-fleeting and continuing water seepage management programs of the coal segment. The rest was spent on power plant maintenance. See table below for detailed breakdown.

In P billions	2021	2020	Change
Coal	2.5	1.5	67%
SCPC	0.8	3.0	-73%
SLPGC	0.6	0.4	50%
Total	3.9	5.0	-22

Market Review and Outlook

<u>Coal</u>

The unanticipated rapid bounce-back of China and other economies from the COVID-19 lockdowns, coupled with lower generation capacity from renewable power plants and planned closures of nuclear reactors in Europe, led to a global supply crunch that fueled coal prices in 2021.

On October 5, the Newcastle coal index peaked at USD 269.50 owing to strong demand from Chinese and European power plants that were raising stockpiles in time for the winter season.

To rein in prices, the Chinese government imposed on the same month a 440-yuan (USD 69) price cap on 5,500-NAR grade coal. Policy interventions continued in December with Chinese miners mandated to increase production in line with their energy security plan.

2021 average prices surged to and sustained elevated levels. Full year average NEWC climbed by 127% from USD60.45 to USD137.28 while ICI4 posted 122% hike from USD29.37 to USD65.27. NEWC and ICI4 indices closed the year at USD 165.86 and USD 60.60, respectively.

The soaring coal prices were more prominent in Q4. Q4's three-month average NEWC jumped by 173% from USD67.35 to USD183.92 while ICI4 posted an even steeper hike (187%) from USD32.29 to USD92.67.

SMPC anticipates coal prices to remain elevated in 2022 owing to continued demand recovery from the pandemic and geopolitical tensions between Russia and Western countries because of Ukraine. However, the company also sees some price volatility with China and Indonesia possibly issuing policy interventions to secure their fuel supply.

Power

Average spot prices more than doubled from P2.27/KWh in 2020 to P4.83/KWh in 2021 as the country imposed less stringent COVID-19 quarantine measures, allowing more businesses to operate for longer hours and at increased capacities.

The narrowing demand-supply gap further intensified in Q4, wherein average electricity spot prices nearly tripled year-on-year from P1.96/KWh to P5.79/KWh despite the addition of supply from the commissioning of a major coal plant.

The reduction in supply is primarily due to the Malampaya gas field preventive maintenance shutdown last October 2021, affecting several natural gas power plants.

High prices were experienced in December due to the outages of many baseload power plants and was exacerbated towards the end of the month by the outage of the Luzon-Visayas high-voltage direct current (HVDC) submarine cable caused by Typhoon Odette, cutting off the supply of imported power from Visayas.

SMPC expects elevated spot prices to persist in 2022 on the back of higher demand with limited additional baseload capacity entering the market.

II. Explanation on movements of accounts

A. Consolidated Statement of Income

Revenue
Increase in sales volume and prices of the coal segment and improved electricity prices pushed up consolidated revenue for year 2021 by 86% from P28.3 billion to P52.4 billion.

Cost of Sales
Cost of sales in 2021 rose by 33% owing to 16% jump in coal sales output coupled with higher replacement power following plant outages during the year.

Operating Expenses
Operating expenses jumped 103% to P9.3 billion. This includes government royalties amounting to P6.4 billion, more than three-times of last year's P1.8 billion due to higher profitability of the coal business. Excluding government royalties, operating expenses incurred for 2021 increased by 6% to P2.9 billion due to higher taxes, maintenance and various Information, Communication and Technology (ICT) related expenses.

Finance Cost
Consolidated finance costs fell by 11% to P976 million following the repayment of bank loans.

Finance Income
Consolidated finance income slipped by 51% due to lower interest income from placements.

Forex Gain
Forex gains expanded 120% due to dollar appreciation and forex gain realized from export sales collections, dollar-denominated placements and settlement of dollar denominated loans.

Other Income
Other income contracted by 24% due to the absence of the one-time gain from financial contract of SLPGC and lower fly ash sales.

Provision for Income Tax
Income tax provision for 2021 stood at P345 million which includes P133 million nonrecurring adjustment of 2020 income tax and remeasurement loss of deferred tax asset upon effectivity of CREATE bill. Excluding this nonrecurring adjustment, income tax rose by 60% due to higher taxable income during the year.

B. Consolidated Statement of Financial Position

The Company's financial condition for the period improved as consolidated total assets and total equity amounted to P71.6 billion and P45.6 billion, respectively as of December 31, 2021. This is an improvement of 1% and 8%, respectively.

Consolidated cash rose by 2% from P8.1 billion in December 31, 2020 to P8.2 billion in December 31, 2021 as higher cash generated from operations were used to pay for capital expenditure, loan amortizations and cash dividends during the year.

Receivables surge by 89% from P3.7 billion to P6.9 billion in 2021 due to higher revenue and timing of collection during the period.

Consolidated inventories slipped by 2% to P10.6 billion due to lower coal inventory and spare parts used for plant outages.

Other current assets jumped by 52% to P1.2 billion due mainly to advances to suppliers and tax credits which can be offset against income tax due in the subsequent periods.

Property, plant and equipment stood at P43.1 billion, 6% down from P45.8 billion last year as depreciation and amortization more than offset capital expenditures added for 2021.

Right-of-use assets declined by 13% due to amortization recognized for 2021.

Deferred tax assets dropped by 35% mainly due to remeasurement following the passage of CREATE law.

Other noncurrent assets decreased by 13% due mainly to realization of deferred input VAT and recoupment of advances to suppliers and contractors.

Accounts and other payables grew by 25% mainly due to higher government share payable to DOE and higher accrual for materials and spare parts.

Total debt (under short-term and long-term debt) contracted by 24% from P19.9 billion to P15.1 billion following payment of bank loans.

Lease liabilities (current and noncurrent) dropped by 14% due to payments made in 2021.

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 declined by 69% following retirement contributions made during the year.

Other noncurrent liabilities pertains to deferred rent income of SLPGC.

Consolidated retained earnings stood at P35.6 billion at year-end, 11% up from P32.1 billion at the close of 2020 after generation of P16.2 billion net income and declaration of P12.7 billion SMPC Parent cash dividends. The amount also includes appropriated retained earnings of P6.3 billion as of end of December 31, 2021 which is a 28% increase in P5.3 billion as of December 31, 2020 due to appropriation made for renewal energy investment.

III. Performance Indicators

1. Net income after tax – record-high performance of the coal segment and the rise in electricity prices pushed up consolidated net income after tax by 393%

2. Dividend payout – record-high profitability and remarkable liquidity enables the company to declare P1.75 per share special cash dividend on October 12, 2021, on top of the P1.25 per share regular cash dividend declared last March 25, 2021. Total dividend payout to shareholders for 2021 reached an all-time high of P12.7 billion.

3. Debt to equity ratio (interest bearing loans) - DE ratio down to 0.33 at the end of 2021 from 0.47 last year due to payment of bank loans.

4. Core EBITDA margin – from 38% in 2020 to 44% in 2021 due mainly to improved coal operations and favorable market conditions for both coal and power segment.

5. Current ratio – cash position remains healthy even after paying off P21.4 billion in loans, capex, all-time high dividends. As of December 31, 2021, current ratio improved to 1.85:1 compared to 1.41:1 as of December 31, 2020.

B. INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

The external auditors of SMPC and its Subsidiaries is the accounting firm SyCip Gorres Velayo & Co. (SGV). Pursuant to the General Requirements of SRC Rule 68, paragraph 3 (Qualifications and Reports of Independent Auditors), SMPC and its Subsidiaries has engaged the services of SGV as external auditor of the SMPC, and Jennifer D. Ticlao is the Partner-In-Charge starting 2022 audit period given the required audit partner rotation every five years.

On February 27, 2023, the Board of Directors of SMPC, upon recommendation of its Audit Committee, approved and recommended the re-appointment of SGV, subject to the stockholders' approval, as SMPC's Independent External Auditor for the fiscal year 2023.

1. **External Audit Fees and Services**
   a. Audit & Audit Related Fees - SMPC and its Subsidiaries paid its external auditors the following fees in the past two (2) years:

n Million Pesos with VAT	
2022	7.97[4]
2023	8.40[5]
Total	16.37[6]

   b. Tax Fees - There are no fees billed in each of the last fiscal years for professional services rendered by the SGV for tax accounting, compliance, advice, planning and any other form of tax services.
   c. All Other Fees – In 2023, non-audit fees paid to SGV amounted to P168,000.00 for engagement in performing as an independent party to count and/or validate the votes at the Annual Stockholders' Meeting. There are no significant fees paid in 2023 for products and services provided by SGV other than services reported above.

2. There have been no changes in or disagreement with SMPC and its Subsidiaries' accountant on accounting and financial disclosures.

[4] Includes Subsidiaries audit fees of P4.5 million.
[5] Includes Subsidiaries audit fees of P4.7 million.
[6] Audit and non-audit-related fees; no fees for other assurance and related services were paid.

3. SMPC's Audit Committee oversees the external audit function on behalf of the Board of Directors (Board). It recommends the appointment, reappointment or replacement of an external auditor to the Board. It is charged with the evaluation of the audit work engagements, its scope, fees and terms for approval of the Board. The Audit Committee also reviews non-audit services and taxation advice, if any, by the external auditor. At the conclusion of the annual audit, it discusses with Management and the external auditor significant reporting issues. Lastly, the Audit Committee reviews external audit findings in respect of any significant deficiencies or weaknesses in controls and ensures that Management responds appropriately with timely corrective actions, including audit adjusting entries noted or proposed but passed as immaterial or otherwise. The current members of the Audit Committee of SMPC are Ferdinand M. dela Cruz as Chairman while Roberto L. Panlilio and Francisco A. Dizon are Members.

PART IV – MANAGEMENT AND CERTAIN SECURITY HOLDERS

DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

The following are the name, citizenship, educational attainment, position, office and business experience of all incumbent/nominee Directors and Executive Officers of the Company:

Directors

1. **ISIDRO A. CONSUNJI, 75**
   Filipino, Director since May 2001 and Chairman of the Board since November 2014, and a nominee for Regular Director at the Annual Stockholders' Meeting on May 2, 2023
   Chief Executive Officer
   Strategy and Sustainability Committee, Member

   Education:
   B.S. Civil Engineering, University of the Philippines
   Master in Business Economics, Center for Research & Communication
   Master in Business Management, Asian Institute of Management
   Advanced Management, IESE School in Barcelona, Spain
   Licensed Civil Engineer

   Directorship in Listed Companies:
   DMCI Holdings, Inc., Director, Chairman, President & CEO
   Atlas Consolidated Mining and Development Corporation, Director

   Other Directorships/Positions:
   SEM-Calaca Power Corporation, Chairman & CEO
   Southwest Luzon Power Generation Corporation, Chairman & CEO
   Semirara Materials and Resources Inc., Chairman & CEO
   Semirara Energy Utilities Inc., Chairman & CEO
   Southeast Luzon Power Generation Corporation, Chairman & CEO
   SEM-Cal Industrial Park Developers Inc., Chairman & CEO
   St. Raphael Power Generation Corporation, Chairman & CEO
   Sem-Calaca Port Facilities Inc., Director
   DMCI Mining Corporation, Chairman & CEO
   ENK Plc (U.K.), Chairman
   DMCI Masbate Power Corporation, Vice-Chairman
   Dacon Corporation, Director
   M&S Company Inc., Director
   DMCI Projects Developers, Inc., Director
   Toledo Mining Corporation Plc (U.K.), Director
   Semirara Cement Corporation, Director & President
   Maynilad Water Services, Director
   Private Infra Dev Corp., Director
   Asian Institute of Management, Trustee

Former Affiliations:
Philippine Constructors Association, President
Philippine Chamber of Coal Mines, Inc., President

2. **JORGE A. CONSUNJI, 72**
Filipino, Director since May 2001, and a nominee for Regular Director at the Annual Stockholders' Meeting on May 2, 2023

Education:
B.S. Industrial Management Engineering, De La Salle University
Advanced Management Program Seminar, University of Asia and the Pacific
Top Management Program, Asian Institute of Management

Directorship in Listed Companies:
DMCI Holdings, Inc., Director

Other Directorships/Positions:
DMCI Masbate Power Corporation, Chairman
Dacon Corporation, Director
DMCI Project Developers, Inc., Director
SEM-Calaca Power Corporation, Director
Southwest Luzon Power Generation Corporation, Director
Semirara Materials and Resources Inc., Director
Semirara Energy Utilities Inc., Director
Southeast Luzon Power Generation Corporation, Director
SEM-Cal Industrial Park Developers Inc., Director
St. Raphael Power Generation Corporation, Director
Sem-Calaca Port Facilities Inc., Director
Cotabato Timberland Co., Inc., Director
M&S Company, Inc., Director
Sodaco Agricultural Corporation, Director
DMCI Mining Corporation, Director
DMCI Power Corporation, Director
Eco-Process & Equipment Phils. Inc., Director
Maynilad Water Services, Inc., Director
D.M. Consunji, Inc., President & COO
Royal Star Aviation, Inc., President & COO

Former Affiliations:
Contech Panel Mfg., Inc., Chairman
Wire Rope Corp. of the Philippines, Chairman
ACEL, President
Phil. Constructors Association, Vice-President

3. **CESAR A. BUENAVENTURA, 94**
Filipino, Director since May 2001, and a nominee for Regular Director at the Annual Stockholders' Meeting on May 2, 2023
Strategy and Sustainability Committee, Member

Education:
Bachelor of Science in Civil Engineering, University of the Philippines
Master in Civil Engineering Major in Structures, Lehigh University, Bethlehem, Pennsylvania (Fulbright Scholar)

Directorship in Listed Companies:
DMCI Holdings, Inc., Director & Vice-Chairman
iPeople, Inc., Independent Director
PetroEnergy Resources Corp., Independent Director
Concepcion Industrial Corporation, Independent Director
Pilipinas Shell Petroleum Corporation, Independent Director
International Container Terminal Services, Inc., Independent Director

Other Directorships/Positions:
D.M. Consunji, Inc., Director
The Country Club, Director
Mitsubishi Hitachi Power Systems Phils Inc., Chairman
Cavitex Holdings, Inc., Director
Via Technik Inc., Director
Pilipinas Shell Foundation, Inc., Chairman
Bloomberry Cultural Foundation, Trustee
ICTSI Foundation, Trustee

Award/Recognition:
Honorary Officer, Order of the British Empire by Her Majesty Queen Elizabeth II

Former Affiliations:
Philippine American Life Insurance Company, Director
Atlantic Gulf & Pacific Company of Manila (AG&P), Vice-Chairman
Ayala Corporation, Director
First Philippine Holdings Corporation, Director
Philippine Airlines, Director
Philippine National Bank, Director
Benguet Corporation, Director
Asian Bank, Director
Ma. Cristina Chemical Industries, Director
Paysetter International Inc., Director
Maibarara Geothermal, Inc., Chairman
Manila International Airport Authority, Director
Shell Group of Companies, Chairman & CEO
Semirara Cement Corporation, Vice-Chairman
Central Bank of the Philippines, Member of the Monetary Board
Pilipinas Shell Foundation, Inc., Founding Chairman
University of the Philippines, Member of the Board of Regents
Asian Institute of Management, Member of the Board of Trustees
President of the Benigno S. Aquino Foundation, President

4. **HERBERT M. CONSUNJI, 71**
Filipino, Director since May 2001, and a nominee for Regular Director at the Annual Stockholders' Meeting on May 2, 2023

Education:
Bachelor of Science in Commerce Major in Accounting, De La Salle University
Top Management Program, Asian Institute of Management
He is a Certified Public Accountant.

Directorship in Listed Companies:
None.

Other Directorships/Positions:
DMCI Holdings, Inc., EVP, CFO, Chief Compliance Officer & Chief Risk Officer
DM Consunji, Inc., Director
DMCI Project Developers, Inc., Director
DMCI Power Corporation, Director
DMCI Mining Corporation, Director
DMCI-MPIC Water Company Inc., Director
SEM-Calaca Power Corporation, Director
Semirara Materials and Resources Inc., Director
Southwest Luzon Power Generation Corporation, Director
Subic Water & Sewerage Corp., Director
SEM-Cal Industrial Park Developers Inc., Director

Other Affiliations:
Philippine Institute of Certified Public Accountants, Member
Financial Executives Institute of the Philippines, Member

Shareholder's Association of the Philippines, Member
Management Association of the Philippines, Member

5. **MARIA CRISTINA C. GOTIANUN, 69**
Filipino, Director since May 2006, and a nominee for Regular Director at the Annual Stockholders' Meeting on May 2, 2023
President & Chief Operating Officer
Risk Committee, Member
Strategy and Sustainability Committee, Member

Education:
Bachelor of Science in Business Economics, University of the Philippines

Directorship in Listed Companies:
DMCI Holdings, Inc., Director & Asst. Treasurer

Other Directorships/Positions:
Dacon Corporation, Corporate Secretary
SEM-Calaca Power Corporation, Director & President
Southwest Luzon Power Generation Corporation, Director & President
Semirara Materials and Resources Inc., Director & President
Semirara Energy Utilities Inc., Director & President
Southeast Luzon Power Generation Corporation, Director & President
St. Raphael Power Generation Corporation, Director & President
Sem-Calaca Port Facilities Inc., Director
DMCI Power Corporation, Director & Treasurer
DMCI Masbate Power Corporation, Director & Treasurer
SEM-Cal Industrial Park Developers Inc., Director & President
Divine Word School of Semirara Island, Inc., Trustee & President
Semirara Training Center, Inc., Trustee & President

Former Affiliations:
Semirara Mining and Power Corporation, Executive Vice-President
D.M. Consunji, Inc., Vice-President for Finance & Administration & CFO
DMC-Project Developers, Inc., Finance Director
DM Consunji, Inc., Asst. Treasurer
Divine Word School of Semirara Island, Inc., Corporate Secretary

6. **MA. EDWINA C. LAPERAL, 62**
Filipino, Director since May 2007, and a nominee for Regular Director at the Annual Stockholders' Meeting on May 2, 2023

Education:
B.S. Architecture, University of the Philippines
Master in Business Administration, University of the Philippines
Executive Certificate for Strategic Business Economics Program, University of Asia & The Pacific
Licensed Architect

Directorship in Listed Companies:
DMCI Holdings, Inc., Director & Treasurer

Other Directorships/Positions:
Dacon Corporation, Director & Treasurer
D.M. Consunji, Inc., Director & Treasurer
DFC Holdings, Inc., Director & Treasurer
DMCI Project Developers, Inc., Director & SVP-Treasurer
Artregard Holdings, Inc., Director & Vice-President
SEM-Calaca Power Corporation, Director
DMC Urban Property Developers, Inc., Director & President
Southwest Luzon Power Generation Corporation, Director

Former Affiliations:
Institute of Corporate Directors, Fellow
United Architects of the Philippines, Makati Chapter
Guild of Real Estate Entrepreneurs and Professionals
UP College of Architecture Alumni Foundation Inc.

7. **JOSEFA CONSUELO C. REYES, 76**
Filipino, Director since March 2015, and a nominee for Regular Director at the Annual Stockholders' Meeting on May 2, 2023

Education:
AB Economics, University of British Columbia, Vancouver, Canada
Strategic Business Economics Program, University of Asia and the Pacific (2007)

Directorship in Listed Companies:
None.

Other Directorships/Positions:
SEM-Calaca Power Corporation, Director
Southwest Luzon Power Generation Corporation, Director
Manila Herbal & Essential Oils Co., Inc., General Manager
Philippine Coffee Board, Corporate Secretary
Ecology Village Association, Director and Chairperson

Former Affiliations:
Ecology Village Association, *Director & Vice-President*

8. **ROGELIO M. MURGA, 88**
Filipino, Lead Independent Director since November 2014
Risk Committee, Chairman
Corporate Governance Committee, Member

Education:
Bachelor of Science degree in Mechanical Engineering, University of the Philippines (1958)
Senior Management Program, Harvard Business School in Vevey, Switzerland (1980)
Honorary Degree of Doctor of Science – *Honoris Causa,* Feati University (2004).

Directorship in Listed Companies:
None.

Other Directorships/Positions:
Private Infra Dev Corp., Currently, *Chairman & CEO*
SEM-Calaca Power Corporation, *Independent Director*
Meralco Industrial Engineering Services Corp., *Independent Director*
Southwest Luzon Power Generation Corporation, *Independent Director*

Former Affiliations:
National Power Corporation, *President & CEO*
EEI Corporation, *Vice-Chairman, Director, President & COO*
Philippine Constructors Association, *President*
International Federation of Asian and Western Pacific Contractors Association, *President*
Management Association of the Philippines, *Member*
Philippine Chamber of Commerce and Industry, *Chairman of the Committee on Engineering and Construction*
DCCD Engineering Corporation, *Consultant*
National University, *Engineering Professor*

9. **HONORIO O. REYES-LAO, 78**
Filipino, Independent Director since May 2017
Corporate Governance Committee, Chairman
Audit Committee, Member

Risk Committee, Member
Strategy and Sustainability Committee, Member

Education:
Bachelor of Arts Major in Economics, De La Salle University
Bachelor of Science in Commerce, Major in Accounting, De La Salle University
Master in Business Management, Asian Institute of Management
Banking Operation, Philippine Banking Institute

Directorship in Listed Companies:
Philippine Business Bank, *Director*

Other Directorships/Positions:
DMCI Holdings, Inc., *Advisor to the Board*
Space2place, Inc., *Director*
United Doctors Medical Center, *Director*
SEM-Calaca Power Corporation, *Independent Director*
Southwest Luzon Power Generation Corporation, *Independent Director*
DMCI-Property Developers, Inc., *Independent Director*

Former Affiliations:
DMCI Holdings, Inc., *Independent Director*
Philippine Business Bank, *Independent Director*
Gold Venture Lease and Management Services Inc.
First Sovereign Asset Management Corporation
CBC Forex Corporation
CBC Insurance Brokers, Inc.
CBC Properties and Computers Center, Inc.
Institute of Corporate Directors, *Fellow*
Rotary Club of Makati West, *Member/Treasurer*
Makati Chamber of Commerce and Industries, *President*

10. **ANTONIO JOSE U. PERIQUET, JR., 62**
Filipino, Independent Director since August 2019 and a nominee for Regular Director at the Annual Stockholders' Meeting on May 2, 2023
Strategy and Sustainability Committee, Chairman

Education:
Master in Business Administration, Darden Graduate School of Business Administration, University of Virginia, USA
Master of Science Economics, Oxford University, UK
AB Economics, Ateneo de Manila University

Directorship in Listed Companies:
Max's Group of Companies, Independent Director
Philippine Seven Corporation, Independent Director
Universal Robina Corporation, Independent Director
ABS CBN Corporation, Advisory Board Member
Bank of the Philippine Islands, Advisory Board Member
DMCI Holdings, Inc., Advisory Board Member

Other Directorships/Positions:
AB Capital & Investment Corporation, Chairman & CEO
Albizia ASEAN Tenggara Fund, Independent Director
Campden Hill Advisors, Inc., Chairman
Campden Hill Group, Inc., Chairman
Lyceum of the Philippines University, Trustee
The Straits Wine Co. Inc., Director
Sem-Calaca Power Corporation, Independent Director
Southwest Luzon Power Generation Corporation, Independent Director
British International Investments PLC, SEA Advisory Committee

Former Affiliations:
Ayala Corporation, Independent Director
DMCI Holdings, Inc., Independent Director
Bank of the Philippine Islands, Independent Director
BPI Asset Management and Trust Corporation, Chairman
BPI Capital Corp., Independent Director
BPI Family Savings Bank, Inc., Independent Director
Pacific Main Properties and Holdings, Chairman
ABS-CBN Corporation, Independent Director
ABS-CBN Holdings Corporation, Independent Director
Development Bank of the Philippines, Director
DBP Leasing Corporation, Director
DBP Insurance Brokerage, Inc., Director
MRT Corporation, Director
ABS-CBN Corporation, Member, Board of Advisers
Deutsche Regis Partners Inc., Chairman
Deutsche Morgan Grenfell Inc., Managing Director
Morgan Grenfell Securities (UK) Ltd., Director
Deutsche Morgan Grenfell Securities (HK), Director
Morgan Grenfell Securities Philippines, Director
Asia Equity (UK) Limited, Director
Peregrine Securities (UK & Hong Kong), Investment Adviser
San Miguel Corporation, Economist
Center for Research & Communication, Economist
Faculty of Economics, Assumption College, Member

11. **FERDINAND M. DELA CRUZ, 57**
Filipino, Independent Director since May 2021, and a nominee for Regular Director at the Annual Stockholders' Meeting on May 2, 2023
Audit Committee, Member
Corporate Governance Committee, Member
Risk Committee, Member
Strategy and Sustainability Committee, Member

Education:
Advanced Management Program (AMP), Harvard Business School (2015)
B.S. Mechanical Engineering *(Cum Laude)*, University of the Philippines (1987)
10th Placer at the 1987 Mechanical Engineering Exams

Directorship in Listed Companies:
None.

Other Directorships/Positions:
Franklin Baker Company of the Philippines, President, CEO & Chief Sustainability Officer
U.P. Engineering R&D Foundation, Inc., Member
Institute of Corporate Directors, Fellow
Institute for Solidarity in Asia, Inc., Board Trustee

Former Affiliations:
U.P. Engineering R&D Foundation, Inc., President & Trustee
Manila Water Company, Inc., President, Chief Executive Officer and Chief Sustainability Officer
Manila Water Operations, COO
Manila Total Solutions, Inc., President & CEO
Manila Water Foundation, President
Manila Water Company, Group Director, East Zone Business Operations
Globe Telecom, Head-Consumer Sales and After Sales Group
Globe Telecom, Head-Consumer Wireless Business Group
Kraft Food (Philippines) Inc., President & General Manager
Kraft Food (Philippines) Inc., Country General Manager

Kraft Foods International Services Inc. – Indonesian Representative Office, Chief Representative
PT Kraft Ultrajaya Indonesia, President & Director
Ayala land Inc./Laguna Properties Holdings Inc., SVP-Marketing & Sales Division
San Miguel Brewing Philippines, VP-National Sales
San Miguel Brewing Philippines, Executive Asst. to EVP for Philippine Operations
Inbisco Philippines Inc. (Kopiko), Country Manager
Unilever Philippines, Marketing/Sales Operations Manager
Unilever Philippines, National Distribution Manager
Unilever Philippines, Brand Manager, Asst. Brand Manager, Management Trainee
DCCD Engineering Corporation, Junior Engineer

Nominee for Independent Director

1. **ROBERTO L. PANLILIO, 69**
   Filipino, and a nominee for Independent Director at the Annual Stockholders' Meeting on May 2, 2023

   Education:
   Master in Business Administration and International Finance, University of Southern California
   Bachelor in Business Management, Ateneo de Manila University

   Directorship in Listed Companies:
   DMCI Holdings, Inc., Independent Director

   Other Directorships/Positions:
   Maya Bank, Director
   Philippine Association of Securities Brokers and Dealers, Inc., Director
   Endeavor Philippines, Director
   L&R Corporation, President

   Former Affiliations:
   J.P. Morgan Chase Philippines, Country Chairman (2019-2022)
   J.P. Morgan Chase Philippines, Senior Country Officer (1999-2019)
   PCI Bank-Manila, Senior Vice-President & COO (1993-1999)
   Citibank, Various Treasury and Investment Banking positions (1979-1993)

2. **FRANCISCO A. DIZON, 74**
   Filipino, and a nominee for Independent Director at the Annual Stockholders' Meeting on May 2, 2023

   Education:
   Master in Business Management, Asian Institute of Management
   Bachelor of Arts in General Studies, Ateneo de Manila University

   Directorship in Listed Companies:
   None.

   Other Directorships/Positions:
   Sun Savings Bank, President & CEO
   Pacific Northstar Inc., Chairman & President
   Project Quest Corporation, Chairman & President
   BPO International, Chairman
   Sun Star Cebu Publishing, Inc., Director
   Medical Doctors, Inc., Independent Director
   Laura Vicuña Foundation, Trustee
   Phoenix One Knowledge Solutions, Inc., Chairman/Director
   Fleetwood Holdings, Inc., Chairman & President
   Capitol Star Development Corporation, President
   Diz Shorline Holdings Corp., Director/Treasurer

Marina Investment, Inc., Director
Joyzend Corp., Director/Corporate Secretary
Joygrowth Holdings, Inc., Director

Former Affiliations:
Sun Savings Bank, Inc., Chairman
PNB (EUROPE) PLC, Chairman
PNB General Insurers Company, Inc., Director
Beneficial-PNB Life Insurers Co., Inc., Director
PNB Remittance Center (Hong Kong), Director
PNB Remittance Center (USA), Director
PNB Holdings Corporation, Director
Bulawan Mining Corporation, Director
Philippine National Bank, Director
Philippine National Bank, Chairman
Rizal Commercial Banking Corporation, President & CEO
RCBC Capital Corporation, Director
RCBC Forex Brokers Corporation, Director
RCBC Savings Bank, Director
Rizal Commercial Banking Corporation, Advisory Board
Asian Bank Corporation, President/CEO/Director
Asian Bank Corporation, President/COO/Director
Asian Savings Bank, Director
AB Capital and Investment Corporation, Vice Chairman
AB Capital and Investment Corporation, President/COO/Director
AB Leasing and Finance Corporation, Director
Stock Transfer Service, Inc., Director
Investment House Association of the Phils., President & Director
Cardinal Ceramics, Inc., Director
Cebu Holdings, Inc., Director
Ayala Property Ventures Corp., Director
HI-Cement Corp., Director
Megalink, Director
Pacific Horizon Investment Trust PLC, Director
Philippine Long Term Equity Fund, Director/Chairman of Investment Committee
ATSP Management Ltd., Director
Union Savings and Mortgage Bank, First VP and COO/VP/OIC
Bancom Group, Inc., Vice-President
Bancom Development Corp., AVP/ Sr. Asst. Treasurer/ Asst. Treasurer/ Deal Manager
Point Technologies Corporation, Chairman/Vice-Chairman
AB Capital and Investment Corporation, Senior Vice-President

Executive Officers

1. **ISIDRO A. CONSUNJI**, Chief Executive Officer*
2. **MARIA CRISTINA C. GOTIANUN**, President & COO*
   **Member of the Board (please see above)*

3. **JUNALINA S. TABOR, 59**
   Filipino, SVP-Chief Risk, Compliance & Performance Officer since March 2021

   Education:
   Bachelor of Science in Commerce, Major in Accounting *(Magna Cum Laude)*, Saint Joseph College
   Master in Public Administration, University of the Philippines
   Certificate in Business Economics, University of Asia and the Pacific
   Certificate in Leading People and Teams Specialization, University of Michigan thru Coursera Online
   Modular Course in Computer Literacy Program, Systems Technology Institute
   She is a Certified Public Accountant

Directorship in Listed Companies:
None.

Other Directorships/Positions:
Sem-Calca Power Corporation, Chief Risk, Compliance & Performance Officer
Southwest Luzon Power Generation Corporation, Chief Risk, Compliance & Performance Officer

Former Affiliations:
Semirara Mining and Power Corporation, VP & CFO (11 years)
Sem-Calaca Power Corporation, CFO
Southwest Luzon Power Generation Corporation, CFO
Commission on Audit, State Auditor 1989-1997
Commission on Audit, State Examiner 1984-1988
Commission on Audit, Team Leader in Special Audit Engagements in certain GOCCs 1995-1997

4. **JOHN R. SADULLO, 53**
Filipino, VP-Legal since November 2013
Corporate Secretary & Corporate Information Officer since May 2005

Education:
A.B. Major in Political Science, University of Santo Tomas
Bachelor of Laws, San Beda College of Law (1996)
He was admitted to the BAR in 1997

Directorship in Listed Companies:
None.

Other Directorships/Positions:
Sem-Calca Power Corporation, VP-Legal & Corporate Secretary
Southwest Luzon Power Generation Corporation, VP-Legal & Corporate Secretary
Semirara Energy Utilities Inc., Corporate Secretary
Southeast Luzon Power Generation Corporation, Corporate Secretary
Semirara Energy Utilities Inc., Corporate Secretary
Semirara Materials and Resources Inc., Corporate Secretary
Sem-Cal Industrial Park Developers Inc., Corporate Secretary
St. Raphael Power Generation Corporation, Corporate Secretary
Sem-Calaca Port Facilities Inc., Corporate Secretary
Divine Word School of Semirara Island, Inc., Corporate Secretary
Semirara Training Center, Inc., Corporate Secretary
Semirara Cement Corporation, Corporate Secretary

Former Affiliations:
DMCI Mining Corporation, Corporate Secretary
DMCI Masbate Power Corporation, Corporate Secretary
St. Raphael Power Generation Corporation, Asst. Corporate Secretary
Semirara Training Center, Inc., Asst. Corporate Secretary

5. **JOSE ANTHONY T. VILLANUEVA, 58**
Filipino, VP-Marketing for Coal since November 2013

For more than 20 years he has been the forefront of the energy industry and held various positions as Department Manager for Finance and Planning, Business Development and Information Technology, Corporate Planning and as General Manager for Coal Division of state-owned company engaged in the exploration, development and production of geothermal, oil and gas and coal in the Philippines.

Education:
Bachelor of Science in Mechanical Engineering, De La Salle University
Master in Business Administration, De La Salle University

Master in Public Management, University of the Philippines
Undergone intensive training in financial modeling in Singapore
Completed the Petroleum Energy Policy and Management Program in Norway as full scholar of the Norwegian Petroleum Directorate

Directorship in Listed Companies:
None.

Other Directorships/Positions:
None.

Former Affiliations:
Semirara Mining and Power Corporation, *Marketing Manager*

6. **ANDREO O. ESTRELLADO, 61**
Filipino, VP-Power Market & Commercial Operations since May 2017

He has been in the electric power industry business for more than 30 years performing different functions in the fields of marketing, business and project development, risk management, environmental impact assessment and nuclear physics for various government and private electric power companies. He was once affiliated with the National Power Corporation, National Transmission Corp, Manila Oslo Renewable Enterprises/SN Aboitiz Power, East Asia Power Corporation, Resource Management International (Navigant Consulting), and Magellan Utilities Development Corp. He also served as consultant of International Resources Group, Philippines; and Alternative Energy Development, Philippines for some of their World Bank and UNDP funded projects.

Education:
Bachelor of Science in Chemical Engineering, Mapua Institute of Technology
Master in Business Administration, Ateneo de Manila University

Directorship in Listed Companies:
None.

Other Directorships/Positions:
None.

Former Affiliations:
Sem-Calaca Power Corporation, Asst. Vice-President for Market & Commercial Operations

7. **RUBEN P. LOZADA, 67**
Filipino, VP-Mining Operations & Resident Manager since August 2016

Education:
Bachelor of Science in Civil Engineering, Mindanao State University (1978)
He is a Licensed Civil Engineer

Directorship in Listed Companies:
None.

Other Directorships/Positions:
None.

Former Affiliations:
Semirara Mining and Power Corporation, Resident Manager

8. **CARLA CRISTINA T. LEVINA, 38**
Filipino, VP-Chief Finance Officer since March 2021

She has more than 17 years of experience specializing in the fields of IT audit, internal audit and finance. This includes knowledge on risk-based business and financial processes, evaluation of risks and internal controls, and in performing independent assessments and third-party reporting audit engagements.

Education:
Bachelor of Science in Accountancy *(Cum Laude)*, University of Santo Tomas
Certified Public Accountant *(17th Placer)*
Certified Internal Auditor
Certified Information Systems Auditor

Directorship in Listed Companies
None.

Other Directorships/Positions
SEM-Calaca Power Corporation, CFO
Southwest Luzon Power Generation Corporation, CFO
St. Raphael Power Generation Corporation, CFO
Semirara Materials and Resources Inc., Treasurer

Former Affiliations
Semirara Mining and Power Corporation, VP-Chief Audit Executive
Semirara Mining and Power Corporation, Internal Audit Manager
Sycip Gorres Velayo & Co., Associate Director to Director (2009-2012)
Sycip Gorres Velayo & Co., Associate to Senior Associate (2006-2009)

9. **CHRISTOPHER THOMAS C. GOTIANUN**, **33**
Filipino, VP-Business Development since March 1, 2023
Strategy and Sustainability Committee, Secretariat

Education:
Master in Business Administration, London Business School (2017-2019)
M.S. Mechanical Engineering, University of California, Berkeley, USA (2012-2013)
B.S. Mechanical Engineering, University of California, Berkeley, USA (2008-2012)

Directorship in Listed Companies:
None.

Other Directorships/Positions:
None.

Former Affiliations:
Semirara Mining and Power Corporation, Business Development Head (2022-2023)
DMCI Holdings, Inc., Executive Assistant to the President (2019-2022)
Sem-Calaca Power Corporation, Reliability Engineer (2014-2017)
Marubeni Power Asset Management Ltd., Hong Kong, Graduate Intern (2013)
General Electric Power & Water, New York, USA, Deputy Program Engineer (2012)

10. EDGAR C. MARIANO, **52**
Filipino, VP-Supply Chain Management since March 1, 2023

Education:
B.S. Mechanical Engineering, University of Santo Tomas (1993)

Directorship in Listed Companies:
None.

Other Directorships/Positions:
None.

Former Affiliations:

Semirara Mining and Power Corporation, Manager, Supply Chain Management (SMPC Group 2021-2022)
Sem-Calaca Power Corporation, Head, General Services (2020-2021)
Southwest Luzon Power Generation Corporation, Head, Inventory Management & Materials Control (2015-2019)
Southwest Luzon Power Generation Corporation, Head, Procurement & Logistics (2012-2015)
M&S Company Inc., Purchasing Officer, Procurement & Logistics (2002-2012)
Satelec Pierre Roland Phils., Sales Officer (2000-2002)
Monark Equipment Corp., Rental Supervisor (1997-1999)
Monark Equipment Corp., Machine Rental Coordinator (1996-1997)
Monark Equipment Corp., Service Marketing Officer (1995-1996)
Monark Equipment Corp., Analyst (1994-1995)
Monark Equipment Corp., Cadet Engineer (1993-1994)

11. **LORA LIZA S. DIOQUINO**, **55**
Filipino, AVP-Human Resources since September 6, 2023

Education:
M.A. (Candidate) Industrial/Organizational Psychology, Ateneo de Manila University
Awarded B. Sc. Honours Degree in Psychology, University of Bradford, West Yorkshire, England
Took general education courses (2 years), University of the Philippines, College of Science

Directorship in Listed Companies:
None.

Other Directorships/Positions:
None.

Former Affiliations:
SteelAsia Manufacturing Corporation, Vice President, Human Resources (2023)
Air Philippines Corporation dba PAL Express, AVP, Human Resources (2017-2022)
Aboitiz Power Corporation, Head, HR Operations & AVP, Human Resources for the Oil Business Unit (2015-2016)
Rapid Forming Corporation (share service for Commerce Asia, Inc.), Human Resource Manager (2013)
Chingbee Group Companies, Head, Human Resource & Administration (2012-2013)
RAMCAR Food Group, Human Resource Director (2009-2011)
East-West Seed Company, Inc., Human Resources Manager (1999-2009)
Liebermann Leisure, Inc., Human Resources Manager (1997-1999)
Development Consultants Network, Inc., Psychology Associate/Consultant (1995-1997)
Ateneo de Manila University (Human Resource Center), Consultant (1996-1997)

Board and Annual Stockholders' Meeting Attendance
At the beginning of the year, the Board is advised of the schedule of meetings for the calendar year without prejudice to call a special board meeting when required by the Company's operation and other exigency. In the conduct of meeting, the quorum requirement under the law is simple majority of the members of the Board while approval of corporate acts and resolutions requires majority of the Board present. Below is the record of attendance of Directors to board meetings for the year 2023:

Board	Name	Date of Election	Number of Meetings Held during the Year	Meetings Attended	% of Attendance
Chairman	Isidro A. Consunji	May 2, 2023	11	11	100
Member	Maria Cristina C. Gotianun	May 2, 2023	11	11	100
Member	Jorge A. Consunji	May 2, 2023	11	11	100
Member	Herbert M. Consunji	May 2, 2023	11	11	100
Member	Cesar A. Buenaventura	May 2, 2023	11	10	91
Member	Ma. Edwina C. Laperal	May 2, 2023	11	11	100
Member	Josefa Consuelo A. Consunji	May 2, 2023	11	11	100
Member	Antonio Jose U. Periquet, Jr.	May 2, 2023	11	11	100
Independent	Ferdinand M. dela Cruz	May 2, 2023	11	11	100
Independent	Roberto L. Panlilio*	May 2, 2023	8	8	100
Independent	Francisco A. Dizon*	May 2, 2023	8	8	100

None of the directors has absented himself for more than 50% from all meetings of the Board for year 2023.

Our non-executive directors held a meeting on October 27, 2023, without the presence of our executive directors. The discussion focused on opportunities in green energy and partnership and climate change issues.

Below is the record of attendance of Board Committees for 2023:

Name	Audit Committee (AC)	Risk Committee (RC)	Corporate Governance Committee (CGC)	Strategy and Sustainability Committee (SSC)
Isidro A. Consunji SSC, Member	n.a.	n.a.	n.a.	1/1
Maria Cristina C. Gotianun RC, Member; SSC, Member	n.a.	2/2	n.a.	1/1
Rogelio M. Murga* AC, Member; RC, Chairman; CGC, Member	n.a.	n.a.	3/4	n.a.
Honorio O. Reyes-Lao* AC, Member; RC, Member; CGC, Chairman; SSC, Member	2/6	n.a.	3/4	1/1
Antonio Jose U. Periquet*, Jr. AC, Chairman*; SSC, Chairman	2/6	n.a.	n.a.	1/1
Cesar A. Buenaventura SSC, Member	n.a.	n.a.	n.a.	1/1
Ferdinand M. dela Cruz AC, Member/Chairman**; RC, Member; CGC, Member; SSC, Member	6/6	2/2	4/4	1/1
Roberto L. Panlilio** RC, Chairman; AC, Member; CG, Member; SSC, Member	4/6	2/2	1/4	n.a.
Francisco A. Dizon** CG, Chairman; AC, Member	4/6	n.a.	1/4	n.a.

**Committee Member until May 1, 2023*
*** New Member effective May 2, 2023*

Trainings and Continuing Education Attended by Directors and Executive Officers
The Company recognizes the value of providing relevant trainings to its directors and executive officers and has set aside an annual budget to allow them to attend continuing professional development programs, applicable courses, conferences, and seminars. In 2021-2023, the directors and executive officers of the Company joined online seminars on corporate governance for at least four (4) hours, as follows:

Date	Topic	Name
July 23, 2021	ICD Masterclass Corporate Governance in a Nutshell: What Effective Boards Focus on Before Everything Else	Maria Cristina C. Gotianun Josefa Consuelo C. Reyes Rogelio M. Murga
September 28 & 30, 2021	2021 E-Sustainability Summit of Semirara Mining and Power Corporation: ESG Imperatives in the Energy Sector and Reporting of Climate-related Financial Disclosures, conducted by the University of Asia and the Pacific	Maria Cristina C. Gotianun Hebert M. Consunji Ma. Edwina C. Laperal Josefa Consuelo C. Reyes Honorio O. Reyes-Lao Rogelio M. Murga Ferdinand M. dela Cruz Junalina S. Tabor Carla Cristina T. Levina John R. Sadullo Ruben P. Lozada Jose Anthony T. Villanueva Andreo O. Estrellado Jojo L. Tandoc Karmine Andrea S.J. Ching
October 21, 2021	The Board's Agenda 2021: The Pathway to Recovery Through ESG, conducted by the Institute of Corporate Directors	Antonio Jose U. Periquet, Jr.
October 29, 2021	Pilipinas: Aspire, Rise, Sustain Series Episode 1: Energy Transition Picks Up: Global Trends, National Risks and the Fiduciary Responsibilities of Corporate Directors, conducted by Institute of Corporate Directors	Rogelio M. Murga
June 21, 2022	The Corporate Board's Roadmap to ESG-Driven Sustainability Strategy and Reporting, conducted by Center for Global Best Practices	Jorge A. Consunji
August 26, 2022	ICD Masterclass: Sustainability and ESG: The What, Why, and How for Corporate Boards, conducted by Institute of Corporate Directors	Ma. Edwina C. Laperal Rogelio M. Murga Honorio O. Reyes-Lao
October 25, 2022	Corporate Governance, conducted by SGV & Co.	Maria Cristina C. Gotianun Jorge A. Consunji Josefa Consuelo C. Reyes Rogelio M. Murga Honorio O. Reyes-Lao Ferdinand M. dela Cruz Junalina S. Tabor John R. Sadullo Carla Cristina T. Levina Jose Anthony T. Villanueva Andreo O. Estrellado
November 25, 2022	Pilipinas: Aspire, Rise and Sustain Series Accelerating the Energy Transition and Inclusive Development Episode 3: Towards a Prosperity Agenda, conducted by Institute of Corporate Directors	Herbert M. Consunji
September 11, 2023	Corporate Governance, conducted by SGV & Co.	Isidro A. Consunji Maria Cristina C. Gotianun Jorge A. Consunji Herbert M. Consunji Ma. Edwina C. Laperal Josefa Consuelo C. Reyes Antonio Jose U. Periquet, Jr.

		Ferdinand M. dela Cruz Roberto L. Panlilio Francisco A. Dizon Carla Cristina T. Levina John R. Sadullo Jose Anthony T. Villanueva Andreo O. Estrellado Ruben P. Lozada Christopher Thomas C. Gotianun Edgar C. Mariano Lora Lisa S. Dioquino

Board Annual Performance and Evaluation Process
The Board's annual performance evaluation process covers the full Board, Board Committee and individual director self-assessments. The full Board evaluation includes the Board and Board Committees' responsibilities, structure, meetings, processes, and management support, while individual director performance criteria take into account the leadership, interpersonal skills, strategic thinking, and participation in Board meetings and committee assignments. Assessment results are provided to the Corporate Governance Committee and reported to the Board for disposition and continual improvement of Board performance effectiveness. Feedback, if any, to enhance management support to the Board is likewise communicated to senior management for appropriate action.

In 2023, our full Board, Committee and individual director performance assessments were conducted in compliance with the SEC's Corporate Governance Guidelines for PLCs and facilitated by a third party, Castillo, Laman, Tan, Pantaleon & San Jose Law Firm.

Term of Office
The term of office of the Directors and Executive Officers is one (1) year from their election. All Directors will have served for a period of approximately twelve (12) months by May 2, 2023.

Independent Directors
The Company's Amended Manual on Corporate Governance submitted to SEC on May 30, 2017 requires at least two (2) independent directors or such number of independent directors as shall constitute at least twenty percent (20%) of the members of the board of directors, whichever is lesser. The nominees for independent directors will be selected by the Corporate Governance Committee in accordance with the guidelines in the Code of Corporate Governance for Publicly-Listed Companies (SEC Memorandum Circular No. 19, Series of 2016) and the Guidelines on the Nomination and Election of Independent Directors (SRC Rule 38).

On December 8, 2008, the SEC approved the amendment to the Company's By-Laws to include Art. III on the adoption of SRC Rule 38. The Company abides with SRC Rule 38, its By-Laws, and the relevant or subsequent circulars, memoranda or notices of SEC regarding the qualifications, nomination and election, the submission of certificate of qualification, and the required number of independent directors. DMCI Holdings, Inc. (DHI) is the majority stockholder of the Company, and Antonio Jose U. Periquet, Jr., currently an independent director of the Company and a nominee for regular director, is a stockholder/advisory board member of DHI while Roberto L. Panlilio, a nominee for independent director is likewise a stockholders/independent director of DHI.

Ferdinand M. dela Cruz was first elected to the Board on May 3, 2021 while Roberto L. Panlilio and Francisco A. Dizon are first time nominees as independent directors. They were nominated by a non-controlling stockholder of the Company and are not related by affinity or consanguinity to the nominees. Except for Messrs. Panlilio and Dizon, Mr. dela Cruz have served the Company for at least two (2) years, more or less, at the annual stockholders meeting of the Company on May 2, 2023.

The Company has not encountered any restraint from the stockholders in electing its independent directors. It has been a consensus of the stockholders to elect them during the meeting. Notwithstanding the recent SEC Memorandum Circular No. 4, Series of 2017, the independent directors herein are compliant with the term limit requirement, which requires that independent directors shall serve for a maximum cumulative term of nine (9) years reckoning from 2012.

Other Directorship Held in Reporting Companies:

Cesar A. Buenaventura	▪ Vice-Chairman, DMCI Holdings, Inc. ▪ Independent Director, PetroEnergy Resources Corporation ▪ Independent Director, iPeople, Inc. ▪ Independent Director, Concepcion Industrial Corporation ▪ Independent Director, Pilipinas Shell Petroleum Corporation ▪ Independent Director, International Container Terminal Services, Inc.
Isidro A. Consunji	▪ Chairman, President & CEO, DMCI Holdings, Inc. ▪ Director, Atlas Consolidated Mining and Development Corp.
Jorge A. Consunji	▪ Director, DMCI Holdings, Inc.
Herbert M. Consunji	▪ Director, DMCI Holdings, Inc.
Maria Cristina C. Gotianun	▪ Director, DMCI Holdings, Inc.
Ma. Edwina C. Laperal	▪ Director, DMCI Holdings, Inc.
Antonio Jose U. Periquet, Jr.	▪ Independent Director, Max's Group of Companies ▪ Independent Director, Philippine Seven Corporation ▪ Independent Director, Universal Robina Corporation ▪ Advisory Board Member, ABS CBN Corporation ▪ Advisory Board Member, Bank of the Philippine Islands ▪ Advisory Board Member, DMCI Holdings, Inc.

Significant Employees/Executive Officers of the Issuer

Names	Citizenship	Position	Age
Isidro A. Consunji	Filipino	CEO	74
Maria Cristina C. Gotianun	Filipino	President & COO	68
Junalina S. Tabor	Filipino	SVP-Chief Risk, Compliance & Performance Officer	59
John R. Sadullo	Filipino	VP-Legal & Corporate Secretary	52
Jose Anthony T. Villanueva	Filipino	VP-Marketing for Coal	58
Andreo O. Estrellado	Filipino	VP-Power Market and Commercial Operations	61
Ruben P. Lozada	Filipino	VP-Mining Operations & Resident Manager	67
Carla Cristina T. Levina	Filipino	VP-Chief Finance Officer	38
Christopher Thomas C. Gotianun	Filipino	VP-Business Development	33
Edgar C. Mariano	Filipino	VP-Supply Chain Management	52
Lora Lisa S. Dioquino	Filipino	AVP -Human Resources	55

Family Relationship
The family relationship up to the fourth civil degree either by consanguinity or affinity among directors or executive officers is as stated below.

Messrs. Isidro A. Consunji, Jorge A. Consunji, Maria Cristina C. Gotianun, Josefa Consuelo C. Reyes and Ma. Edwina C. Laperal are siblings while Herbert M. Consunji is their cousin. Christopher Thomas C. Gotianun is the son of Maria Cristina C. Gotianun and nephew of Isidro A. Consunji, Jorge A. Consunji, Josefa Consuelo C. Reyes and Ma. Edwina C. Laperal.

Involvement in Certain Legal Proceedings
None of the directors, executive officers, or nominee for regular or independent director was involved in the past five (5) years in any bankruptcy proceeding. Except for the criminal cases below, neither have they been convicted by final judgment in any criminal proceeding, nor been subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, nor found being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a

domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

Below are the pending criminal cases filed against the directors of SMPC, Isidro A. Consunji, Cesar A. Buenaventura and Ma. Edwina C. Laperal:

1. **Pp. vs. Consunji, et. al., Criminal Case No. Q-02-114052, RTC-QC, Branch 78. -** A complaint for violation of Article 315(2)(a) of the Revised Penal Code, as qualified by Presidential Decree No. 1689 was filed in RTC-QC Branch 78 as Criminal Case No. Q-02-114052 pursuant to a resolution of the Quezon City Prosecutor dated December 3, 2002 in I.S. No. 02-7259 finding probable cause against the directors and officers of Universal Leisure Club (ULC) and its parent Company, Universal Rightfield Property Holdings, Inc., including Isidro A. Consunji as former Chairman, Cesar A. Buenaventura and Ma. Edwina C. Laperal as former directors of ULC. Complainants claim to have been induced to buy ULC shares of stock on the representation that ULC shall develop a project known as “a network of 5 world clubs.”

   The case was re-raffled to RTC-QC Branch 85 (the “Court”). On January 10, 2003 respondents filed their Motion for Reconsideration on the resolution dated December 3, 2002 recommending the filing of the complaint in court, which was granted on August 18, 2003. Accordingly, a Motion to Withdraw Information was filed in Court. On September 11, 2003, complainants sought reconsideration of the resolution withdrawing the information, but was denied by the City Prosecutor. By reason of the denial, Complainants filed a Petition for Review with the Department of Justice (DOJ) on August 26, 2005.

   Meanwhile, the Court granted the withdrawal of information on June 6, 2005. Complainants filed a Motion for Reconsideration and Urgent Motion for Inhibition, but were both denied by the Court in its Omnibus Order dated November 29, 2005. Thereafter, a Notice of Appeal was filed by the complainants, but was ordered stricken out of records by the Court for being unauthorized and declaring the Omnibus Order final and executory in its Order dated February 22, 2007. The Petition for Review, however, filed by the Complainants with the DOJ on August 26, 2005 is pending to date.

2. **Rodolfo V. Cruz, et. al. vs. Isidro A. Consunji, et. al., I.S. Nos. 03-57411-I, 03-57412-I, 03-57413-I, 03-57414-I, 03-57415-I, 03-57446-I and 03-57447-I, Department of Justice, National Prosecution Service. -** These consolidated cases arose out of the same events in the above-mentioned case, which is likewise pending before the DOJ.

   In its 1st Indorsement dated December 9, 2003, the City Prosecutor for Mandaluyong City, acting on a motion for inhibition filed by complainants recommended that further proceedings be conducted by the DOJ. In an order dated February 3, 2004, the DOJ designated State Prosecutor Geronimo Sy to conduct the preliminary investigation of this case. The last pleading filed is a notice of change of address dated June 27, 2008 filed by complainants’ counsel. The case remains pending to date.

Other Information Pursuant to Section 49, Revised Corporation Code
At the annual stockholders’ meeting held last May 2, 2023, SMPC adopted the electronic voting *in absentia*, which allows stockholders, after successful registration, to cast their votes electronically using the voting platform. The votes were then validated by the Board of Canvasser appointed by the Board while SGV provided an independent tabulation service. After the validation, SGV certified and issued the final votes cast, which results were then reported by the Corporate Secretary during the meeting and reflected in the minutes of meeting.

The stockholders were given the opportunity to ask questions by sending the same through email at corporatesecretary@semirarampc.com. The instruction was incorporated in ***Schedule 4*** of last year’s definitive information statement, and on the notice to stockholders published in the newspaper of general circulation, in print on online, for two consecutive days. The record of such questions and answers were reflected in the minutes of annual stockholders’ meeting

SEMIRARA MINING & POWER CORPORATION

which is available at SMPC's website through this link: Click Here, and which is reproduced below:

Thereafter, the Chairman asked the stockholders if they have any questions or clarifications. Thereafter, the following questions were then asked by the stockholders and answered by the President & COO, as follows:

Question	Answer
1. How do you see SCC 10 years from today?	Isidro A. Consunji: "First of all, we hope that the Department of Energy will favorably consider our legal position on the adjustment of the terms of our coal operating contract. Secondly, we believe that there are opportunities in mining outside of Semirara Island, and we could probably participate in this mining opportunities. Thirdly, we expect to expand our power projects and maybe in a shift to Liquified Natural Gas (LNG) if and when the situation arises that make this shift a good business opportunity. Lastly, we expect that we will be able to look at other businesses assuming our financial state enables us to diversity to other businesses."
2. Are you still keen on folding DMCI Mining into Semirara? Or would you prefer organic growth for SCC?	Isidro A. Consunji: "We have studied the proposed transfer of DMCI Mining from DMCI Holdings to Semirara Mining, however, our Finance people concluded that the friction cost involved in such transfer will make it very expensive and secondly, the ability to determine a fair price for both set of stockholders, the DMCI and Semirara, extremely difficult considering the fact that the bulk of the mining assets of DMCI Mining are not fully permitted. So, it will probably not happen anymore."
3. Given rising ESG pressures, do you have a coal exit plan for SCC?	Isidro A. Consunji: "Given that coal is the primary product of SMPC, it is difficult for us to exit coal, however, our approach is a coal carbon mitigating plan, which is to offset the carbon emission of our coal and power plants with carbon credits and other mining activities or reforestation that will mitigate a lot of this carbon that are being emitted by our existing business."
4. How much coal do you expect to produce from Molave and Narra mines this year?	Maria Cristina C. Gotianun: "Based on our mine plan, we are going to produce 15 to 16 million metric tons for this year, 50% of that will come from Molave pit and 50% will come from the Narra mine."
5. On the power segment, how much of capex is being allocated to improve asset management, to lessen outages moving forward?	Maria Cristina C. Gotianun: "Based on the Asset Management Plan of Calaca, we have allocated P1.5 billion capex for this year. So far, in first quarter of this year, the power plants have been running quite well and we hope that this will continue until the end of the year."
6. What is your coal and power marketing strategy for 2023?	Isidro A. Consunji: "For 2023, we expect to sell more and more coal locally. Previously, 50% of our coal was exported. This year, we intend to sell 70% to the local market and just 30% for the export; and for the power business, the present volatile prices prevent us from taking a

	firm stand on fixed-rate contracts. So, for the moment we intend to stay either with a bilateral contract with fuel pass-through or stay in the WESM market and spot market for the time being. Maybe if the fuel prices settle down, we can probably go back to more bilateral contracts."
7. Would SCC be open to investing in LNG plants?	Isidro A. Consunji: "The Calaca location is ideal for LNG as well as coal. So, the question is really just an issue of business viability, but physically and technically, there is no reason why SMPC cannot go to LNG."
8. Any updates on the plan to rewind and re-install the old turbine in SCPC Unit 2?	Maria Cristina C. Gotianun: "Originally, our plant outage will be in fourth quarter of this year. However, because of the phase is connected to the rig, it is now going to be moved in the first quarter of 2024. We will resume operation of unit 2 in the second quarter of 2024.
9. Have you reached an agreement with GE regarding their defective equipment?	Maria Cristina C. Gotianun: "G.E. so far has been cooperating with us, and Unit 2 is performing right now even at the rated capacity. The root cause analysis will come out in May and hopefully with that they can continue to support us and even improve the performance of the Unit 2 generator."
10. Would SCC be open to buying other plants?	Isidro A. Consunji: "Yes, we are open to purchasing other plants, but the prices that being offered in the market makes it better for us to pursue developing new plants like our San Raphael rather than purchase the existing plants."

Stockholders representing 3,338,757,396 or 78.55% of SMPC's issued and outstanding capital stock have registered and participated remotely or by proxies, as follows:

	Stockholder	Shares Held
1.	Cesar A. Buenaventura	120
2.	Herbert M. Consunji	120
3.	Honorio O. Reyes-Lao	4,000
4.	Isidro A. Consunji (for himself and 26 proxies)	3,336,435,328
5.	Jorge A. Consunji	120
6.	Josefa Consuelo C. Reyes	120,000
7.	Ma. Edwina C. Laperal	1,212
8.	Maria Cristina C. Gotianun	1,428
9.	Rogelio M. Murga	40
10.	Antonio Jose U. Periquet, Jr.	100
11.	Ferdinand M. dela Cruz	1,000
12.	Jaime B. Garcia	2,193,768
13.	Luz Consuelo A. Consunji	40
	Total	**3,338,757,396**

The agenda items discussed and approved during the last annual stockholders' meeting are stated below (also mentioned in Item 8(a) above), including the voting results, as follows:

Agenda	For		Abstain		Against	
Agenda 4 – Approval of Minutes of Previous Stockholders' Meeting Held on May 3, 2021	3,331,500,516	99.78%	4,935,932	0.15%	0	0.00%
Agenda 5 – Presentation and Approval of President's Report	3,330,970,516	99.77%	5,465,932	0.16%	0	0.00%

Agenda 6 – Presentation and Approval of the Audited Financial Statements for 2021	3,329,904,416	99.73%	5,465,932	0.16%	1,066,100	0.03%
Agenda 7 – Ratification of the Acts of the Board of Directors and Management from the Date of the Last Annual Stockholders' Meeting up to the Date of this Meeting	3,330,198,316	99.74%	5,852,532	0.18%	385,600	0.01%
Agenda 8 – Election of Directors for 2023-2024:						

Director		Votes Cast and Percentage of Shares Represented at the ASM					
		For	%	Abstain	%	Against	%
Regular Directors							
1.	Isidro A. Consunji	3,298,581,291	99.80%	14,993,974	0.45%	22,861,183	0.68%
2.	Jorge A. Consunji	3,179,155,833	95.22%	148,728,515	4.45%	8,552,100	0.26%
3.	Cesar A. Buenaventura	3,160,830,430	94.67%	152,744,835	4.57%	22,861,183	0.68%
4.	Herbert M. Consunji	3,179,163,886	95.22%	148,720,462	4.45%	8,552,100	0.26%
5.	Maria Cristina C. Gotianun	3,200,022,006	95.84%	128,928,442	3.86%	7,486,000	0.22%
6.	Ma. Edwina C. Laperal	3,196,781.406	95.75%	131,102,942	3.93%	8,552,100	0.26%
7.	Josefa Consuelo C. Reyes	3,196,781,406	95.75%	131,102,942	3.93%	8,552,100	0.26%
8.	Antonio Jose U. Periquet, Jr.	3,165,005,510	94.80%	152,744,835	4.57%	18,686,103	0.56%
Independent Directors							
9.	Ferdinand M. dela Cruz	3,323,562,994	99.54%	9,439,254	0.28%	575,400	0.10%
10.	Roberto L. Panlilio	3,331,500,516	99.78%	4,935,932	0.15%	-	-
11.	Francisco A. Dizon	3,331,500,516	99.78%	4,935,932	0.15%	-	-

Agenda 9 – Approval of Appointment of Independent External Auditor	3,301,493,214	99.97%	0	0.00%	841,900	0.03%

The following directors, officers and stockholders of SMPC attended the annual stockholders' meeting in 2023:

Directors:

1. Isidro A. Consunji, Chairman & CEO
2. Rogelio M. Murga, Lead Independent
3. Honorio O. Reyes-Lao, Independent
4. Antonio Jose U. Periquet, Jr., Independent
5. Ferdinand M. dela Cruz, Independent
6. Jorge A. Consunji
7. Hebert M. Consunji
8. Cesar A. Buenaventura
9. Maria Cristina C. Gotianun, President & COO
10. Ma. Edwina C. Laperal
11. Josefa Consuelo C. Reyes

Key Officers:

1. John R. Sadullo, VP-Legal & Corporate Secretary
2. Junalina S. Tabor, SVP-Chief Risk, Compliance & Performance Officer
3. Carla Cristina T. Levina, VP-CFO
4. Jose Anthony T. Villanueva, VP-Marketing for Coal

Others:

1. Jennifer D. Ticlao, Assurance Partner, SGV & Co.
2. Cherubim O. Mojica, Investor Relations

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

All executive officers of the Company are elected or appointed by the Board of Directors and serve for one year until their successors are duly elected and qualified. Set forth below are the names of the CEO and four (4) most highly compensated officers of the Company:

Name and Principal Position	Years	Salary	Bonus	Other Annual Compensation
Isidro A. Consunji				

CEO				
Maria Cristina C. Gotianun President, COO & CSO				
Jose Anthony T. Villanueva VP-Marketing for Coal				
Ruben P. Lozada VP-Mining Operations, Chief Risk Officer & Resident Manager				
Carla Cristina T. Levina VP & Chief Finance Officer				
	2022	22,999,123	85,283,937	5,906,785
	2023	25,584,901	49,533,077	6,524,639
	2024*	25,584,901	49,533,077	6,524,639
	Total	**P74,168,926**	**P184,350,091**	**P18,956,063**
All other directors and executive officers as a group	2022	10,264,410	4,366,830	18,672,359
	2023	13,318,440	5,027,000	20,694,977
	2024*	13,318,440	5,027,000	20,694,977
	Total	**P36,901,290**	**P14,420,830**	**P60,062,312**

*Approximate amounts

The amount reflected as compensation of the named executive officers represents salary approved by the Company's Board of Directors.

Executive directors of the Corporation receive an annual retainer fee of P240,000.00 as approved in the May 2009 Annual Stockholders' Meeting. In May 2015, however, the stockholders approved the increase in retainer fees of non-executive and independent directors to P150,000.00 or P1,800,000.00 per annum effective June 1, 2015. Fixed per diem of P20,000.00 for every meeting held and attended for each of the directors who serves as Chairman and members of the Corporation's Board Committees. Aside from executive Directors with employment compensation, there are no other directors with arrangements such as consulting contracts.

In accordance with the preceding paragraph, below is the amount received by executive, non-executive and independent directors of the Board as fixed annual retainer fee and per diem remuneration for the Board and Board Committee meetings in 2022 and 2023. In the same calendar years, executive directors received bonuses in accordance with the by-laws:

Directors	**Total Gross Remuneration (in Php)**	
	CY2023	**CY2022**
Isidro A. Consunji *Executive Director*	2,701,538	1,798,462
Maria Cristina C. Gotianun *Executive Director*	2,741,538	1,818,462
Cesar A. Buenaventura *Non-executive Director*	1,800,000	1,800,000
Herbert M. Consunji *Non-executive Director*	1,800,000	1,800,000
Jorge A. Consunji *Non-executive Director*	1,800,000	1,800,000
Ma. Edwina C. Laperal *Non-executive Director*	1,800,000	1,800,000
Honorio Reyes-Lao* *Independent Director*	680,000	2,000,000
Rogelio M. Murga* *Independent Director*	620,000	1,880,000
Antonio Jose U. Periquet Jr *Non-executive Director*	1,860,0000	1,920,000
Josefa Consuelo C. Reyes *Non-executive Director*	1,800,000	1,800,000
Ferdinand M. dela Cruz *Independent Director*	2,020,000	2,000,000
Roberto L. Panlilio**	1,340,000	-

Independent Director		
Francisco A. Dizon** *Independent Director*	1,300,000	-
Total	**22,263,077**	**20,416,924**

**BOD Member until May 2, 2023*
*** New BOD Member effective May 2, 2023*

Employment Contracts, Compensatory Plan or Arrangement
There is no contract covering their employment with the Company and they hold office by virtue of their election and/or appointment to office. The Company has no agreements with its named executive officers regarding any bonus, profit sharing, except for benefits for which they may be entitled under the Corporation's retirement plan. On the other hand, members of the Board of Directors may be granted bonuses in accordance with the Company's By-laws which prescribe a limit on the aggregate amount of Director bonuses which shall not exceed two percent (2%) of the Company's profit before tax during the previous year, while limit to total yearly compensation package, including bonuses granted, of Directors as such directors shall not exceed ten percent (10%) of the Company's net income before tax during the previous year.

In 2022, aggregate amount of cash bonus variable pay related to the preceding year's financial performance received by executive and non-executive directors, including independent directors and the CEO, did not exceed above-mentioned limits set by the Company's Amended By-laws.

Stock Warrants or Options
There are no outstanding warrants, options, or right to repurchase any securities held by the directors or executive officers of the Corporation.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Record and Beneficial Owners of More Than 5%
The following table sets forth as of March 12, 2024, the record or beneficial owners of more than 5% of the outstanding common shares of the Company and the amount of such record or beneficial ownership.

Title of Class	Name, Address of record owner and relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizen-ship	Amount/ Nature of Record/ Beneficial Ownership	% of Class
Common	DMCI Holdings, Inc., 3/F DACON Building, 2281 Don Chino Roces Avenue, Makati City, Stockholder of record	1.Dacon Corporation, stockholder of 6,621,561,069 shares or 49.87% 2.PCD Nominee Corporation (Filipino), stockholder of 2,905,156,157 shares or 21.88% 3.DFC Holdings, Inc., stockholder of 2,379,799,910 or 17.92% 4.PCD Nominee Corp. (Foreign), stockholder of 905,827,110 shares or 6.82%	Filipino	2,407,770,396	56.65
Common	PCD Nominee Corp. stockholder of record	No stockholder owning 5% or more under PCD Nominee Corp. (Filipino)	Filipino	801,128,157	18.85
Common	Dacon Corporation, Dacon Bldg., 2281 Don Chino Roces	Inglebrook Holdings, Inc. holds 4,090,695 shares or 12.46%[7]	Filipino	542,067,778	12.75

[7] Other beneficial owners of Dacon Corporation with the same number of shares are Eastheights Holdings, Inc., Gulfshore Inc., Chrismon Investment Inc., Jagjit Holdings, Inc., La Lumiere Holdings, Inc., Rice Creek Holdings, Inc. while Valemont

	Avenue, Makati City, stockholder of record				

Security Ownership Management

The table sets forth as of March 12, 2024, the beneficial stock ownership of each Director of the Company and all Officers and Directors as a group.

Title of class	Name of beneficial owner	Amount and nature of beneficial ownership			Citizenship	%
		Direct	Indirect[8]	Total		
Common	Isidro A. Consunji	24,144	30,079,770	30,103,914	Filipino	0.71
Common	Jorge A. Consunji	500,144	5,175,704	5,675,848	Filipino	0.13
Common	Herbert M. Consunji	139,920	-	139,920	Filipino	0.00
Common	Cesar A. Buenaventura	292,120	100,000	392,120	Filipino	0.01
Common	Maria Cristina C. Gotianun	1,428	26,344,245	26,345,673	Filipino	0.62
Common	Ma. Edwina C. Laperal	4,188	15,180,283	15,184,471	Filipino	0.36
Common	Josefa Consuelo C. Reyes	412,400	8,763,998	9,176,398	Filipino	0.22
Common	Antonio Jose U. Periquet, Jr.	-	4,333,000	4,333,000	Filipino	0.10
Common	Ferdinand M. dela Cruz	53,900	-	53,900	Filipino	0.00
Common	Roberto L. Panlilio	1,000	-	1,000	Filipino	0.00
Common	Francisco A. Dizon	6,000	-	6,000	Filipino	0.00
Common	John R. Sadullo	-	-	-	Filipino	0.00
Common	Jose Anthony T. Villanueva	3,000	55,560	58,560	Filipino	0.00
Common	Andreo O. Estrellado	-	-	-	Filipino	0.00
Common	Ruben P. Lozada	475,200	-	475,200	Filipino	0.01
Common	Carla Cristina T. Levina	-	-	-	Filipino	0.00
Common	Christopher Thomas C. Gotianun	1,000	76,000	77,000	Filipino	0.00
Common	Edgar C. Mariano	-	-	-	Filipino	0.00
Common	Lora Liza S. Dioquino	-	-	-	Filipino	0.00
Aggregate Ownership of all directors and officers as a group		**1,985,444**	**90,134,660**	**92,120,104**		**2.17**

The percentages of ownership of the above officers and directors are very minimal. There are no arrangements, which may result in a change in control of the registrant.

CERTAIN RELATIONSHIP AND RELATED TRANSACTIONS

There has been no transaction or proposal, for the last two (2) years, to which the Company was or is party, in which any of the directors, executive officers or nominees for director has direct or indirect material interest, outside the recurring regular business transactions incurred by the Company to support the business. Related parties' services were sought to take advantage of affiliated companies' expertise and for cost efficiency, among others. There were no transactions in the form of direct financial assistance to affiliates or related entities which are not wholly-owned subsidiaries.

Note 17 of the attached Audited Consolidated Financial Statements for the period ended December 31, 2023 indicate the Company's significant transactions with related parties.

Pursuant to the Company's Related Party Transaction Policy, material transactions are reviewed by the Independent Directors through the Board's Audit Committee to ensure arms-length and fair terms. However, if the same is not identifiable beforehand, it must be subsequently reviewed and ratified by the Board. Director, officer or key management personnel shall promptly notify the Audit Committee or the Company's Corporate Secretary of any interest he or his immediate family member had, has or may have in a related-party transaction. He shall disclose all material information concerning the related-party transaction.

Corporation holds 4,090,694 or 12.46% and Double Spring Investments Corporation holds 114,429 shares or .35% of Dacon's issued and outstanding shares.

[8] Shares are either held by family members sharing the same household or by a corporation of which the reporting person is a controlling shareholder.

None of the Company's directors or executive officers have entered into self-dealing and related party transactions with or involving the Company in 2023. Actual related party transactions during the year were conducted in arms-length terms.

In addition, the Company's Insider Trading Policy requires all Directors and Executive Officers to report their trades within three (3) business days for eventual reporting to the PSE and SEC. Our disclosures include purchase of shares from market, changes in beneficial ownership of securities among others. In 2023, SCC trades by Directors are disclosed promptly.

PART V – DISCUSSION ON COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

SMPC's corporate governance framework aims to provide a culture of ethical conduct, higher standards of performance, transparency and accountability throughout the organization. It discloses its overall compliance and level of adoption of leading practices as provided in the SEC's Code of Corporate Governance for Publicly-Listed Companies (PLCs). SMPC seeks to continually improve its compliance with SEC's recommended provisions.

Directors, Officers and employees are advised of their respective duties and internal mechanisms are in place to support the governance framework. It fully complies with the disclosure and reportorial requirements of the SEC and PSE, such as certifications on compliances on Board performance, structured reports, as well as timely disclosures of significant and material information, events or developments and reporting of transactions involving trading of the Company's shares by Directors and Key Officers. The Company's governance structure, policies and systems are further described in the relevant governance section of its Integrated Annual and Sustainability Report.

SUSTAINABLE GOVERNANCE
In 2023, SMPC was recognized as an Asset Class awardee by the ASEAN Capital Market Forum (ACMF), together with the Asian Development Bank (ADB) and Institute of Corporate Directors (ICD) Philippines for its corporate governance practices along with other top-ranking Philippine publicly listed companies. Also, in the recent ASEAN Corporate Governance Scorecard (ACGS) Awards, SMPC received the three Golden Arrow recognition. We continue to be among PLCs which achieved a score of 97 points and higher in the country and the region, which shows how we stand by the values and pillars embedded in our corporate governance framework.

SMPC's Manual on Corporate Governance expresses clearly the roles and responsibilities of the Board and Management to the stockholders and other stakeholders which include customers, employees, suppliers, business partners, government and community in which it operates.

In 2023, the Company fully complied with the provisions of its Manual on Corporate Governance.

RIGHTS OF SHAREHOLDERS
SMPC protects and facilitates the exercise of basic shareholder rights. It maintains a share structure that gives all shares equal voting rights. It allows all shareholders the right to nominate candidates for the board of directors. It is committed to providing reasonable economic returns to the investors through the right to participate in its profits. It respects the right of a shareholder to participate, be informed and vote in key decisions regarding fundamental corporate changes in its Annual Shareholders' Meeting (ASM). Shareholders are furnished with sufficient and timely information concerning the ASM date, location, agenda including the rules and voting procedures that govern such meetings in the Notice of ASM and accompanying SEC Form 20-IS Information Statement. It respects other shareholder rights, specifically, to inspect corporate books and records, to information, to dividends and appraisal rights.

EQUITABLE TREATMENT OF SHAREHOLDERS
It ensures equitable treatment of all shareholders and provides them with the opportunity to obtain redress for violation of their rights. It has a share structure of one class of common shares with one vote for each share. It aims to protect non-controlling shareholders from inequitable conduct and abusive self-dealing of its Directors, Officers and employees. Related good governance policies include:

- Insider Trading Policy - explicitly prohibits insider trading to prevent conflict of interest and benefiting from insider information or knowledge not available to the general public. It prescribes trading block off periods and requires Directors and officers to inform or report to SMPC their trading transactions of SMPC shares within three (3) business days. In 2023, there was no insider trading violation case reported.
- Related Party Transaction (RPT) Policy – provides that RPTs be arms-length and at terms available to an unaffiliated third party under the same or similar business circumstances. It also sets threshold levels requiring approval of the Board or shareholders, and that RPTs be arms-length and at terms generally available to an unaffiliated third party under the same or similar circumstances, among others. All Independent Directors through SMPC's Audit Committee regularly review material significant RPTs that meet the threshold levels stipulated by regulatory rules and requirements on RPTs and materiality guidelines per RPT Policy. In 2023, all actual RTPs were conducted in arms-length terms.
- Material Related Party Transaction (RPT) Policy - requires at least two-thirds (2/3) approval vote of the Board of Directors, with at least a majority of the Independent Directors, of all transactions of SMPC and subsidiaries meeting the materiality threshold of RPTs amounting to ten percent (10%) or higher of SMPC's Total Consolidated Assets based on its latest audited consolidated financial statements. The policy provisions are compliant with SEC's Rules on Material RPTs for PLCs. These include guidelines in ensuring arm's length terms, maintaining a Related Party Registry and audit, risk and compliance system, among others. In 2023, there was no material RPT that breached the prescribed SEC materiality threshold.

  The principal risks to minority shareholders associated with the identity of our company's controlling shareholders include transactions with and/or dependence on related parties, are mitigated by a corporate governance framework that protects and ensures the rights and equitable treatment of all shareholders, including minority and foreign shareholders. Basic shareholder rights, such as the right to information and shareholder participation in key company decisions and fundamental issues, disclosures of control structures and voting rights and threshold approvals of related party transactions, among others are upheld by our governance policies.

In 2023, the Company continues to be an institutional member of the Shareholders' Association of the Philippines Inc. (SharePHIL), which promotes investor education and shareholder activism, and advocates the protection of shareholders' rights.

ROLE OF STAKEHOLDERS

It protects the rights and interests of its employees, customers, suppliers, business partners, creditors, government, environment, communities and other stakeholders as established by law or through mutual agreements. Its active engagement and partnership with key stakeholders encourage open communication and early resolution of issues or concerns, if any, during quarterly monitoring meetings with the Multi-Monitoring Team wherein various sectoral stakeholder groups are represented and heard. Related policies include:

- Alternative Dispute Resolution Policy - promotes the use of alternative dispute resolution (ADR) options and processes in the settlement of corporate governance related disputes or differences with shareholders and key stakeholders.
- Anti-corruption and Ethics Program - consists of ethics-related policies, soft controls and audit procedures aimed to promote the highest standards of openness, probity and accountability throughout the organization.
- Whistleblowing integrity reporting mechanism - provides a secure reporting venue for employees, customers, suppliers and other stakeholders to raise and communicate in good faith valid complaints and confidential concerns on fraud, questionable and unethical transactions.

DISCLOSURE AND TRANSPARENCY

It commits to a regime of open disclosure and transparency of material information and events regarding its financial performance, ownership and business updates. Its Information Policy ensures information is communicated to shareholders and key stakeholders by timely and adequate disclosures through announcements, quarterly or annual reporting, SMPC website and investor relations activities such as analyst briefings and media/press engagement.

We engage with institutional and prospective investors, investment analysts, fund managers and the financial community through various platforms, such as analyst-media briefings, local investor conference, person-to-person meetings, and conference calls, among others.

Our Investor Relations (IR) unit was centralized under our Parent, DMCI Holdings, Inc.'s (DMCI) group-wide IR function to enhance alignment of the group's investor relations strategy and engagement. Our IR team attended the Annual Shareholders' Meeting on May 2, 2023 to address possible shareholder queries.

Our IR Contact Information:
E-mail: Investor_Relations@semirarampc.com
Telephone: +638888-3000

RESPONSIBILITIES OF THE BOARD
SMPC's Good Governance Guidelines for Board Directors serve as the Board's charter with policies regarding directorship tenure, service in other company boards, conflict of interest, among others. It aims to protect non-controlling shareholders from inequitable conduct of its Directors, officers and employees. Its Code of Conduct and Business Ethics (Code) embodies the Board's commitment to conduct business with the highest ethical standards and in accordance with applicable laws, rules and regulations. The Code, which is aligned with SMPC's Manual on Corporate Governance, includes provisions on conflict of interest, gifts, corporate giving, insider trading, corporate opportunities, accounting and financial reporting, influencing external auditor, political activities, fair dealings, confidentiality, protection and proper use of company assets~~,~~ among others. Annually, SMPC requires all Directors and Officers to certify their compliance with the Code.

ENTERPRISE RISK MANAGEMENT
Our ERM framework is based on the leading frameworks of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and ISO 31000: 2009, integrating a system that all business risks are identified, measured and managed effectively and continuously within a structured and proactive framework. It supports a systematic and disciplined approach to provide clear responsibility and accountability structures of risk management.

Risk Governance
Our Senior Vice-President – Chief Risk, Compliance and Performance Officer (CRCPO) leads the overall implementation and enhancement of our ERM framework and practices. Our Risk Advisory (RA) Department provides full support to the CRCPO and Risk Committee in ensuring an effective and integrated risk management system in place.

Our Risk Appetite
Our Board sets the tone and establishes the risk appetite level for our ERM. Risks are identified, assessed, managed, monitored and communicated per the Company's strategic and business objectives and then subsequently applied across the organization.

Our Risk Committee assists the Board to ensure that an adequate and effective risk management system is in place. Risk management of significant risks, including emerging risks, are regularly reported to the Board.

Business Continuity Management
Our Business Continuity Management efforts are designed to ensure that critical business processes are restored to minimize business disruption without compromising safety and health in the event of a major internal or external incident.

Risks
We implement proactive hazard identification, risk mitigation, monitoring and risk reporting of our business and associated risks. These are occupational safety & health, compliance & reputation, people & talent, power regulations, asset performance & production efficiency, supply chain, and climate-related risks among others.

PART VI – EXHIBITS AND SCHEDULES

EXHIBITS AND REPORTS ON SEC FORM 17-C

Exhibits
See accompanying Index to Exhibits as well as the Company's Audited Financial Statements for the recently completed fiscal year. These financial statements are reports from the Company's Independent Public Accountant, SGV & Co.

Reports on SEC Form 17-C
These are SEC Forms 17-C filed through PSE EDGE during the last six-month period covered by this report, to wit:

Date Reported	Subject/Disclosure
March 2, 2023	Amendment of disclosure dated February 27, 2023 on the "Appointment of Christopher Thomas C. Gotianun as VP-Business Development and Edgar C. Mariano as VP-Supply Chain Management effective March 1, 2023" to include their qualification and business experience.
March 3, 2023	Receipt of Entry of Judgement in the case of "DOF and BOC vs. RTC Makati, Branch 146, et. al., SC G.R. No. 211188" on declaratory relief with injunction case filed by SMPC to enjoin BIR and BOC from implementing RR 2-2022.
March 14, 2023	Determination of final list of nominees to the board as approved by the Corporate Governance Committee of SMPC.
March 22, 2023	Approval of amended final list of nominees to the board.
March 27, 2023	Declaration of a regular cash dividend of P1.80 per common share and a special cash dividend of P1.70 per common share or a total of P3.50 per common share from its unappropriated retained earnings for the period ended as of December 31, 2022 to stockholders of record as of April 13, 2023 and payable on April 25, 2023.
March 27, 2023	Press Release: SMPC cash dividends more than double; eligible shareholders to receive P3.50/share.
July 7, 2023	Extended Outage of SMPC subsidiary, Southwest Luzon Power Generation's Unit 1
July 13, 2023	Analysts Briefing Q2-23 Financial and Operating Results
August 4, 2023	2nd Quarter 202 Financial and Operating Results
August 4, 2023	Press Release -SMPC Q2 Net Income dips 5 percent to P10.2 Billion
August 30, 2023	Results of Audit Committee Self-Assessment 2023
September 6, 2023	Results of BOD Meeting-Appointment of Officer
September 28, 2023	HGL Antique Case -RTC Culasi Indirect Contempt Case – Resolution
September 29, 2023	Press Release -DMCi Holdings SMPC recognized for Corporate Governance Excellence
October 9, 2023	Declaration of Cash Dividends -P3.50
October 10, 2023	Press Release -SMPC declares P14.88B in special cash dividends
October 16, 2023	Analysts Briefing 23Q3 Financial and Operating Results
October 17, 2023	Analysts Briefing 23Q3 Financial and Operating Results -Amend 1
October 27, 2023	23Q3 Financial and Operating Results
October 27, 2023	Attendance in Corporate Governance Training Program for 2023
October 27, 2023	Press Release -SMPC 9M net income down 37% to P22.6 B
November 13, 2023	DENR Approval on the Assignment of MPSA to Subsidiary
December 14, 2023	Cabili Case -Denial of Motion for Reconsideration of Cabili by NLRC
December 29, 2023	Advisement Letter on Board Attendance 2023
January 5, 2024	Press Release -SMPC Achieves Record Coal Shipments in 2023
February 6, 2024	Analysts Briefing 23Q4 Financial and Operating Results
February 20, 2024	Form and Procedure for Nomination of Directors
February 21, 2024	Cabili Case -Cabili filed Petition for Certiorari with CA
February 27, 2024	Appointment of Maria Cristina C. Gotianun as Chief Sustainability Officer
February 27, 2024	Press Release -SMPC net income down 30 percent to P27.9B in 2023

Date Reported	Subject/Disclosure
February 27, 2024	Approval of the consolidated audited financial statements for period ended December 31, 2023, and re-appointment of SGV as Independent External Auditor for 2024 subject to stockholders' approval.
February 27, 2024	Setting date, time and venue of the virtual Annual Stockholders' Meeting on May 6, 2024, at 10:00 a.m. with Record Date on March 12, 2024.
March 12, 2024	Final List of Nominees for Directorship
March 22, 2024	Declaration of a regular cash dividend of P1.50 per common share and a special cash dividend of P2.00 per common share or a total of P3.50 per common share from its unappropriated retained earnings for the period ended as of December 31, 2023, to stockholders of record as of April 10, 2024 and payable on April 19, 2024.
March 22, 2024	Appointment of Atty. Julius M. Lotilla as Vice President for Legal Affairs and Compliance, Chief Compliance Officer
March 22, 2024	Press Release SMPC declare regular, special cash dividends; eligible shareholders to receive P3.50/share
April 8, 2024	Amendment of Record Date for cash dividends to April 11, 2024 due to declaration of April 10, 2024 as regular holiday (Edt'l Fitr)

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the Issuer by the undersigned, thereunto duly authorized, in the City of Makati on this 15 APR 2024 day of April 2024.

By:

ISIDRO A. CONSUNJI
Chief Executive Officer
(Principal Executive Officer)

MARIA CRISTINA C. GOTIANUN
President & Chief Operating Officer
(Principal Operating Officer)

CARLA CRISTINA T. LEVINA
Chief Finance Officer
(Principal Financial Officer)

VINEL O. PESTAÑO
Controller
(Principal Accounting Officer)

JOHN R. SADULLO
Corporate Secretary

SUBSCRIBED AND SWORN, to before me on this 15 APR 2024 day of April 2024, at MAKATI CITY, Metro Manila, affiants exhibited to me:

Name	Valid ID	Date/Place Issued
Isidro A. Consunji	Passport No. P2690001B	July 31, 2019/DFA, Manila
Maria Cristina C. Gotianun	Passport No. P5509920A	January 3, 2018/DFA, Manila
Carla Cristina T. Levina	Passport No. P7838909A	July 6, 2018/DFA, Manila
John R. Sadullo	UMID CRN – 0033-0401841-0	Manila
Vinel O. Pestaño	Passport No. P5076129A	November 18, 2017/DFA, Baguio

who has satisfactory proven to me their identities through their valid identification cards, and that they are the same persons who personally signed before me the foregoing Annual Report (SEC Form 17-A) and acknowledged that they executed the same.

Doc. No. 102;
Page No. 22;
Book No. LXX;
Series of 2024.

ATTY. RENE MA. M. VILLA
Notary Public of Makati City
Appointment No. [illegible]
Until December 31, 2024
PTR No. MKT [illegible]; 01-03-2024; Makati City
IBP Lifetime No. [illegible]; [illegible]
Roll No. 37726
MCLE Compliance No. VII-0024195; 02-15-2022
Ground Floor, Makati Terraces Condominium
3650 Davila St., Brgy. Tejeros, Makati City 1204

SEMIRARA MINING AND POWER CORPORATION

SEC 17-A Annex A Reporting Template

Sustainability Reporting Guidelines for Publicly Listed Companies

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Annex A: Reporting Template

1. CONTEXTUAL INFORMATION

Company Details	
Name of Organization	Semirara Mining and Power Corporation
Location of Headquarters	2F DMCI Plaza. 2281 Chino Roces Avenue Extension Makati City, Philippines 1231
Location of Operations	Semirara Island, Caluya Municipality, Antique, Philippines Calaca, Batangas, Philippines
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Our 2023 Annual and Sustainability Report covers the sustainability performance of Semirara Mining and Power Corporation and its operating power subsidiaries through the following business segments: • COAL – Semirara Mining and Power Corporation (SMPC) • POWER - SEM-Calaca Power Corporation (SCPC) and Southwest Luzon Power Generation Corporation (SLPGC)
Business Model, including Primary Activities, Brands, Products, and Services	Since DMCI Holdings acquired Semirara Mining and Power Corporation (SMPC), formerly Semirara Coal Corporation (SCC) in 1997, our company has transformed from a coal mining company to a leading vertically integrated energy enterprise in the Philippines. Our shares are listed and traded on the Philippine Stock Exchange under the symbol "SCC." Currently, SMPC accounts for 99% of the country's coal production and is the only Philippine power producer that owns and mines its own fuel source (coal). Our subsidiaries—Sem-Calaca Power Corporation (SCPC) and Southwest Luzon Power Generation Corporation (SLPGC)—provide baseload power to the Luzon and Visayas grids. Our company supplies coal to power plants, cement plants, and small boiler users in the food, textile, and cement industries, providing Filipinos with access to affordable and reliable power.
Reporting Period	01 January 2023 to 31 December 2023
Highest Ranking Person responsible for this report	Maria Cristina C. Gotianun President and Chief Operating Officer

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

2. MATERIALITY PROCESS

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[1]

SMPC adheres to the Global Reporting Initiative Standards (GRI) as its sustainability reporting framework, as well as the guidance provided by the GRI on stakeholder engagement and materiality.

Stakeholder Engagement

Our core business strategy considers foremost balancing the needs and expectations of our stakeholders. Given the critical nature of our operations on safety and welfare, regular stakeholder engagement has thus always been an integral part of our operations. Adopting a focused sustainability agenda has helped us further prioritize the key ESG impacts we have on our stakeholders and respond to issues and concerns in a timely manner. Updates on our existing stakeholder engagement strategy are encapsulated in the points below:

- We scaled up our employee engagement through the creation of an Engagement and Wellbeing Committee to ensure the customizability and effectiveness of employee engagement programs, and also serve as a platform for raising issues and concerns to the management.
- We calibrated our risk-based safety program towards a resilient safety maturity culture to improve safety at our vulnerable operations sites.
- We are employing social media platforms to disseminate information to the general public on our company's ESG initiatives, programs, and impacts. General inquiries are also addressed through our official Facebook Page.

Our Stakeholder Groups Consulted

- Investors, Banks, and Shareholders
- Employees
- Customers
- Suppliers, Contractors, and Business Partners
- Regulators and Government Agencies
- Local Government Units
- Host Communities, and Non-Government Organizations
- Environmental, Social, and Governance (ESG) Rating Agencies

MATERIALITY

We recently assessed the potential and actual impacts of our material topics on the economy, environment, and society with reference to the revised GRI standards. We engaged with internal and external stakeholders to identify these impacts, which aided us in collating our list of priority material topics in alignment with our sustainability strategy. During the materiality assessment, we identified a total of 20 material topics based on high severity and likelihood impacts. In 2023, we re-affirmed these material topics and aligned our sustainability initiatives and programs to them.

Our Material Topics Identified

Environmental Sustainability	Social Inclusion	Economic Development
• Materials • Energy • Water and Effluents	• Employment • Occupational Health and Safety	• Economic Performance • Market Presence

[1] See *GRI 102-46* (2016) for more guidance.

• Biodiversity • Emissions • Waste • Supplier Environmental Assessment • Mine Rehabilitation	• Diversity and Equal Opportunity • Security Practices • Local Communities • Emergency Response and Disaster Resilience • Labor/Management Relations • Training and Education • Customer Health and Safety	• Indirect Economic Impacts

The 2023 SMPC Annual and Sustainability Report will be posted in the company website.
https://www.semiraramining.com/uploads/documents/PDFs/2023%20SMPC%20ASR.pdf

SEMIRARA MINING AND POWER CORPORATION

SEC 17-A Annex B
Corporate Governance Disclosures
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Page No.

1. **Board of Directors' Responsibility for Internal Controls and Risk Management Systems**

SEMIRARA MINING & POWER CORPORATION

SEMIRARA MINING AND POWER CORPORATION

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

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

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

- financial transactions are properly authorized, recorded and maintained to enable the preparation of financial statements that give a true, fair and transparent view of the Company's financial position and operating results; and
- governance processes and internal controls are strengthened, and significant risks are managed to ensure the achievement of the Company's business objectives.

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

February 27, 2024

Isidro A. Consunji
Chairman and Chief Executive Officer

Ferdinand M. dela Cruz
Audit Committee Chairperson

Roberto L. Panlilio
Risk Committee Chairperson

Board's Responsibility Internal Controls and Risk Management Systems 2023
Page 1 of 1

2. 2023 Attestation of Internal Control and Compliance System

SEMIRARA
MINING & POWER
CORPORATION

2023 ATTESTATION OF INTERNAL CONTROL AND COMPLIANCE SYSTEM

Semirara Mining and Power Corporation's (SMPC) corporate governance system includes a combination of internal and external mechanisms such as the structure of the board of directors and our committees, the oversight it exercises over management, and the sound policies and controls.

- The Board of Directors is responsible for providing governance and overseeing the implementation of adequate internal control mechanisms and risk management process;
- Management has the primary responsibility for designing and implementing an adequate and effective system of internal controls and risk management processes to ensure compliance with laws, rules and regulations;
- Management is responsible for developing a system to monitor and manage risks;
- SGV & Co., the Company's external financial auditor, is responsible for assessing and expressing an opinion on the conformity of the audited financial statements with Philippine Financial Reporting Standards and the overall quality of the financial reporting process;
- Internal Audit adopts a risk-based audit approach in developing an annual work plan and conducts reviews to assess the adequacy of the Corporation's internal controls;
- The Internal Audit Head reports functionally to the Audit Committee to ensure independence and objectivity, allowing Internal Audit to fulfill its responsibilities; and
- Internal Audit activities conform with the International Standards for the Professional Practice of Internal Auditing and are continuously evaluated through an independent Quality Assessment Review conducted every five years.

Based on the above and the assurance provided by the internal auditors as well as the external auditors as a result of their reviews, we attest that SMPC's system of internal controls, risk management, compliance and governance processes are adequate.

ISIDRO A. CONSUNJI
Chairman and Chief Executive Officer

MARIA CRISTINA C. GOTIANUN
President and Chief Operating Officer

RUBEN P. LOZADA
Vice President, Mining Operations
and Resident Manager
Chief Risk Officer for Mining Segment

CHARLIE V. ROBLES
Vice President and Power
Complex Manager
Chief Risk Officer for Power Segment

JOSEPH D. SUSA
Corporate Governance and Compliance
Manager, Compliance Officer
Data Protection Officer
Information Security Manager

LEAH ANNE A. AGDUYENG
Internal Audit Head

3. Audit Committee Annual Report to the Board of Directors 2023

SEMIRARA MINING & POWER CORPORATION

SEMIRARA MINING AND POWER CORPORATION

AUDIT COMMITTEE REPORT TO THE BOARD OF DIRECTORS

For the Year Ended December 31, 2023

The Audit Committee ("Committee") assists the Board of Directors ("Board") in fulfilling oversight of the following matters consistent with its Board-approved Audit Committee Charter:

(1) Internal control environment,
(2) financial reporting process and integrity of the financial statements including disclosures,
(3) external audit function,
(4) internal audit function, and
(5) compliance with reporting, legal and regulatory requirements.

In 2023, the Audit Committee accomplished the following in compliance with its Charter:

1. The members of the Audit Committee are composed of three (3) Board members, all are Independent Directors.

2. The Chairman of the Audit Committee is an Independent Director.

3. The Committee had six (6) full Committee meetings on February 7, February 23, May 2, August 1, October 26, and November 28, 2023, which included a private session with the external audit SGV Partner on February 23, 2023.

4. Recommended to the Board the reappointment of SGV & Co. as external auditor in 2023 based on SGV's performance, independence, qualifications and with due regard of Management's feedback.

5. Discussed with SGV team the audit areas of emphasis, related party transactions, and fraud, if any.

6. Reviewed and approved SGV's 2023 SGV engagement plan, scope, and fees.

7. Reviewed and approved for pre-concurrence SGV's list of non-assurance services.

8. Discussed with SGV and Management significant financial reporting issues, audit observations, audit engagement plan and overall quality of the financial reporting process as well as regulatory updates in financial, tax and sustainability reporting.

9. Reviewed, approved and endorsed for Board approval the quarterly unaudited and annual audited consolidated financial statements of Semirara Mining and Power Corporation and its Subsidiaries as of and for the year ended December 31, 2023, ensuring that financial statements are in accordance with the required accounting and reporting standards

10. Reviewed, deliberated and resolved the significant accounting policies and estimates affecting the financial statements.

11. Reviewed significant related party transactions (RPT) are conducted at arms-length and meet the guidelines of the RPT Policy, Material RPT Policy and thresholds per Securities and Exchange Commission (SEC) rules and regulations.

12. Discussed with Internal Audit (IA) in a private session on November 28, 2023 the specific areas of concerns and challenges regarding compliance requirements.

13. Discussed with IA the results of the audit conducted by outsourced auditors on the Company's integrated management system covering the environmental compliances including those that have significant impact to climate change and sustainability reporting.

14. Reviewed and discussed IA's 2022 annual report and results of assurance engagement work done during the period.

15. Reviewed and approved IA's 2023 risk-based Annual Plan for SMPC Group, work activity, budget, resources and continuing professional development plan including subsequent revisions.

16. Reviewed IA's assurance work activities and monitoring of management action plans.

17. Conducted evaluation of the internal audit function and the Internal Audit Head's performance for improvement and effectiveness; and noted the 2022 Attestation of Internal Controls and Compliance and IA's 2022 Organizational Confirmation Independence.

18. Discussed the results of the external quality assessment of the internal audit functions to evaluate if it conformed with International Standards for Professional Practice of Internal Auditing and Code of Ethics.

19. Reviewed the adequacy and effectiveness of the internal controls, information technology system, and risk management system based on reports provided internal and external auditors, and from Management's assessment of internal controls.

20. Exercised oversight and review of Management's governance and compliance issues and updates with potential financial impact.

21. Conducted a self-assessment of the Committee's performance based on SEC's Guidelines on Audit Committee's effectiveness and disclosed such assessment results.

22. The Committee Chairman and members attended the virtual Annual Stockholders' Meeting on May 2, 2023.

Based on the reviews and discussions referred to above, and subject to the limitations on the Committee's roles and responsibilities referred to above, the Audit Committee recommends to the Board of Directors the inclusion of the Company's audited consolidated financial statements as of and for the year ended December 31, 2023 in the Company's Annual Report to the Shareholders and for filing with the Securities and Exchange Commission.

February 27, 2024

Ferdinand M. dela Cruz
Chairman, Audit Committee

4. Risk Committee Annual Report to the Board of Directors 2023

SEMIRARA MINING AND POWER CORPORATION

RISK COMMITTEE
ANNUAL REPORT TO THE BOARD OF DIRECTORS
For the Year Ended December 31, 2023

The Risk Committee ("Committee") oversees, on behalf of the Board of Directors ("Board"), the risk management functions as defined in its Board-approved Risk Committee Charter.

Risk Committee

Roberto L. Panlilio
Chairperson
Independent Director

Ferdinand M. dela Cruz
Member, Independent Director

Maria Cristina C. Gotianun
Member, Executive Director

Members

The Committee, chaired by an Independent Director, is currently comprised of three (3) Board members, two (2) of whom are Independent Directors.

Meetings

The Committee held two (2) meetings on July 11 and October 03, 2023.

The senior executives, Risk and Quality Management, Finance, Legal, Marketing, ICT, Business Development, Mine Site and Power Plant Management teams, Internal Audit and Corporate Governance and Compliance Manager were invited to discuss significant risks and risk mitigation.

Work Done and Issues Addressed:

In 2023, the Committee accomplished the following in compliance with its Charter:

1. Exercised oversight of the risk management, treatment and effectiveness of mitigation of SMPC Group's strategic and key business risks, i.e., mining and power operations, safety and health, regulatory, market, and climate-related risks.
2. Reviewed and discussed risk management approaches to significant operational risks associated with the mine operations and power plant outages and maintenance.
3. Reviewed the Company's risks management approaches to climate-related risks and opportunities which may affect the company's operations and arise from external climate-related initiatives, policies and regulations.
4. Reviewed and discussed the risks and opportunities in the coal and power markets.
5. Reviewed the risks and opportunities related to the emerging power sources.
6. Reviewed and discussed the risks on people and talent, and emerging risk on operational technology and cybersecurity.
7. Reviewed the Risk Committee Charter for continual improvement and effectiveness.

Based on the reviews and discussions referred to above, and subject to the limitation of the Committee's roles and responsibilities, the Risk Committee has performed its oversight duties in accordance with its Charter.

February 27, 2024

Roberto L. Panlilio
Chairman, Risk Committee

5. Corporate Governance Committee Annual Report to the Board of Directors 2023

SEMIRARA MINING & POWER CORPORATION

SEMIRARA MINING AND POWER CORPORATION

CORPORATE GOVERNANCE COMMITTEE REPORT TO THE BOARD OF DIRECTORS
For the Year Ended December 31, 2023

The Corporate Governance Committee ("Committee") assists the Board of Directors ("Board") in fulfilling its responsibilities to the Board's corporate governance responsibilities, director remuneration, and organizational development and compensation benefits of the Company's employees. The Committee's roles and responsibilities are guided by a Board-approved Corporate Governance Committee Charter.

Members
The Committee, chaired by an Independent Director, is currently comprised of three (3) members of the Board, all are Independent Directors.

Meetings
During the period, the Committee held four (4) meetings, with a quorum on February 21, March 14, March 22 and October 12, 2023. The meetings were presided by the Committee Chairperson and attended by Corporate Governance, Legal, and Human Resources and Organizational Development key management officers.

Work Done and Issues Addressed:

During the period, the Committee reviewed and discussed the following:

Corporate Governance Committee

Francisco A. Dizon**
Chairperson
Independent Director

Roberto L. Panlilio**
Member, Independent Director

Ferdinand M. dela Cruz
Member, Independent Director

Honorio O. Reyes-Lao*
Chairperson
Independent Director

Rogelio M. Murga*
Member, Independent Director

**Committee member until May 1 2023*
***Committee member effective May 2, 2023*

Nomination and Selection	Succession Planning and Leadership
• Reviewed with the Corporate Secretary the nomination process, criteria, qualifications and final selection of the Board nominees for directorship as stated in the Amended By-Laws, Manual on Corporate Governance and pertinent SEC rules and ensured that they met the requisite qualifications by taking into account their experiences, knowledge and	• Reviewed and discussed with management the talent development and quality people retention, succession management and organizational development. • Reviewed and discussed with management the key management position movements.

expertise meet the needs of the Board and are aligned to SMPC Group's strategy.

- Reviewed the quality of Directors aligned with the SMPC's strategic directions and the specific skills or expertise that they should possess to achieve the Company's strategy, and ensured that these skills are being met.

- Approved the nomination for directorship of the candidates, all being qualified for election at the Company's Annual Stockholders' Meeting.

Governance

- Exercised oversight of the company's corporate governance practices and reviewed the recommendations from the ASEAN corporate governance scorecard.

- Reviewed the GHG baseline results for 2022 with focus on scope 3 emissions.

- Reviewed and discussed updates on the company's Sustainability Report including action plans to address potential disclosure requirements.

Board and Executive Remuneration and Performance Evaluation

- Reviewed Board remuneration

- Reviewed the CEO performance evaluation results including climate-related ESG metrics

- Reviewed the Board of Directors Performance Assessment results.

As a result of its works during the year ended December 31, 2023, the Corporate Governance Committee has acted in accordance with its Board-approved Charter.

February 27, 2024

Francisco A. Dizon
Chairman, Corporate Governance Committee

6. Shareholdings and Trades of Directors 2023

DIRECTORS AND SENIOR MANAGEMENT	Number of Shares As of Jan. 1, 2023	Acquired	Disposed	Nature of Ownership	Number of Shares As of Dec. 31, 2023
Directors					
Isidro A. Consunji Executive Director, Chief Executive Officer	24,144 29,279,770	- 800,000	- -	Direct Indirect	24,144 30,079,770
Jorge A. Consunji Non-Executive Director	500,144 5,175,704	- -	- -	Direct Indirect	500,144 5,175,704
Herbert M. Consunji Non-Executive Director	29,920 -	110,000 -	- -	Direct Indirect	139,920 -
Cesar A. Buenaventura Non-Executive Director	192,120 -	100,000 100,000	- -	Direct Indirect	292,120 100,000
Josefa Consuelo C. Reyes Non-Executive Director	412,400 8,653,998	- 110,000	- -	Direct Indirect	412,400 8,763,998
Maria Cristina C. Gotianun Executive Director, President and Chief Operating Officer	1,428 23,214,745	- 2,689,500	- 60,000	Direct Indirect	1,428 25,844,245
Ma. Edwina C. Laperal Non-Executive Director	4,188 14,932,083	- 248,200	- -	Direct Indirect	4,188 15,180,283
Antonio Jose U. Periquet, Jr. Non-Executive Director	- 4,333,000	- -	- -	Direct Indirect	- 4,333,000
Ferdinand M. dela Cruz Independent Director	53,900 -	71,000 -	- -	Direct Indirect	124,900 -
Roberto L. Panlilio Independent Director	1,000 -	- -	- -	Direct Indirect	1,000 -
Francisco A. Dizon Independent Director	6,000 -	- -	- -	Direct Indirect	6,000 -
Key Officers					
Junalina S. Tabor SVP & Chief Risk, Compliance and Performance Officer*	- -	- -	- -	Direct Indirect	- -
Carla Cristina T. Levina VP & Chief Finance Officer	- -	- -	- -	Direct Indirect	- -
John R. Sadullo VP-Legal & Corporate Secretary	- -	- -	- -	Direct Indirect	- -

Jose Anthony T. Villanueva VP - Marketing for Coal	3,000 55,560	- -	- -	Direct Indirect	3,000 55,560
Ruben P. Lozada VP- Mining Operations & Resident Manager	475,200 -	- -	- -	Direct Indirect	475,200 -
Andreo O. Estrellado VP- Power Market & Commercial Operations	- -	- -	- -	Direct Indirect	- -
Christopher Thomas C. Gotianun VP- Business Development	- 60,000	1,000 16,000	- -	Direct Indirect	1,000 76,000
Edgar C. Mariano VP- Supply Chain Management	- -	- -	- -	Direct Indirect	- -
Lora Liza S. Dioquino AVP- Human Resources	- -	- -	- -	Direct Indirect	- -

**Retired June 30, 2023*

7. Related Party Transactions 2023

SMPC's actual related party transactions in 2023 were approved and conducted in arm's length term and within the threshold defined in our Material Related Party Transaction Policy, which is 10% or higher of the Company's consolidated asset based on its latest audited financial statements.

In Million PhP

PARENT/SUBSIDIARIES /AFFILIATES	Coal & Freight	Freight and Logistics	Aviation Services	Operations & Maintenance	Construction & Equipment	Total
Within the Group:						
Sem-Calaca Power Corporation	6,192	-	-	-	-	**6,192**
Southwest Luzon Power Generation Corporation	1,986	-	-	-	-	**1,986**
With Affiliates:						
DMC Construction Equipment Resources, Inc.	208	1,260	-	236	-	**1,704**
DM Consunji, Inc.	21	-	-	-	31	**52**
DMCI Power Corporation	235	-	-	324	-	**559**
Royal Start Aviation	-	-	96	-	-	**96**
DMCI Masbate Power Corporation	554	-	-	-	-	**554**
Others**	28	-	-	-	-	**28**
Total	**9,224**	**1,260**	**96**	**560**	**31**	**11,171**

** Material purchases from Wire Rope Corporation and rental with Asia Industries Inc.*

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **SEMIRARA MINING AND POWER CORPORATION** is responsible for the preparation and fair presentation of the **consolidated financial statements** including the schedules attached therein, for the year ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signed this 27th day of February 2024.

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

Maria Cristina C. Gotianun
President

Carla Cristina T. Levina
Chief Finance Officer

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public for and in MUNTINLUPA CITY, this ___ day of MAR 1 1 2024, affiants exhibited before me:

Name	Passport/CTC No.	Validity / Place Issued
Isidro A. Consunji	P2690001B	07/30/29 DFA, MANILA
Maria Cristina C. Gotianun	P5509920A	02/20/28 DFA, MANILA
Carla Cristina T. Levina	P7838909A	07/05/28 DFA, MANILA

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Notarial Seal on the date and place above written.

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Book No. XV
Series No. 2024

ATTY. MARIA JOSEFINA R. ALFONSO
NOTARY PUBLIC
ROLL NO. 65867
MUNTINLUPA CITY, PHILIPPINES

ATTY. MARIA JOSEFINA R. ALFONSO
Notary Public for Muntinlupa City, Philippines
Notarial Commission No. 24-039
Valid until 31 December 2025
Unit 802, Primo Land Tower, Market Street
Ayala Alabang, Muntinlupa City 1780
Roll of Attorneys No. 65867
IBP LRN No. 015215; PPLM Chapter
PTR No. A-6090395; 01/18/2024; Taguig City
MCLE Compliance No. VII-0021137 issued on 06/14/2022

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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C O M P A N Y   N A M E

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

2/F DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
www.semiraramining.com	8888-3000 / 8888-3955	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
747	First Monday of May	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Carla Cristina T. Levina	ctlevina@semirarampc.com	8888-3025	N/A

CONTACT PERSON's ADDRESS

2/F DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SGV
Building a better
working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Semirara Mining and Power Corporation and its Subsidiaries (collectively, the Group), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2023, and notes to the consolidated financial statements, including material accounting policy information.

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

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters.

Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Estimation of Mineable Ore Reserves

The Group's coal mining properties with a carrying value of ₱3,751.88 million as of December 31, 2023 are amortized using the units-of-production method. Under this method, management is required to estimate the volume of mineable ore reserves for the remaining life of the mine which is a key input to the amortization of the coal mining properties. This matter is significant to our audit because the estimation of the mineable ore reserves of the Group's coal mines requires use of assumptions and significant estimation from management's specialists.

The related information on the estimation of mineable ore reserves and related coal mining properties are discussed in Notes 3 and 9 to the consolidated financial statements.

Audit response

We obtained an understanding on management's processes and controls in the estimation of mineable ore reserves. We evaluated the competence, capabilities and objectivity of management's internal specialists engaged by the Group to perform an assessment of the ore reserves by considering their qualifications, experience and reporting responsibilities. We reviewed the internal specialists' report and obtained an understanding of the nature, scope and objectives of their work and basis of estimates, including the changes in the reserves during the year. We also tested the application of the estimated ore reserves in the amortization of mining properties.

Presentation and valuation of 2x25 MW Gas Turbine Plant as Asset Held-for-Sale

The Group disclosed its intention to sell the 2x25 MW Gas Turbine Plant (the Asset) as discussed and approved in the minutes of meeting of the Board of Directors (BOD) held on August 2, 2022. The Group maintains that the carrying amount of the Asset will be recovered principally through a sale transaction rather than through continuing use. In October 2022, the Group has completely secured all relevant clearances from regulatory bodies to disconnect, deregister, decommission, and sell the Asset. In October 2023, upon the completion of the one-year period, the sale of the Asset was not finalized due to circumstances beyond the control of the Group but the commitment to the plan to sell the Asset remains. As of December 31, 2023, the Group has yet to complete the sale of the Asset with a carrying value of ₱713.22 million. The Group assessed that the Asset will be accounted for as asset held-for-sale in accordance with Philippine Financial Reporting Standards (PFRS) 5, *Non-current Assets Held-for-Sale and Discontinued Operations*.

This is a key audit matter because the presentation and valuation of asset held-for-sale involves significant management judgments and estimates in assessing whether the requirements under PFRS 5 have been met.

The relevant information on this matter is disclosed in Notes 3 and 8 to the consolidated financial statements.

Audit response

We obtained management's evaluation on whether the requirements of PFRS 5 have been met, including the events and circumstances that extended the period to complete the sale beyond one year, as regards the proper presentation of the Asset in the consolidated financial statements. We determined whether these events and circumstances are within the exceptions of PFRS 5 requirements. We evaluated whether necessary actions were initiated by management to respond to these events and circumstances, and whether the sale of the Asset is still highly probable to take place by inspecting the agreements and any correspondences with the active buyer.

We determined that the Asset is carried at the lower of carrying amount and fair value less costs to sell. We reviewed the fair value assessment made by management, including assessment of key assumptions applied by comparing the fair value with the information from the agreements and correspondences with the active buyer. We obtained an understanding and reviewed the appropriateness of the nature, scope and basis of estimates of costs to sell the Asset.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jennifer D. Ticlao.

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticlao

Jennifer D. Ticlao
Partner
CPA Certificate No. 109616
Tax Identification No. 245-571-753
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-110-2023, September 12, 2023, valid until September 11, 2026
PTR No. 10082023, January 6, 2024, Makati City

February 27, 2024

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 28, 29 and 30)	**₱18,986,929,983**	₱20,056,558,463
Receivables (Notes 5, 17, 28 and 29)	**10,766,377,921**	10,198,812,587
Inventories (Notes 6, 9 and 19)	**14,589,493,550**	12,718,105,651
Other current assets (Note 7)	**1,079,475,886**	1,137,301,624
	45,422,277,340	44,110,778,325
Asset held-for-sale (Note 8)	**713,218,205**	789,312,800
Total Current Assets	**46,135,495,545**	44,900,091,125
Noncurrent Assets		
Property, plant and equipment (Notes 9 and 11)	**37,517,566,474**	40,961,238,063
Right-of-use assets (Note 10)	**97,608,500**	116,945,402
Deferred tax assets - net (Note 24)	**767,660,407**	486,751,049
Other noncurrent assets (Notes 11, 28 and 29)	**610,112,053**	637,757,385
Total Noncurrent Assets	**38,992,947,434**	42,202,691,899
	₱85,128,442,979	₱87,102,783,024
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 12, 17, 28 and 29)	**₱14,857,647,709**	₱11,047,187,266
Income tax payable (Note 24)	**425,427,270**	897,302,520
Current portion of long-term debt (Notes 13, 28 and 29)	**4,099,734,888**	3,487,809,312
Current portion of lease liabilities (Notes 10, 28 and 29)	**13,528,185**	15,978,993
Total Current Liabilities	**19,396,338,052**	15,448,278,091
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 13, 28 and 29)	**2,626,597,661**	6,708,378,202
Lease liabilities - net of current portion (Notes 10, 28 and 29)	**44,031,883**	54,721,853
Provision for decommissioning and site rehabilitation costs (Notes 3 and 14)	**353,871,687**	315,050,224
Deferred tax liabilities - net (Note 24)	**–**	124,788,736
Pension liabilities (Note 18)	**281,932,125**	145,574,979
Other noncurrent liabilities	**47,692,881**	53,593,031
Total Noncurrent Liabilities	**3,354,126,237**	7,402,107,025
Total Liabilities	**22,750,464,289**	22,850,385,116
Equity		
Capital stock (Notes 15 and 28)	**4,264,609,290**	4,264,609,290
Additional paid-in capital (Note 28)	**6,675,527,411**	6,675,527,411
Treasury shares (Notes 15 and 28)	**(739,526,678)**	(739,526,678)
Retained earnings (Notes 16 and 28):		
Unappropriated	**45,551,667,126**	47,372,204,129
Appropriated	**6,800,000,000**	6,800,000,000
Net remeasurement losses on pension plans (Notes 18 and 28)	**(174,298,459)**	(120,416,244)
Total Equity	**62,377,978,690**	64,252,397,908
	₱85,128,442,979	₱87,102,783,024

See accompanying Notes to Consolidated Financial Statements.

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2023	2022	2021
REVENUE FROM CONTRACTS WITH CUSTOMERS (Note 31)			
Coal	**₱52,268,160,713**	₱70,506,120,909	₱35,592,978,667
Power	**24,692,254,731**	20,622,571,798	16,831,448,267
	76,960,415,444	91,128,692,707	52,424,426,934
COSTS OF SALES (Notes 19 and 31)			
Coal	**23,372,636,968**	21,139,699,216	17,324,282,391
Power	**9,536,873,419**	8,615,452,181	8,915,287,329
	32,909,510,387	29,755,151,397	26,239,569,720
GROSS PROFIT	**44,050,905,057**	61,373,541,310	26,184,857,214
OPERATING EXPENSES (Notes 20 and 31)	**(15,117,258,063)**	(19,952,229,080)	(9,265,160,273)
INCOME FROM OPERATIONS	**28,933,646,994**	41,421,312,230	16,919,696,941
OTHER INCOME (CHARGES) - Net			
Finance income (Notes 22 and 31)	**1,187,503,300**	413,379,725	22,542,252
Finance costs (Notes 21 and 31)	**(589,249,769)**	(857,922,894)	(976,358,612)
Foreign exchange gains (losses) - net (Notes 28 and 31)	**(175,807,586)**	1,003,605,129	339,601,233
Others - net (Notes 23 and 31)	**725,624,255**	242,561,516	239,739,686
	1,148,070,200	801,623,476	(374,475,441)
INCOME BEFORE INCOME TAX	**30,081,717,194**	42,222,935,706	16,545,221,500
PROVISION FOR INCOME TAX (Notes 24 and 31)	**2,148,420,857**	2,351,777,882	345,124,059
NET INCOME	**27,933,296,337**	39,871,157,824	16,200,097,441
OTHER COMPREHENSIVE INCOME (LOSS)			
Item not to be reclassified to profit or loss in subsequent periods			
Remeasurement gains (losses) on pension plan (Note 18)	**(71,842,953)**	32,116,652	(28,881,397)
Income tax effect	**17,960,738**	(8,029,163)	7,220,349
	(53,882,215)	24,087,489	(21,661,048)
TOTAL COMPREHENSIVE INCOME	**₱27,879,414,122**	₱39,895,245,313	₱16,178,436,393
Basic/Diluted Earnings Per Share (Note 25)	**₱6.57**	₱9.38	₱3.81

See accompanying Notes to Consolidated Financial Statements.

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

	Capital Stock (Note 15)	Additional Paid-in Capital	Treasury Shares (Note 15)	Retained Earnings Unappropriated (Note 16)	Retained Earnings Appropriated (Note 16)	Net Remeasurement Loss on Pension Plan (Note 18)	Total
				For the Year Ended December 31, 2023			
Balances as of January 1, 2023	**₱4,264,609,290**	**₱6,675,527,411**	**(₱739,526,678)**	**₱47,372,204,129**	**₱6,800,000,000**	**(₱120,416,244)**	**₱64,252,397,908**
Comprehensive income							
Net income	–	–	–	**27,933,296,337**	–	–	**27,933,296,337**
Other comprehensive loss	–	–	–	–	–	**(53,882,215)**	**(53,882,215)**
Total comprehensive income (loss)	–	–	–	**27,933,296,337**	–	**(53,882,215)**	**27,879,414,122**
Cash dividends declared (Note 16)	–	–	–	**(29,753,833,340)**	–	–	**(29,753,833,340)**
Balances as of December 31, 2023	**₱4,264,609,290**	**₱6,675,527,411**	**(₱739,526,678)**	**₱45,551,667,126**	**₱6,800,000,000**	**(₱174,298,459)**	**₱62,377,978,690**
				For the Year Ended December 31, 2022			
Balances as of January 1, 2022	₱4,264,609,290	₱6,675,527,411	(₱739,526,678)	₱28,753,790,517	₱6,800,000,000	(₱144,503,733)	₱45,609,896,807
Comprehensive income							
Net income	–	–	–	39,871,157,824	–	–	39,871,157,824
Other comprehensive income	–	–	–	–	–	24,087,489	24,087,489
Total comprehensive income	–	–	–	39,871,157,824	–	24,087,489	39,895,245,313
Cash dividends declared (Note 16)	–	–	–	(21,252,744,212)	–	–	(21,252,744,212)
Balances as of December 31, 2022	₱4,264,609,290	₱6,675,527,411	(₱739,526,678)	₱47,372,204,129	₱6,800,000,000	(₱120,416,244)	₱64,252,397,908
				For the Year Ended December 31, 2021			
Balances as of January 1, 2021	₱4,264,609,290	₱6,675,527,411	(₱739,526,678)	₱26,807,243,576	₱5,300,000,000	(₱122,842,685)	₱42,185,010,914
Comprehensive income							
Net income	–	–	–	16,200,097,441	–	–	16,200,097,441
Other comprehensive loss	–	–	–	–	–	(21,661,048)	(21,661,048)
Total comprehensive income (loss)	–	–	–	16,200,097,441	–	(21,661,048)	16,178,436,393
Cash dividends declared (Note 16)	–	–	–	(12,753,550,500)	–	–	(12,753,550,500)
Appropriation	–	–	–	(1,500,000,000)	1,500,000,000	–	–
Balances as of December 31, 2021	₱4,264,609,290	₱6,675,527,411	(₱739,526,678)	₱28,753,790,517	₱6,800,000,000	(₱144,503,733)	₱45,609,896,807

See accompanying Notes to Consolidated Financial Statements.

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱30,081,717,194**	₱42,222,935,706	₱16,545,221,500
Adjustments for:			
Depreciation and amortization (Notes 9, 10, 19 and 20)	**7,043,028,260**	5,822,253,636	6,389,313,942
Finance costs (Note 21)	**589,249,769**	857,922,894	976,358,612
Pension expense (Note 18)	**71,676,424**	79,442,426	81,390,961
Loss (gain) on sale of equipment (Notes 9 and 23)	**–**	(423,256)	1,990,583
Write-down of inventories, asset held-for-sale and property, plant and equipment (Notes 6, 8, 9 and 20)	**76,094,595**	210,752,009	–
Impairment loss on other current assets (Notes 7 and 20)	**8,465,289**	–	–
Provision for impairment losses on receivable and advances (Notes 5, 7, 11 and 20)	**13,687,290**	30,987,428	1,041,239
Net unrealized foreign exchange losses (gains)	**198,097,226**	(1,202,246,647)	(179,861,726)
Finance income (Note 22)	**(1,187,503,300)**	(413,379,725)	(22,542,252)
Recoveries from insurance claims and claims from third party settlement (Note 23)	**(31,884,171)**	–	–
Rental income	**(5,900,150)**	(5,900,159)	(3,441,745)
Reversal of allowance for inventory obsolescence (Note 6)	**(79,863,727)**	–	–
Operating income before changes in operating assets and liabilities	**36,776,864,699**	47,602,344,312	23,789,471,114
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	**(602,215,617)**	(3,302,054,947)	(3,168,141,133)
Other current assets	**(27,498,662)**	(804,773,755)	(235,461,031)
Inventories	**(1,528,789,106)**	(1,834,800,222)	459,154,535
Increase (decrease) in:			
Trade and other payables	**3,873,607,460**	179,937,402	1,764,658,017
Provision for decommissioning and site rehabilitation costs	**17,084,500**	(27,329,512)	36,556,723
Cash generated from operations	**38,509,053,274**	41,813,323,278	22,646,238,225
Proceeds from rent collected in advance	**–**	–	62,934,933
Interest received (Note 22)	**1,187,503,300**	413,379,725	21,364,129
Interest paid	**(558,340,720)**	(830,275,139)	(875,098,565)
Pension settlement (Note 18)	**(7,162,231)**	(25,799,804)	(374,664,423)
Income taxes paid, including creditable withholding tax	**(2,931,174,352)**	(595,740,053)	(200,998,085)
Net cash provided by operating activities	**36,199,879,271**	40,774,888,007	21,279,776,214
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, plant and equipment (Notes 9 and 30)	**(4,016,846,153)**	(4,303,681,458)	(3,864,464,580)
Computer software (Note 11)	**(29,361)**	(449,549)	(7,402,204)
Proceeds from:			
Sale of equipment (Note 9)	**–**	618,006	–
Insurance claims and claims from third party settlement (Note 23)	**31,884,171**	–	
Decrease in other noncurrent assets	**24,657,404**	266,832,339	133,890,921
Net cash used in investing activities	**(3,960,333,939)**	(4,036,680,662)	(3,737,975,863)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of loans (Notes 13 and 30)	**–**	–	5,304,970,000
Payments of:			
Dividends (Notes 16 and 30)	**(29,754,052,759)**	(21,252,510,224)	(12,751,642,860)
Loans (Notes 13 and 30)	**(3,489,414,286)**	(4,901,914,286)	(10,119,384,286)
Principal portion of lease liabilities (Notes 10, 28 and 30)	**(17,988,992)**	(23,690,307)	(21,747,446)
Net cash used in financing activities	**(33,261,456,037)**	(26,178,114,817)	(17,587,804,592)
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**(47,717,775)**	1,283,417,908	174,462,772
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,069,628,480)**	11,843,510,436	128,458,531
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**20,056,558,463**	8,213,048,027	8,084,589,496
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱18,986,929,983**	₱20,056,558,463	₱8,213,048,027

See accompanying Notes to 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.

The consolidated financial statements as of December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, were authorized for issue by the Board of Directors (BOD) on February 27, 2024.

2. Material Accounting Policy Information

Basis of Preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis. 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.

Any other differences in the comparative amounts from the amounts in the consolidated financial statements for the year ended December 31, 2023 are solely the result of reclassifications for comparative purposes and are not material.

Statement of Compliance

The 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 consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries (which are all incorporated in the Philippines) as of December 31, 2023 and 2022, and for each of the three years ended December 31, 2023, 2022, and 2021:

	Effective Rates of Ownership					
	2023		2022		2021	
Sem-Calaca Power Corporation (SCPC)	**100.00**	**%**	100.00	%	100.00	%
Sem-Calaca RES Corporation (SCRC)[1]	**100.00**		100.00		100.00	
Southwest Luzon Power Generation Corporation (SLPGC)	**100.00**		100.00		100.00	
SEM-Cal Industrial Park Developers, Inc. (SIPDI)	**100.00**		100.00		100.00	
Semirara Materials and Resources, Inc. (SMRI)[2]	**100.00**		100.00		100.00	
Semirara Energy Utilities, Inc. (SEUI)	**100.00**		100.00		100.00	
Southeast Luzon Power Generation Corporation (SELPGC)	**100.00**		100.00		100.00	
St. Raphael Power Generation Corporation (SRPGC)[3]	**100.00**		100.00		100.00	
Sem-Calaca Port Facilities, Inc. (SPFI)[4]	**100.00**		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 the 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 Port Facilities, Inc.

Sem-Calaca Port 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 a port/s in the Philippines.

Except for SCPC, SLPGC and SCRC, all other subsidiaries have not yet started commercial operations as of December 31, 2023.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intra-group assets and liabilities, equity, income, expenses, dividends and cash flows relating to transactions between components of the Group are eliminated in full on consolidation.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Control is achieved when the entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the entity controls an investee if and only if the entity has the following element:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

<u>Adoption of New and Amended Accounting Standards and Interpretations</u>
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 December 31, 2023 and 2022, 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.

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

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

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

<u>Deferred Financing Costs</u>
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 pertains 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. Financial information on operating segments is presented in Note 31 to the consolidated financial statements.

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. Material Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with PFRSs requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated 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 from such estimates.

Judgment
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations which have the most significant effect on the amounts recognized in the consolidated financial statements:

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

   The Group concluded that revenue from coal sales is to be recognized at a point in time (i.e., when the coal passes the rail of the bulk carrier while loading at the SMPC's port for third party sales, when the coal crosses the ship's rail of the related party for intercompany sales) which is consistent with the point in time when customer obtains control of a promised asset under PFRS 15.

   On the other hand, the Group's revenue from power sales (both contracted power and spot electricity sales) is to be recognized over time since 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 in October 2022.
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.

During the initial one-year period, circumstances arise that were previously considered unlikely, and, as a result, the sale of the gas turbine plant was not finalized as of the end of October 2023. The Group took the necessary actions to respond to these circumstances and was able to locate a buyer and agree with the terms and conditions of the sale. As of December 31, 2023, the criteria for the extension of the one-year period are met and the gas turbine plant remains as an Asset held-for-sale in accordance with PFRS 5.

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 (see Notes 27 and 32).

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 yet enforceable (see Note 10).

f. *Impairment assessment of nonfinancial assets*
The Group reviews its nonfinancial assets for impairment. This includes considering certain indicators of impairment such as significant or prolonged decline in the fair value of the asset, 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 Parent Company operates.

Management believes that no impairment indicator exists on other nonfinancial assets of the Group. The information and related balances of these remaining nonfinancial assets are disclosed in Notes 7, 8, 9, 10 and 11.

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 reserves 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 internal specialists 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 ₱3,751.88 million and ₱4,196.98 million as of December 31, 2023 and 2022, respectively (see Note 9).

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 historically observed default rates. The Group then calibrates 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 historically observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historically observed default rates, forecasted economic conditions, and ECL is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecasted 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 information about the ECLs on the Group's trade receivables is disclosed in Note 5.

The Group has considered the recent economic developments 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 recent economic developments did not materially affect the allowance for ECLs.

Additional provision for expected credit losses recognized for the years ended December 31, 2023 and 2022 amounted to ₱13.69 million and ₱30.99 million, respectively (see Notes 5, 7 and 11).

As of December 31, 2023 and 2022, allowance for expected credit losses amounted to ₱1,613.66 million and ₱1,599.97 million, respectively. The total carrying value of trade and other receivables, net of allowance for expected credit losses, amounted to ₱10,766.38 million and ₱10,198.81 million as of December 31, 2023 and 2022, respectively (see Note 5).

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 pile inventory as of December 31, 2023 and 2022 amounted to ₱1,634.43 million and ₱2,557.12 million, respectively (see Note 6).

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.

The carrying amounts of spare parts and supplies are disclosed in Note 6.

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.

The information about the estimation of recoverability of capitalized development costs is discussed in Note 11.

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. The Group is also contractually required to fulfill certain obligations under Section 8 of the Land Lease Agreement (LLA) upon its termination or cancellation. Significant estimates and assumptions are made in determining the provision for decommissioning and 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 site rehabilitation plan, (e.g., 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. The Group also records the present value of estimated costs of legal and constructive obligations required to restore operating locations of power generating plants in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing of structures, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

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.

Information with respect to the estimated provision for decommissioning and site rehabilitation costs are disclosed in Note 14.

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. Assets that are subject to impairment testing when impairment indicators are present are as follows:

	2023	2022
Asset held-for-sale (Note 8)	**₱713,218,205**	₱789,312,800
Property, plant and equipment (Note 9)	**37,517,566,474**	40,961,238,063
Right-of-use assets (Note 10)	**97,608,500**	116,945,402
Other current assets (Note 7)	**1,079,475,886**	1,137,301,624
Other noncurrent assets (Note 11)	**610,112,053**	637,757,385

Impairment losses on other current and noncurrent assets were recognized upon assessment that its carrying amounts exceeded the assets' recoverable values. As of December 31, 2023 and 2022, the allowance for impairment losses on other current and noncurrent assets amounted to ₱2.31 million (see Notes 7 and 11).

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, construction in progress and mine properties) 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.

The carrying values and movements in property, plant and equipment are disclosed in Note 9.

i. *Recoverability of 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.

The deductible temporary differences and NOLCO for which deferred tax assets are not recognized are disclosed in Note 24.

j. *Estimating pension and other employee benefits*
The cost of defined benefit pension plan and the present value of the pension liabilities are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These assumptions are described in Note 18 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.

The Group's lease liabilities discounted using the IBR amounted to ₱57.56 million and ₱70.70 million as of December 31, 2023 and 2022, respectively (see Note 10).

l. *Determination of fair value less cost to sell*
The Group estimated the recoverable amount of the 2 x 25 MW gas turbine plant based on offers received from buyers in the advanced stage of negotiations or, if available, the final selling price agreed with the buyer, 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) (see Note 8).

4. Cash and Cash Equivalents

	2023	2022
Cash on hand	**₱1,849,087**	₱4,087,070
Cash in banks	**2,379,966,909**	2,999,408,650
Cash equivalents	**16,605,113,987**	17,053,062,743
	₱18,986,929,983	₱20,056,558,463

Cash and cash equivalents comprise of cash on hand and in banks and short-term deposits but excludes any restricted cash that is not available for use by the Group and therefore is not considered highly liquid.

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents include short-term placements made for varying periods of up to three (3) months, depending on the immediate cash requirements of the Group, and earn interest at the respective prevailing short-term placement rates. Interest rates ranges from 0.03% to 7.13%, 0.01% to 6.00%, and 0.01% to 1.75% in 2023, 2022 and 2021, respectively.

In 2023, 2022 and 2021, total interest income earned from cash and cash equivalents amounted to ₱1,182.93 million, ₱410.58 million and ₱20.60 million, respectively (see Note 22).

5. Receivables

	2023	2022
Trade receivables - outside parties	**₱10,697,037,984**	₱10,562,538,314
Trade receivables - related parties (Note 17)	**1,391,298,124**	944,474,856
Others (Note 23)	**291,702,156**	291,772,470
	12,380,038,264	11,798,785,640
Less allowance for impairment losses (Note 20)	**1,613,660,343**	1,599,973,053
	₱10,766,377,921	₱10,198,812,587

Trade receivables - outside parties
These are receivables from electricity sales and coal sales.

Receivables from electricity sales are claims from power distribution utilities, spot market participants and other customers for the sale of contracted power and spot sales transactions. These are generally on a 30-day credit term and are carried at original invoice amounts less discounts and rebates.

Receivables from coal sales are noninterest-bearing and generally have 30 days credit terms. These receivables arise from coal export sales which are priced in US$ and coal domestic sales which are priced in Philippine Peso.

Trade receivables - related parties
Receivables from related parties are noninterest-bearing and are generally on a 30-day credit term. These are generally settled in cash.

Others
Others include advances to officers, employees and receivables from sale of fly ashes. These are generally noninterest-bearing. Advances to officers and employees are recovered through salary deduction and receivables from sale of fly ash are generally settled within the 30 days credit terms.

Allowance for impairment losses
The movements in the allowance for impairment losses are as follows:

	2023	2022
Balance at beginning of year	**₱1,599,973,053**	₱1,570,254,441
Provision for impairment losses (Note 20)	**13,687,290**	29,718,612
Balance at end of year	**₱1,613,660,343**	₱1,599,973,053

6. Inventories

	2023	2022
At cost		
Coal pile inventory	**₱1,634,429,607**	₱2,557,122,848
At NRV		
Spare parts and supplies	**13,144,232,238**	10,430,014,825
Less allowance for inventory obsolescence	**(189,168,295)**	(269,032,022)
	12,955,063,943	10,160,982,803
	₱14,589,493,550	₱12,718,105,651

Coal pile inventory is stated at cost, which is lower than NRV. The cost of coal inventories recognized as 'Cost of coal sales' in the consolidated statements of comprehensive income amounted to ₱22,014.95 million and ₱20,039.12 million in 2023 and 2022, respectively (see Note 19).

Coal pile inventory at cost includes capitalized depreciation of ₱262.74 million and ₱324.22 million in 2023 and 2022, respectively (see Note 9).

Movement in the Group's allowance for inventory obsolescence are as follows:

	2023	2022
Balance at beginning of year	**₱269,032,022**	₱230,051,447
Provision (Notes 8 and 20)	**–**	38,980,575
Reversal (Note 19)	**(79,863,727)**	–
Balance at end of year	**₱189,168,295**	₱269,032,022

In 2023, the Group made a reversal on the previously recognized allowance for inventory obsolescence amounting to ₱79.86 million.

In 2022, the Group recognized provision for inventory write down amounting to ₱38.98 million. This amount includes provision of ₱36.78 million which pertains to the spare parts of the 2x25 MW gas turbine plant classified as "Asset held-for-sale" under PFRS 5 (see Notes 8 and 20).

As of December 31, 2023 and 2022, the allowance for inventory write-down amounted to ₱189.17 million and ₱269.03 million, respectively.

7. Other Current Assets

	2023	2022
Creditable withholding tax	**₱657,531,286**	₱734,390,397
Advances to suppliers and contractors - current portion	**186,022,256**	288,249,904
Prepaid insurance	**92,043,151**	70,121,733
Input VAT - net	**24,221,887**	12,638,481
Prepaid rent	**3,030,747**	3,030,748
Others	**118,558,504**	30,802,306
	1,081,407,831	1,139,233,569
Less allowance for impairment losses (Note 20)	**1,931,945**	1,931,945
	₱1,079,475,886	₱1,137,301,624

Creditable withholding tax
Creditable withholding tax pertains to the amount withheld by the Group's customers from their income payment. This will be claimed as tax credit and will be used against future income tax payable. In 2023, the Group recognized an impairment loss amounting to ₱8.47 million upon assessment that the amount cannot be claimed as tax credits against future income tax liability (see Note 20).

Advances to suppliers and contractors
Advances to suppliers and contractors represent prepayments for the acquisition of materials and supplies. The Group recognized provision for impairment loss amounting to ₱1.28 million in 2022 (nil in 2023; see Note 20). The balance, net of related allowance of ₱1.93 million as of December 31, 2023 and 2022. will be recouped upon rendering of services or delivery of assets within the Group's normal operating cycle.

Input VAT- net
Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is applied against output VAT. The balance is recoverable within 12 months.

Others
Others include a placement to a bank with maturity period of less than one year, guarantee deposit to government and other prepaid charges.

8. Asset Held-for-Sale

In 2022, the Group assessed that the carrying amount of its 2x25 MW gas turbine plant will be recovered principally through a sale transaction rather than continuing use.

The gas turbine pertains to two (2) units of GE TM2500 G6 Generator ("Asset") which was acquired in 2016 to provide ancillary services. However, since its withdrawal from the ancillary contract, the gas turbine continued to run and supplied electricity directly to the spot market. The gas turbine is one of the power generating assets of SLPGC under Power Segment.

The plan to decommission and sell the asset was approved on August 2, 2022 by the BOD.
On October 3, 2022, the Group has completely secured all relevant clearances from regulatory bodies to disconnect, deregister, decommission, and sell the Asset.

Depreciation of the asset ceased immediately, and the Group reclassified the asset as Asset held-for-sale. A loss on write-down amounting to ₱171.77 million was recorded upon reclassification to bring the asset's carrying amount to its net realizable value or fair value less costs to sell (see Notes 9 and 20).

The Company recorded an allowance for inventory write down on related spare parts of the Assets amounting to ₱36.78 million as of December 31, 2023 and 2022 (see Note 6).

In October 2023, upon the completion of the one-year period, the sale of the asset was not finalized. Hence, the period to complete the sale was extended beyond one year due to circumstances beyond the control of the Group but the commitment to the plan to sell the asset remains.

The Group took the necessary actions to respond to these circumstances and was able to locate a buyer and agree with the terms and conditions of the sale. Prepayments were received from the buyer based on the progress made in the dismantling of the Asset. These were recorded under 'Trade and other payables' in the consolidated statement of financial position. Final payment will be made upon transfer of the Asset to the buyer.

Management believes that the sale transaction will be finalized within 12 months from reassessed classification date. As a result, the Group retains the classification of the Asset as held-for-sale as of December 31, 2023 in accordance with PFRS 5.

Consequently, the Group recorded an additional loss on write-down amounting to ₱76.09 million in 2023 to revalue the Asset's carrying amount based on the current net realizable value or fair value less costs to sell (see Note 20).

As of December 31, 2023 and 2022, Asset held-for-sale amounted to ₱713.22 million and ₱789.31 million, respectively.

9. Property, Plant and Equipment

	2023					
	Land	Mine Properties, Mining Tools and Other Equipment	Power Plant and Buildings	Roads and Bridges	Equipment in Transit and Construction in Progress	Total
Cost						
At January 1	₱429,990,622	₱43,973,777,588	₱55,896,895,818	₱846,946,929	₱373,354,302	₱101,520,965,259
Additions	–	3,878,429,416	4,587,233	–	160,686,670	4,043,703,319
Transfer from inventory	–	–	239,372,058	–	–	239,372,058
Reclassifications	–	–	128,908,721	–	(128,908,721)	–
Disposals	–	(1,600,000)	–	–	–	(1,600,000)
Adjustments (Note 14)	–	35,498,636	–	–	–	35,498,636
Others	–	(407,672,875)	–	–	–	(407,672,875)
At December 31	429,990,622	47,478,432,765	56,269,763,830	846,946,929	405,132,251	105,430,266,397
Accumulated Depreciation and Impairment						
At January 1	–	36,368,778,371	23,392,968,639	797,980,186	–	60,559,727,196
Depreciation and amortization (Notes 3, 6, 19 and 20)	–	4,282,134,898	3,025,881,536	46,556,293	–	7,354,572,727
Disposals	–	(1,600,000)	–	–	–	(1,600,000)
At December 31	–	40,649,313,269	26,418,850,175	844,536,479	–	67,912,699,923
Net Book Value	₱429,990,622	₱6,829,119,496	₱29,850,913,655	₱2,410,450	₱405,132,251	₱37,517,566,474

	2022					
	Land	Mine Properties, Mining Tools and Other Equipment	Power Plant and Buildings	Roads and Bridges	Equipment in Transit and Construction in Progress	Total
Cost						
At January 1	₱429,990,622	₱40,258,148,797	₱55,586,931,794	₱846,946,929	₱930,175,792	₱98,052,193,934
Additions	–	3,830,141,239	–	–	473,540,219	4,303,681,458
Transfer from inventory	–	–	695,205,692	–	–	695,205,692
Reclassifications	–	–	1,030,361,709	–	(1,030,361,709)	–
Asset held-for-sale (Note 8)	–	–	(1,415,603,377)	–	–	(1,415,603,377)
Retirement	–	(3,808,358)	–	–	–	(3,808,358)
Disposals (Note 23)	–	(92,254,786)	–	–	–	(92,254,786)
Adjustment (Note 14)	–	(18,449,304)	–	–	–	(18,449,304)
At December 31	429,990,622	43,973,777,588	55,896,895,818	846,946,929	373,354,302	101,520,965,259
Accumulated Depreciation and Impairment						
At January 1	–	33,304,850,616	20,891,764,562	747,817,789	–	54,944,432,967
Depreciation and amortization (Notes 3, 6, 19 and 20)	–	3,145,907,149	2,955,723,220	50,162,397	–	6,151,792,766
Write-down of property, plant and equipment (Notes 8 and 20)	–	–	171,771,434	–	–	171,771,434
Asset held-for-sale (Note 8)	–	–	(626,290,577)	–	–	(626,290,577)
Disposals (Note 23)	–	(78,171,036)	–	–	–	(78,171,036)
Retirement		(3,808,358)	–	–	–	(3,808,358)
At December 31	–	36,368,778,371	23,392,968,639	797,980,186	–	60,559,727,196
Net Book Value	₱429,990,622	₱7,604,999,217	₱32,503,927,179	₱48,966,743	₱373,354,302	₱40,961,238,063

Land

- On June 30, 2021, the Group availed of the option to purchase parcels of land or "Optioned Assets" under Option Existence Notice (OEN) dated February 3, 2020 and in accordance with the provisions of the Land Lease Agreement (LLA) with PSALM. Total acquisition cost of the optioned assets amounted to ₱43.11 million (see Notes 10 and 27).

Mine properties, mining tools and other equipment

- Fully depreciated asset with original cost of ₱77.50 million was donated to a third party in 2022.

- In 2023, the Group acquired various property, plant and equipment amounting to ₱4,043.70 million and ₱26.86 million remains unpaid as of December 31, 2023.

- Mine properties, mining tools and other equipment includes the mining properties and stripping activity assets amounting to ₱3,751.88 million and ₱4,196.98 million as of December 31, 2023 and 2022, respectively, that are depreciated using the units-of-production method (see Note 3).

- These also include the expected cost of decommissioning and site rehabilitation of mine sites and future clean-up of its power plants. The impact of annual re-estimation is shown in the rollforward as an adjustment (see Notes 3 and 14).

- The Group received a purchase discount in 2023 amounting to ₱407.67 million in relation to its purchase of an item of property, plant and equipment. This is shown in the rollforward as others.

Power Plant and Buildings

- The Group reclassified its 2x25 MW gas turbine plant to "Asset Held-for-Sale" in October 2022. Depreciation of the asset ceased immediately and a loss on write-down amounting to ₱171.77 million was recognized in 2022 to bring the carrying amount to its net realizable value before its reclassification (see Notes 8 and 20).

Equipment in transit and construction in progress accounts

- Equipment in transit and construction in progress accounts mostly pertain to purchased mining equipment that are in transit and various buildings and structures that are under construction as of December 31, 2023 and 2022.

- In 2023 and 2022, there were reclassifications from “Equipment in Transit and Construction in progress” to “Power Plant and Buildings” upon completion of construction and regular rehabilitation works which amounted to ₱128.91 million and ₱1,030.36 million, respectively.

- This also includes capitalized pre-construction costs for the thermal power plant of SRPGC amounting to ₱111.67 million as of December 31, 2023 and 2022. As of December 31, 2023, construction of the plant itself has yet to commence pending completion of the connectivity to the grid c/o NGCP. Based on management’s estimation of the recoverable amount, there is no resulting impairment loss for both 2023 and 2022.

Depreciation and amortization follow:

	2023	2022	2021
Depreciation and amortization of:			
Property, plant and equipment	**₱7,354,572,727**	₱6,151,792,766	₱6,637,794,463
Right-of-use assets (Note 10)	**19,336,902**	20,071,971	21,604,934
Computer software (Note 11)	**3,017,289**	5,074,823	8,008,218
	₱7,376,926,918	₱6,176,939,560	₱6,667,407,615
Included under:			
Inventories (Note 6)	**₱262,735,066**	₱324,223,934	₱278,093,673
Mine properties, mining tools and other equipment	**71,163,592**	30,461,990	–
	333,898,658	354,685,924	278,093,673
Cost of coal sales (Note 19):			
Depreciation and amortization	**3,522,670,333**	2,953,823,251	3,206,865,763
Hauling and shiploading costs	**27,341,039**	21,957,414	284,506,848
Cost of power sales (Note 19):			
Depreciation and amortization	**2,793,654,219**	2,713,660,463	2,712,156,415
Cost of coal:			
Depreciation and amortization	**636,493,016**	63,249,788	102,492,872
Operating expenses (Note 20)	**62,869,653**	69,562,720	83,292,044
	7,043,028,260	5,822,253,636	6,389,313,942
	₱7,376,926,918	₱6,176,939,560	₱6,667,407,615

10. Leases

The Group as a Lessee

The Group has lease contracts for various items of land, office spaces and foreshore leases used in its operations. Leases of land and foreshore generally have lease terms between five (5) and twenty-five (25) years, while office spaces generally have lease terms of two (2) to seven (7) years. The Group also has certain leases of warehouse, and office spaces with lease terms of 12 months or less. The Group applies the ‘short-term lease’ recognition exemption for these leases.

Set out below are the movements in the Group's right-of-use assets and lease liabilities during the year:

	Right-of-use Assets	
	2023	2022
At Cost		
Beginning and ending balance	**₱200,617,375**	₱200,617,375

(Forward)

	Right-of-use Assets	
	2023	2022
Accumulated Amortization		
Beginning balance	**₱83,671,973**	₱63,600,002
Amortization (Notes 19 and 20)	**19,336,902**	20,071,971
Ending balance	**103,008,875**	83,671,973
	₱97,608,500	₱116,945,402

On June 30, 2021, the Group purchased the parcels of land under PSALM OEN which amounted to ₱43.11 million (see Notes 9 and 27). The unused rental payments as of option exercise date amounting to ₱1.13 million was applied against the total purchase price.

The Group applied the requirements of PFRS 16 for this long-term lease and did not change the amount initially recognized as right-of-use asset at the date of initial application. No corresponding lease liability was recognized given the prepayment.

	Lease Liabilities	
	2023	2022
Beginning balance	**₱70,700,846**	₱88,376,182
Accretion of interest (Note 21)	**4,848,214**	6,014,971
Lease payments	**(17,988,992)**	(23,690,307)
Ending balance	**57,560,068**	70,700,846
Less current portion of lease liabilities	**13,528,185**	15,978,993
Noncurrent lease liabilities	**₱44,031,883**	₱54,721,853

The lease liabilities were measured at the present value of the remaining lease payments discounted at the Group's weighted average incremental borrowing rate of 6.32% in 2023 and 2022.

As of December 31, 2023 and 2022, future minimum lease payments under operating leases are as follows:

	2023	2022
Within one year	**₱17,153,963**	₱20,827,207
After one year but not more than five years	**33,547,955**	46,073,462
More than five years	**23,142,284**	29,189,453
	₱73,844,202	₱96,090,122

11. **Other Noncurrent Assets**

	2023	2022
Advances to suppliers and contractors – net of current portion	**₱357,925,684**	₱179,889,628
Deferred input VAT	**165,361,452**	365,221,588
Computer software	**1,401,207**	4,389,135
Others	**85,801,820**	88,635,144
	610,490,163	638,135,495
Less allowance for impairment losses (Note 20)	**378,110**	378,110
	₱610,112,053	₱637,757,385

Advances to suppliers and contractors
Advances to suppliers and contractors under noncurrent assets (net of related allowance of ₱0.38 million recognized as of December 31, 2023 and 2022) represent prepayment for the acquisition and construction of property, plant and equipment and other capitalized development costs. In 2022, the Group made a reversal of the provision for impairment loss amounting to ₱0.01 million (see Note 20).

Deferred input VAT
Deferred input VAT pertains to the unamortized portion of input VAT on purchase of capital goods spread evenly between the life of the capital goods or five years, whichever is shorter. The balance is recoverable in future periods.

Computer software
Movements in computer software account follows:

	2023	2022
At Cost		
At January 1	**₱86,456,317**	₱86,006,768
Additions	**29,361**	449,549
At December 31	**86,485,678**	86,456,317
Accumulated Amortization		
At January 1	**82,067,182**	76,992,359
Amortization (Note 9)	**3,017,289**	5,074,823
At December 31	**85,084,471**	82,067,182
Net Book Value	**₱1,401,207**	₱4,389,135

Others
Others include environmental guarantee fund and advances for the cost of the right-of-way grants on lots affected by the transmission lines to be developed by the Group.

12. Trade and Other Payables

	2023	2022
Trade:		
Payable to suppliers and contractors	**₱9,423,938,254**	₱7,025,549,922
Related parties (Note 17)	**353,107,400**	217,158,369
Payable to DOE (Note 26)	**3,336,570,310**	2,169,246,696
Deferred output tax	**761,556,844**	701,292,194
Accrued expenses and other payables	**628,580,426**	786,973,010
Output VAT - net	**353,894,475**	146,967,075
	₱14,857,647,709	₱11,047,187,266

Trade payable to suppliers and contractors
Trade payable to suppliers and contractors arise from progress billings of completed work as of year-end. The amount includes liabilities amounting to ₱5,550.77 million (US$99.89 million) and ₱3,839.89 million (US$68.42 million) as of December 31, 2023 and 2022, respectively, payable to various foreign suppliers for open account purchases of equipment, and equipment parts and supplies (see Note 28).

Trade payables are noninterest-bearing and are normally settled on 30 to 60-day credit terms.

Payable to DOE
Payable to DOE represents the share of DOE in the gross income of the Parent Company's coal production and shipments computed in accordance with the Coal Operating Contract (COC) between the Parent Company and DOE dated July 11, 1977 (see Note 26).

Deferred output tax
Deferred output tax pertains to VAT due on uncollected sale of electricity.

Accrued expenses and other payables
Details of this account follow:

	2023	2022
Taxes, permits and licenses	**₱273,189,211**	₱368,502,478
Salaries and wages	**39,313,207**	10,825,172
Interest	**34,555,595**	49,791,044
Dividends payable (Note 30)	**3,115,263**	3,334,682
Professional fees	**147,531**	291,000
Others	**278,259,619**	354,228,634
	₱628,580,426	₱786,973,010

Others include accruals on contracted services, spot purchases, utilities, supplies, other administrative expenses and financial benefit payable to host communities, retention on contract payments (usually settled on a 30 to 60-day terms) and withholding taxes.

Output VAT payable
Output VAT pertains to the VAT due on the sale of electricity, net of input VAT.

13. **Long-term Debt**

	2023	2022
Principal	**₱6,741,742,857**	₱10,231,157,144
Less unamortized deferred financing cost	**15,410,308**	34,969,630
	6,726,332,549	10,196,187,514
Less current portion	**4,099,734,888**	3,487,809,312
	₱2,626,597,661	₱6,708,378,202

The Group's outstanding long-term debt from local banks pertain to the loans of the following entities:

	2023	2022
SMPC	**₱725,661,265**	₱948,056,291
SCPC	**5,166,442,887**	7,582,435,288
SLPGC	**834,228,397**	1,665,695,935
Total long-term debt	**6,726,332,549**	10,196,187,514
Less current portion	**4,099,734,888**	3,487,809,312
Long-term debt - net of current portion	**₱2,626,597,661**	₱6,708,378,202

a. Details of the Parent Company's bank loans are as follows:

Loan Type	Year of Availment	Outstanding Balance Gross of Deferred Financing Costs 2023	2022	Maturity	Interest Rate	Payment Terms
Peso loan 1	2020	**₱728,000,000**	₱952,000,000	Various quarterly maturities starting 2020 until 2027	Fixed rate at 4.974%	Interest payable every 3 months, principal to be paid on maturity date

b. Details of the SLPGC's bank loans are as follows:

Loan Type	Year of Availment	Outstanding Balance Gross of Deferred Financing Costs 2023	2022	Maturity	Interest Rate	Payment Terms
Peso loan 1	2019	**₱400,000,000**	₱800,000,000	Various quarterly maturities starting 2019 until 2024	Fixed rate of 5.1253%	Interest payable every 3 months, principal to be paid on maturity date
Peso loan 2	2019	**235,600,000**	470,800,000	Various quarterly maturities starting 2019 until 2024	Fixed rate of 5.1337%	Interest payable every 3 months, principal to be paid on maturity date
Peso loan 3	2019	**200,000,000**	400,000,000	Various quarterly maturities starting 2019 until 2024	Fixed rate of 5.0000%	Interest payable every 3 months, principal to be paid on maturity date
		₱835,600,000	₱1,670,800,000			

c. Details of the SCPC's bank loans are as follows:

Loan Type	Year of Availment	Outstanding Balance Gross of Deferred Financing Costs 2023	2022	Maturity	Interest Rate	Payment Terms
Peso loan 1	2017	**₱750,000,000**	₱1,500,000,000	Various quarterly maturities starting 2017 until 2024	Fixed rate of 4.9000%	Interest payable every 3 months, principal to be paid on maturity date
Peso loan 2	2019	**857,142,857**	1,142,857,143	Various quarterly maturities starting 2019 until 2026	Fixed rate of 4.8760% to be repriced at the two-year Bloomberg Valuation Service (BVAL) benchmark rate plus 60 basis points for the remainder of its tenor	Interest payable every 3 months, principal to be paid on maturity date
Peso loan 3	2019	**1,296,000,000**	1,728,000,000	Various quarterly maturities starting 2019 until 2026	Fixed rate of 4.8770% to be repriced at the two-year BVAL benchmark rate plus 60 basis points for the remainder of its tenor	Interest payable every 3 months, principal to be paid on maturity date
Peso loan 4	2021	**2,275,000,000**	3,237,500,000	Various quarterly maturities starting 2021 until 2025	Fixed rate of 4.6258%	Interest payable every 3 months, principal to be paid on maturity date
		₱5,178,142,857	₱7,608,357,143			

All bank loans are clean and are compliant with loan covenants. As of December 31, 2023 and 2022, the Group has not been cited by any banks as in default.

The movements in unamortized debt issue cost are as follows:

	2023	2022
Balance at beginning of year	**₱34,969,630**	₱66,436,268
Amortization (Note 21)	**(19,559,322)**	(31,466,638)
Balance at end of year	**₱15,410,308**	₱34,969,630

Interest expense on long-term debt recognized under ‘Finance cost’ amounted to ₱428.97 million, ₱646.02 million and ₱774.63 million in 2023, 2022 and 2021 respectively (see Note 21).

Future payments of long-term debt of the Group as of December 31, 2023 and 2022 follow:

	2023	2022
Within one year	**₱4,102,314,286**	₱3,489,414,286
After one year but not more than five years	**2,639,428,571**	6,741,742,858
	₱6,741,742,857	₱10,231,157,144

14. **Provision for Decommissioning and Site Rehabilitation Costs**

	2023	2022
At January 1	**₱315,050,224**	₱325,556,377
Effect of change in estimates (Note 9)	**43,368,960**	(21,589,768)
Actual usage	**(26,284,460)**	(5,739,744)
Accretion of interest (Note 21)	**21,736,963**	16,823,359
At December 31	**₱353,871,687**	₱315,050,224

The Group’s provision for decommissioning and site rehabilitation costs relates to rehabilitation activities for the coal pits for its mining segment and dismantling and restoration activities for its power segment.

Segment breakdown of provision for decommissioning and site rehabilitation costs follows:

	2023	2022
Mining	**₱322,262,084**	₱285,945,139
Power	**31,609,603**	29,105,085
	₱353,871,687	₱315,050,224

These provisions have been created based on the Group’s internal estimates. Assumptions based on the current regulatory requirements and economic environment have been made, which management believes are reasonable bases upon which to estimate the future liability. These estimates are reviewed annually to take into account any material changes to the assumptions (see Note 3).

However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in return, will depend upon future ore and coal prices, which are inherently uncertain.

Discount rates used by the Group to compute for the present value of liability for decommissioning and mine site rehabilitation costs are from 5.96% to 8.58% in 2023, 6.65% to 8.77% in 2022 and 4.82% to 6.67% in 2021.

In 2023, there were two (2) mine pits being mined for coal deposits – Molave and Narra. In October 2022, Narra resumed its operation which was non-operational since March 2019 due to implementation of geotechnical solutions on the continuous increase of water seepage in Narra pit. The Panian mine site has been depleted and its operation was closed in September 2016. All mine sites are located in Semirara Island, Province of Antique.

In November 2023, a mudflow incident occurred in Molave mine that resulted to a change in its existing pit configuration. Expected mine life of Molave was shortened by one year as increased mudflow from the adjacent area made mining operations in Molave uneconomic. Given the adjusted stripping ratio and heightened risks, the remaining Molave reserves were no longer economically feasible to mine.

In January 2024, SMPC presented to the DOE the early closure plan of Molave including the revised impact to SMPC's work program and budget from 2024 onwards.

The Group revised its mine work program based on the current conditions of the mining operations. Management revisited certain procedures, practices and assumptions on its existing rehabilitation plan (e.g., timing of mining operations, reforestation requirements, movement of the overburden) which resulted to adjustment in the previously estimated provision for decommissioning and mine site rehabilitation costs.

Resulting changes in estimate pertaining to mine sites amounted to an addition of ₱43.37 million in 2023 and a reduction of ₱21.59 million in 2022. The changes in estimates were recognized as adjustment to 'Mine properties, mining tools and other equipment' under property, plant and equipment account amounting to ₱35.50 million and ₱18.45 million in 2023 and 2022, respectively (see Note 9), and as adjustment to 'Others' under operating expense account amounting to ₱7.87 million and ₱3.14 million in 2023 and 2022, respectively (see Note 20).

15. **Capital Stock**

The details of the Parent Company's capital stock as of December 31, 2023 and 2022 are as follows:

	Shares	Amount
Authorized - ₱1 par value		
Balance at beginning and end of year	10,000,000,000	₱10,000,000,000
Issued and outstanding		
Capital stock		
Balance at beginning and end of year	4,264,609,290	4,264,609,290
Treasury shares		
Balance at beginning and end of year	(14,061,670)	(739,526,678)
	4,250,547,620	₱3,525,082,612

Treasury shares

As of December 31, 2023 and 2022, the Parent Company has bought-back 14,061,670 shares for a total consideration of ₱739.53 million. This is presented as treasury shares in the consolidated statements of financial position.

The unappropriated retained earnings amounting to ₱45,551.67 million and ₱47,372.20 million as of December 31, 2023 and 2022, respectively, are restricted for the payment of dividends to the extent of the cost of the shares held in treasury, the undistributed earnings of the subsidiaries, and recognized deferred tax assets which did not flow through profit or loss (see Note 16).

Below is the summary of the Parent Company's track record of registration of securities with the SEC as of December 31, 2023:

	Number of shares registered	Number of holders as of yearend
December 31, 2021	4,250,547,620	741
Add: Movement	−	(5)
December 31, 2022	4,250,547,620	736
Add: Movement	−	11
December 31, 2023	4,250,547,620	747

16. **Retained Earnings**

As of December 31, 2023, and 2022, retained earnings amounted to ₱52,351.67 million and ₱54,172.20 million, respectively. The accumulated equity in undistributed net earnings of subsidiaries which are not available for dividends until declared by the BOD of the respective subsidiaries as of December 31, 2023 and 2022 amounted to ₱18,416.57 million and ₱15,382.57 million, respectively. The retained earnings is also restricted to the extent of the cost of the treasury shares (see Note 15).

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2023 and 2022 amounted to ₱26,213.61 million and ₱31,140.44 million, respectively.

Cash Dividends

On October 9, 2023, the Parent Company's BOD authorized the Parent Company to declare and distribute special cash dividends of ₱3.50 per share or ₱14,876.92 million to stockholders of record as of October 23, 2023 and payable on November 8, 2023.

On March 27, 2023, the Parent Company's BOD authorized the Parent Company to declare and distribute regular cash dividends of ₱1.80 per share or ₱7,650.99 million to stockholders of record as of April 13, 2023 and payable on April 25, 2023.

On March 27, 2023, the Parent Company's BOD authorized the Parent Company to declare and distribute special cash dividends of ₱1.70 per share or ₱7,225.93 million to stockholders of record as of April 13, 2023 and payable on April 25, 2023.

On October 17, 2022, the Parent Company's BOD authorized the Parent Company to declare and distribute special cash dividends of ₱3.50 per share or ₱14,876.92 million to stockholders of record as of October 31, 2022 and payable on November 15, 2022.

On March 31, 2022, the Parent Company's BOD authorized the Parent Company to declare and distribute regular cash dividends of ₱1.50 per share or ₱6,375.82 million to stockholders of record as of April 18, 2022 and payable on April 28, 2022.

Appropriations
On October 28, 2022, the BOD approved the re-appropriation of ₱5,300.00 million from the appropriated retained earnings as of 2020 for capital expenditures and power expansion projects which are expected to be completed by 2026.

On October 28, 2021, the BOD approved the appropriation of ₱1,500.00 million from the unappropriated retained earnings as of December 31, 2021 for other investments of the Group. This appropriation is intended for the renewable energy investments of the Group which are expected to be completed by 2026.

17. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates. Related parties may be individuals or corporate entities. Transactions entered into by the Group with affiliates are made at normal commercial prices and terms. These are settled in cash, unless otherwise specified.

The significant related party transactions entered into by the Group with its related parties and the amounts included in the accompanying consolidated financial statements with respect to these transactions are as follows:

	2023				
	Reference	**Amount/ Volume**	**Receivable (Payable)**	**Terms**	**Conditions**
Trade receivables (Note 5)					
Entities under common control					
Sale of coal	**(a)**	**₱751,089,835**	**₱1,308,007,425**	**Noninterest-bearing, 30 days**	**Unsecured, no impairment**
Sale of materials, services and reimbursement of shared expenses	**(b)**	**13,747,544**	**83,290,699**	**Noninterest-bearing, 30 days**	**Unsecured, no impairment**
			₱1,391,298,124		
Trade payables (Note 12)					
Entities under common control					
Operation and maintenance fees	**(c)**	**(₱324,000,000)**	**(₱29,700,000)**	**30 days, noninterest-bearing**	
Coal handling services	**(d)**	**(1,163,977,108)**	**(135,136,581)**	**30 days, noninterest-bearing**	**Unsecured**
Mine exploration and hauling services	**(e)**	**(592,274,097)**	**(93,567,997)**	**30 days, noninterest-bearing**	**Unsecured**
Construction and other outside services	**(f)**	**(39,028,771)**	**(11,199,223)**	**30 days for monthly billings and portion after expiration of, retention period, noninterest-bearing**	**Unsecured**
Land and warehouse rental expenses	**(g)**	**(17,042,094)**	**(1,286,691)**	**30 days, noninterest-bearing**	**Unsecured**
Aviation services	**(h)**	**(113,756,803)**	**(77,566,939)**	**30 days, noninterest-bearing**	**Unsecured**
Others	**(b)**	**(6,907,405)**	**(4,649,969)**	**30 days, noninterest-bearing**	**Unsecured**
			(₱353,107,400)		

	2022				
	Reference	Amount/ Volume	Receivable (Payable)	Terms	Conditions
Trade receivables (Note 5)					
Entities under common control					
Sale of coal	(a)	₱936,967,262	₱862,122,326	Noninterest-bearing, 30 days	Unsecured, no impairment
Sale of materials, services and reimbursement of shared expenses	(b)	15,272,945	82,352,530	Noninterest-bearing, 30 days	Unsecured, no impairment
			₱944,474,856		
Trade payables (Note 12)					
Entities under common control					
Operation and maintenance fees	(c)	(₱324,000,000)	(₱29,700,000)	30 days, noninterest-bearing	
Coal handling services	(d)	(721,408,109)	(65,084,773)	30 days, noninterest-bearing	Unsecured
Mine exploration and hauling services	(e)	(176,612,602)	(62,393,850)	30 days, noninterest-bearing	Unsecured
Repairs and maintenance services	(f)	(155,197,419)	(38,327,450)	30 days for monthly billings and portion after expiration of, retention period, noninterest-bearing	Unsecured
Purchases of raw materials	(g)	(1,024,645)	(3,800,335)	30 days, noninterest-bearing	Unsecured
Land and warehouse rental expenses	(h)	(1,469,610)	(1,785,076)	30 days, noninterest-bearing	Unsecured
Aviation services	(i)	(33,968,706)	(14,480,563)	30 days, noninterest-bearing	Unsecured
Others	(b)	(643,393)	(1,586,322)	30 days, noninterest-bearing	Unsecured
			(₱217,158,369)		

a. The Parent Company has coal sales to DMCI Masbate Power Corporation (DMPC), and DMCI Power Corporation (DPC), entities under common control of DMCI-HI.

b. The Group has receivables for services rendered, deliveries of goods and reimbursement of expenses advanced by the Group to its affiliates. This includes contracted services, share in rental expenses, office materials and supplies, and maintenance and renewal expenses of information systems.

c. SCPC engaged DPC for the operation and maintenance of the power plant for 10 years until April 1, 2031 with a fixed monthly fee of ₱27.00 million exclusive of VAT, subject to quarterly and annual review and adjustment as maybe mutually agreed upon by both parties.

d. SCPC and SLPGC entered into a voyage charter agreement with DMC Construction Equipment and Resources, Inc. (DMC CERI), an affiliate. Freight cost charged by DMC CERI are included as part of the cost of coal inventory. The total inventory cost including the freight charges are recorded as expenses under 'Cost of power sales' depending on the level of coal consumed for the period. Outstanding payable balance as of year-end to DMC CERI are included in the 'Accounts and other payables' account.

e. DMC CERI had transactions with the Parent Company for services rendered relating to the Parent Company's coal operations. Expenses incurred for said services are included in 'Outside services' under 'Cost of sales' in the consolidated statements of comprehensive income (see Note 19).

DMC CERI also provides service requirements needed by the Parent Company to operate and maintain barges, vessels and tugboats for the purpose of transporting coal. Expenses incurred for these services are included in 'Hauling and shiploading costs' under 'Cost of sales' in the consolidated statements of comprehensive income (see Note 19).

Furthermore, DMC CERI provides labor services relating to coal operations, including those services rendered by consultants. Expenses incurred for said services are included in 'Direct labor' under 'Cost of sales' in the consolidated statements of comprehensive income (see Note 19).

In 2020, marine vessels were sold to DMC CERI for ₱620.58 million, of which ₱13.39 million remained uncollected as of December 31, 2023.

f. The Group contracted DMCI for various repairs and maintenance services for the plane runway and mine site cut-off walls at Semirara Island.

g. DMC Urban Property Developers, Inc. (DMC-UPDI) had transactions with the Parent Company representing long-term lease on land, warehouse space and other transactions necessary for the coal operations. Rental expenses on warehouse space are included in cost of sales under 'Outside services', while payments related to lease of land are accounted as reduction to lease liabilities upon adoption of PFRS 16 (see Notes 10 and 19).

h. Royal Star Aviation Inc. provide maintenance services and hangarage for the Parent Company's aircraft use to transport supplies, employees and visitors in and out of the minesite. The related expenses are included in cost of sales under 'Production overhead' in the consolidated statement of comprehensive income (see Note 19).

All outstanding balances from affiliates are included in receivables under 'Trade receivables - related parties' and 'Trade payables - related parties' in the consolidated statements of financial position (see Notes 5 and 12).

Terms and conditions of transactions with related parties

The outstanding accounts with other related parties are settled in cash. The transactions are made at terms and prices agreed upon by the parties. The Group has approval process and established limits when entering into material related party transactions.

There have been no guarantees and collaterals provided or received for any related party receivables or payables. These accounts are noninterest-bearing and are generally unsecured. Impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. As of December 31, 2023 and 2022, there were no impairment losses recognized on related party balances.

Compensation of key management personnel of the Group amounted to ₱103.62 million, ₱140.33 million and ₱83.84 million in 2023, 2022 and 2021, respectively.

There are no other agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's pension plan.

18. **Pension Plan**

The Group has a funded, noncontributory defined benefit plan covering substantially all of its regular employees. The latest actuarial valuation is for the year ended December 31, 2023.

The Group accrues retirement costs (included in 'Pension liabilities' in the consolidated statements of financial position) based on an actuarially determined amount using the projected unit credit method.

The funds are administered by a trustee bank under the supervision of the BOD of the plan. The BOD is responsible for the investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of the significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the plan's objectives, benefit obligation and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy). The BOD delegates the implementation of the investment policy in accordance with the investment strategy as well as various principles and objectives to an Investment Committee, which consists of members of the BOD, the President and the Vice President and Chief Finance Officer.

Under the existing regulatory framework, Republic Act No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Provisions for pension liabilities are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. The Group updates the actuarial valuation every year by hiring the services of a third party professionally qualified actuary. There are no plan amendments or curtailments in 2023, 2022 and 2021.

The cost of defined benefit pension plans and the present value of the pension liabilities are determined using actuarial valuations.

The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension liabilities for the defined benefit plan are shown below:

	2023	2022	2021
Discount rate	**6.05% - 6.16%**	7.16% - 7.34%	5.01% - 5.18%
Salary increase rate	**3.00% - 6.00%**	3.00% - 6.00%	3.00% - 6.00%

The weighted average duration of significant defined benefit obligation per segment are as follows (average number of years) for 2023 and 2022:

	2023	2022
Mining	**5.1 years**	4.6 years
Power	**12.5-12.7 years**	10.3-12.2 years

The following table summarizes the components of pension expense in the consolidated statements of comprehensive income:

	2023	2022	2021
Current service cost	**₱60,290,120**	₱73,125,395	₱72,465,030
Interest expense related to the defined benefit liability	**39,156,143**	28,530,762	19,846,410
Interest income related to plan assets	**(27,769,839)**	(22,213,731)	(10,920,479)
	₱71,676,424	₱79,442,426	₱81,390,961

The above pension expense is included as 'Direct labor' under cost of sales and 'Personnel costs' under 'Operating Expenses' in the consolidated statements of comprehensive income (see Notes 19 and 20).

The following tables provide analyses of the movement in the defined benefit liability, fair value plan assets and net pension liabilities recognized on consolidated statements of financial position:

	2023	2022
Defined benefit liability at beginning of year	**₱544,297,959**	₱565,615,066
Current service cost	**60,290,120**	73,125,395
Interest expense	**39,156,143**	28,530,762
Remeasurement losses (gains) arising from:		
Changes in demographic assumptions	–	(25,425,974)
Changes in financial assumptions	**47,031,079**	(81,097,001)
Experience adjustments	**19,914,253**	9,349,515
Benefits directly paid by the Group	**(7,162,231)**	(25,799,804)
Benefits paid from plan assets	**(24,504,095)**	–
Defined benefit liability at end of year	**₱679,023,228**	₱544,297,959

	2023	2022
Fair value of plan assets at beginning of year	**₱398,722,980**	₱441,566,057
Interest income	**27,769,839**	22,213,731
Remeasurement losses arising from return on plan assets	**(4,897,621)**	(65,056,808)
Benefits paid from plan assets	**(24,504,095)**	–
Fair value of plan assets at end of year	**₱397,091,103**	₱398,722,980

	2023	2022
Net pension liability at beginning of year	**₱145,574,979**	₱124,049,009
Net pension expense	**71,676,424**	79,442,426
Actuarial losses (gains) recognized in OCI	**71,842,953**	(32,116,652)
Benefit directly paid by the Group	**(7,162,231)**	(25,799,804)
Net pension liability at end of year	**₱281,932,125**	₱145,574,979

The Group is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund are at the Group's discretion. However, in the event a benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable from the Group to the Retirement Fund.

The composition and fair value of plan assets as at the end of reporting date are as follows:

	2023	2022
Cash and cash equivalents	**₱50,407,621**	₱38,585,207
Equity instruments		
Financial institutions	**84,417,417**	94,457,947
Debt instruments		
Government securities	**210,290,247**	214,791,490
Unquoted debt securities	**50,114,399**	49,702,996
Receivables	**1,861,419**	1,185,340
	₱397,091,103	₱398,722,980

Trust fee in 2023 and 2022 amounted to ₱633,451 and ₱163,942, respectively.

The composition of the fair value of the plan assets includes:

- *Cash and cash equivalents* - include savings and time deposit with banks and special deposit account with Bangko Sentral ng Pilipinas.
- *Investment in equity securities* - includes investment in common and preferred shares of financial institutions traded in the Philippine Stock Exchange.
- *Investment in debt securities - government securities* - include investment in Philippine Retail Treasury Bonds and Fixed Rate Treasury Notes.
- *Investments in unquoted debt securities* - include investment in long-term debt notes and retail bonds.
- *Receivables* - pertain to interest and dividends receivable on the investments in the fund.

The management performs a study of how to match its existing assets versus the pension liabilities to be settled. The overall investment policy and strategy of the Group's defined benefit plan is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risks of the plan. The Group's current guiding strategic investment strategy consists of 66% and 65% of debt instruments, 13% and 10% of cash and cash equivalents, 21% and 24% of equity instruments and 0% and 1% of others for 2023 and 2022, respectively.

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the Defined Benefit Obligation (DBO) at the reporting date after first adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged. The sensitivities were expressed as the corresponding change in the DBO.

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

		Effect on Defined Benefit Liability	
	Increase (Decrease)	**2023**	2022
Discount rates	+1%	**(₱41,765,412)**	(₱29,918,931)
	-1%	**48,334,579**	34,418,756
Future salary increases	+1%	**48,770,723**	35,149,785
	-1%	**(42,890,576)**	(31,047,650)

Shown below is the maturity analysis of the undiscounted benefit payment up to 10 years:

	2023	2022
Within one year	**₱275,914,086**	₱240,620,989
After one year but not more than five years	**166,425,144**	157,818,343
More than five years	**366,523,452**	267,849,943
	₱808,862,682	₱666,289,275

The Group has no other transactions with the fund.

19. **Cost of Sales**

Cost of coal sales consists of:

	2023	2022	2021
Cost of coal (Note 6)			
Fuel and lubricants	**₱8,966,311,223**	₱8,662,032,669	₱5,151,443,587
Materials and supplies (Note 17)	**5,237,045,506**	4,894,599,127	4,814,829,506
Depreciation and amortization (Notes 9, 10 and 11)	**3,522,670,333**	2,953,823,251	3,206,865,763
Direct labor (Notes 17 and 18)	**2,312,655,836**	2,000,915,792	1,740,399,466
Production overhead (Note 17)	**1,566,630,870**	1,229,839,584	617,330,942
Outside services (Note 17)	**409,632,735**	297,911,144	470,713,991
	22,014,946,503	20,039,121,567	16,001,583,255
Hauling and shiploading costs (Notes 9 and 17)	**1,357,690,465**	1,100,577,649	1,322,699,136
	₱23,372,636,968	₱21,139,699,216	₱17,324,282,391

In 2023, the Parent Company made a reversal on the previously recognized allowance for inventory obsolescence amounting to ₱79.86 million included as part of “Materials and supplies” under cost of coal in the consolidated statements of comprehensive income.

In 2021, the Parent Company recognized provision for inventory obsolescence amounting to ₱168.54 million, which is included in “Materials and supplies’ under cost of coal in the consolidated statements of comprehensive income.

Cost of power sales consists of:

	2023	2022	2021
Coal	**₱5,425,050,452**	₱3,382,073,706	₱3,515,523,065
Depreciation and amortization (Note 9)	**2,793,654,219**	2,713,660,463	2,712,156,415
Energy spot purchases	**880,725,734**	1,885,580,927	2,187,503,217
Diesel	**173,032,673**	204,960,352	295,562,474
Chemicals, lubricants and limestone	**143,994,889**	330,111,016	75,615,195
Market fees	**25,815,100**	17,258,131	14,706,578
Others	**94,600,352**	81,807,586	114,220,385
	₱9,536,873,419	₱8,615,452,181	₱8,915,287,329

The cost of coal on power sales consists of:

	2023	2022	2021
Materials and supplies	**₱1,797,883,005**	₱1,491,607,366	₱1,815,056,200
Fuel and lubricants	**1,705,410,611**	1,030,987,549	747,530,776
Depreciation and amortization (Note 9)	**636,493,016**	63,249,788	102,492,872
Hauling and shiploading costs	**469,502,629**	376,233,907	440,003,812
Direct labor	**439,871,839**	238,156,487	252,552,230
Production overhead	**297,976,374**	146,380,110	89,581,119
Outside services	**77,912,978**	35,458,499	68,306,056
	₱5,425,050,452	₱3,382,073,706	₱3,515,523,065

20. Operating Expenses

	2023	2022	2021
Government share (Note 26)	**₱10,682,608,445**	₱15,963,371,469	₱6,354,771,211
Repairs and maintenance	**1,255,358,370**	1,007,559,364	453,607,978
Personnel costs (Notes 17 and 18)	**855,490,362**	811,695,278	673,300,883
Taxes and licenses	**729,950,599**	496,057,322	600,942,907
Insurance and bonds	**510,407,770**	398,102,708	300,864,581
Operation and maintenance (Note 17)	**324,000,000**	324,000,000	297,000,000
Office expenses (Note 17)	**210,102,811**	227,484,743	177,644,604
Professional fees	**79,151,745**	77,288,700	60,366,134
Write-down of inventories, asset held-for-sale and property, plant and equipment (Notes 3, 6, 8 and 9)	**76,094,595**	210,752,009	–
Depreciation and amortization (Notes 3, 9 and 10)	**62,869,653**	69,562,720	83,292,044
Entertainment, amusement and recreation	**38,061,026**	30,860,344	67,133,369
Transportation and travel	**25,660,590**	21,979,008	17,479,977

(Forward)

	2023	2022	2021
Provision for impairment losses (Notes 5, 7 and 11)	**₱13,687,290**	₱30,987,428	₱–
Impairment loss on other current assets (Note 7)	**8,465,289**	–	–
Others (Note 24)	**245,349,518**	282,527,987	178,756,585
	₱15,117,258,063	₱19,952,229,080	₱9,265,160,273

In 2022, others include the accrued interest on the 2020 income tax due amounting to ₱184.00 million (see Note 24). Others also pertain to various expenses such as advertising and utilities.

21. **Finance Costs**

	2023	2022	2021
Interest on:			
Long-term debt (Note 13)	**₱428,970,377**	₱646,024,986	₱774,632,597
Short-term debt	–	–	58,416,679
Accretion of provision for decommissioning and site rehabilitation costs (Note 14)	**21,736,963**	16,823,359	9,797,034
Lease liabilities (Note 10)	**4,848,214**	6,014,971	7,104,913
Amortization of debt issuance cost (Note 13)	**19,559,322**	31,466,638	33,227,632
Bank charges and others	**114,134,893**	157,592,940	93,179,757
	₱589,249,769	₱857,922,894	₱976,358,612

22. **Finance Income**

	2023	2022	2021
Interest on:			
Cash in banks (Note 4)	**₱31,259,609**	₱13,227,156	₱5,498,252
Cash equivalents (Note 4)	**1,151,671,119**	397,348,429	15,097,453
Others	**4,572,572**	2,804,140	1,946,547
	₱1,187,503,300	₱413,379,725	₱22,542,252

23. **Other Income**

	2023	2022	2021
Sale of fly ash	**₱472,004,670**	₱220,674,227	₱167,589,713
Recoveries from insurance claims and claims from third party settlement	**31,884,171**	–	–
Gain (loss) on sale of equipment – net (Note 9)	–	423,256	(1,990,583)
Miscellaneous	**221,735,414**	21,464,033	74,140,556
	₱725,624,255	₱242,561,516	₱239,739,686

Miscellaneous
Miscellaneous pertains to liquidated damages received and amortization of deferred rental income.

24. Income Tax

	2023	2022	2021
Current	**₱2,321,226,660**	₱2,099,546,578	₱18,859,250
Final	**214,931,551**	72,342,178	112,133,683
Deferred	**(387,737,354)**	179,889,126	214,131,126
	₱2,148,420,857	₱2,351,777,882	₱345,124,059

The current provision for income tax in 2022 includes the accrual of income tax due for its 2020 income amounting to ₱897.30 million.

The reconciliation of the effective statutory income tax rate to the provision for income tax rate shown in the consolidated statements of comprehensive income follows:

	2023	2022	2021
Statutory income tax rate	**25.00%**	25.00%	25.00%
Adjustments for:			
Nondeductible expense	**0.39**	0.81	0.09
Nondeductible interest expense	**0.05**	0.06	0.00
Movement in unrecognized deferred tax assets	**(0.02)**	(0.29)	0.53
Interest income already subject to final tax at a lower rate	**(0.27)**	(0.07)	(0.01)
Tax-exempt income	**(20.53)**	(22.66)	(26.20)
Adjustment of prior year income taxes due to change in tax rate (CREATE)	–	–	0.82
Others	**2.52**	2.72	–
Effective income tax rate	**7.14%**	5.57%	0.23%

Deferred tax assets and deferred tax liabilities are offset on a per entity level and the net amount is reported in the consolidated statements of financial position as follows:

Deferred tax assets - net

	2023	2022
Deferred tax assets on:		
Allowance for expected credit losses and impairment losses (Notes 5 and 7)	**₱443,635,528**	₱389,465,331
Write-down of PPE (Note 9)	**71,711,651**	42,942,859
Accrual of pension obligation	**132,447,625**	26,048,335
Provision for decommissioning and site rehabilitation costs (Note 14)	**4,544,443**	5,771,879
Lease liabilities (Note 10)	**689,427**	126,393
Allowance for inventory obsolescence	**47,292,074**	9,745,143
Unrealized foreign exchange losses	**49,874,165**	–
Others	**19,516,345**	15,850,474
	₱769,711,258	₱489,950,414

(Forward)

	2023	2022
Deferred tax liability on:		
Other comprehensive income	**(₱2,050,851)**	(₱3,199,365)
	(2,050,851)	(3,199,365)
	₱767,660,407	₱486,751,049

Deferred tax liabilities - net

	2022
Deferred tax assets on:	
Accrual of pension obligation	₱96,704,138
Allowance for inventory obsolescence	57,512,862
Allowance for doubtful accounts (Note 5)	18,707,571
Lease liabilities (Note 10)	6,348,719
Allowance for expected credit losses and impairment losses (Notes 7 and 10)	3,823,014
	183,096,304
Deferred tax liabilities on:	
Right-of-use assets	(7,323,379)
Unrealized foreign exchange gains	(300,561,661)
	(307,885,040)
	(₱124,788,736)

There were no net deferred tax liabilities on a per entity level reported in the consolidated statement of financial position as of December 31, 2023.

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used.

The Group has the following deductible temporary differences that are available for offset against future taxable income or tax payable for which deferred taxes have not been recognized:

	2023	2022
NOLCO	**₱43,232,940**	₱42,654,944
Allowance for impairment losses and other probable losses	**159,690,670**	287,861,508
MCIT	**43,585**	14,904,246
Others	**70,166,025**	57,682,916

Unrecognized deferred tax assets on temporary differences amounted to ₱68.32 million and ₱111.95 million as of December 31, 2023 and 2022, respectively.

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4 of Bayanihan to Recover as One Act (Bayanihan 2) which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive years immediately following the year of such loss.

As of December 31, 2023, the Group has available NOLCO that can be claimed as deduction from future taxable income as follows:

Period	Amount	Applied	Expired	Balance	Expiry Year
2021	₱40,320,083	₱–	₱–	₱40,320,083	2026
2022	2,334,861	–	–	2,334,861	2025
2023	577,996	–	–	577,996	2026
	₱43,232,940	₱–	₱–	₱43,232,940	

As of December 31, 2023, the excess MCIT that is available for offset against future income tax payable follow:

Year incurred	Amount	Applied	Expired	Balance	Expiry Year
2020	₱14,904,246	₱–	₱14,904,246	₱–	2023
2021	43,585	–	–	43,585	2024
	₱14,947,831	₱–	₱14,904,246	₱43,585	

Board of Investments (BOI) Incentives

Parent Company

In relation to the Parent Company's operation in Panian mine site, on September 26, 2008, the BOI issued in favor of the Parent Company a Certificate of Registration as an Expanding Producer of Coal in accordance with the provisions of the Omnibus Investments Code of 1987. Pursuant thereto, the Parent Company shall be entitled to the following incentives, among others:

On August 31, 2012 and February 24, 2016, BOI has granted the Parent Company Certificates of Registration as New Producer of Coal in accordance with the provisions of the Omnibus Investments Code of 1987 in relation to the operations in Narra Mine (formerly Bobog) (Certificate of Registration No. 2012-183) and Molave Mine (Certificate of Registration No. 2017-042). Pursuant thereto, the Parent Company shall be entitled to the following incentives for the two Certificates of Registration, among others:

a. ITH for four (4) years from January 2015 and January 2017 for Narra mine and Molave mine, respectively, or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

b. Income qualified for ITH availment shall not exceed by more than 10% of the projected income represented by the Parent Company in its application provided the project's actual investments and employment match the Parent Company's representation in the application.

On October 24, 2019, the BOI approved the request for suspension of Narra Mine until the slope stability of the Narra mine to resume production is ensured, as follows:

a. the suspension of mining operation of Narra Mine under its Certificate of Registration No. 2012-183 dated August 31, 2012, subject to the capping of ITH incentive of Molave mine to 9,697,165 MT under BOI Certificate of Registration No. 2016-042 dated February 24, 2016, which is the highest attained production volume for the last three (3) years of operation; and,

b. the suspension of the corresponding ITH under its Certificate of Registration No. 2012-183 dated August 31, 2012.

On November 28, 2019, the BOI approved the Parent Company's application for extension for one (1) year for ITH incentive. The approved bonus year under Certificate of Registration No. 2016-042 is for the period October 15, 2020 to October 14, 2021 using the Indigenous Raw Material Criterion pursuant to Executive Order No. 226.

The Parent Company received a letter from the BOI dated February 28, 2020, stating that the BOI per Board Resolution No. 04-14, Series of 2020, approved the motion for reconsideration of the Parent Company and that the portion of BOI Board Resolution No. 31-07, Series of 2019, capping the incentive of Molave mine to 9,697,165 MT be amended. The annual coal production rate of 16 million metric tons as specified in the Amended Environmental Compliance Certificate issued by the Department of Environment and Natural Resources-Environmental Management Bureau (DENR-EMB) shall be imposed upon the Parent Company's two (2) projects under BOI Certificate of Registration No. 2012-183 dated August 31, 2012 and BOI Certificate of Registration No. 2016-042 dated February 24, 2016 as New Producer of Coal, pursuant to the provisions under the Executive Order No. 226. Any revenue arising from the coal production in excess of 16 million metric tons annual production rate shall not be entitled to ITH incentive.

On July 12, 2021, the Parent Company applied for another extension of one (1) year of ITH incentive for Molave Mine. On December 16, 2021, the BOI approved the Parent Company's application for extension for one (1) year of ITH incentive for Molave Mine.

The approved bonus year under Certificate of Registration No. 2016-042 is for the period October 15, 2021 to October 14, 2022 using the net foreign exchange earnings criterion pursuant to Executive Order No. 226.

On July 2, 2020, through Board Resolution No. 12-13, Series of 2020, the BOI approved the request for deferment of the ITH incentive availment for Molave mine for taxable year 2020, noting that the operation has been affected or disrupted by COVID-19 pandemic and since the project has not fully enjoyed the incentives granted to it for reasons beyond the Parent Company's control pursuant to Article 7(14) of Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987, as amended, subject to the following:

(1) the income tax due for the taxable year covered by the deferment period shall be paid by the Parent Company;
(2) the Parent Company will only be entitled to ten (10) months of ITH incentive in the next taxable year since the deferment period, taxable year 2020, is the project's last year of ITH availment period;
(3) that this deferment shall not prejudice the project's approved bonus year under Certificate of Registration No. 2016-042 for the period October 15, 2020 to October 14, 2021 using the Indigenous Raw Material Criterion pursuant to Art. 39(a)(ii) of E.O. 226 pursuant to Board Resolution No. 31-07, Series of 2019. Noting the deferment of its ITH incentive for taxable year 2020, the bonus year shall correspondingly be amended from October 15, 2021 to October 24, 2022.

In 2022, the BOI provided the Parent Company the option to amend the ITH incentive (bonus) expiration year for Molave mine to October 2023 subject to the Parent Company paying the Taxable Year 2020 income tax due amounting to ₱897.30 million and the related interest.

In 2022, the Parent Company recognized ₱897.30 million of income tax due on its income in 2020, as part of its provision for current income tax.

In January 2023, the Parent Company settled the income tax due for the Taxable Year 2020 at ₱1,088.46 million inclusive of interest amounting to ₱191.16 million. Hence, the ITH incentive (bonus) will expire beginning October 2023 and the income from the registered activities of the BOI project (Molave mine pit) from October 2023 will be subjected to regular corporate tax of 25%.

The BOI corrected the ITH availment period of the BOI project pursuant to Art. 39(a)(1)(iii) of E.O. 226 under Certificate of Registration No. 2016-042 from October 15, 2021 to October 14, 2022 to October 15, 2022 to October 14, 2023.

The Parent Company availed of incentive in the form of ITH on its income under registered activities. The income under registered activities amounted to ₱21,559.39 million, ₱36,375.37 million, ₱14,316.71 million in 2023, 2022 and 2021, respectively.

SLPGC
On June 21, 2012, the application for registration of SLPGC as new operator of 300 MW (Phase 1) Batangas Coal-fired Power Plant on a Non-Pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No. 226) was approved. Pursuant thereto, SLPGC shall be entitled to the following incentives, among others:

a. ITH for four (4) years from January 2015 or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration;

b. For the first five (5) years from the date of registration, the enterprise shall be allowed an additional deduction from taxable income of fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availments as against the previous year if the project meets the prescribed ratio of capital equipment to the number of workers set by the BOI and provided that this incentive shall not be availed of simultaneously with the ITH;

c. Importation of consigned equipment for a period of 10 years from the date of registration, subject to posting of re-export bond;

d. Employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from the date of registration; and,

e. Simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies.

On June 29, 2016, the BOI granted the request of SLPGC for the movement of the reckoning period for the ITH incentive from January 1, 2015 to January 1, 2016 due to the delay arising from interconnection issue which is considered as an operational force majeure. On February 5, 2020, the BOI approved SLPGC's application for extension of ITH incentives for one (1) year for the period of January 1, 2020 to December 31, 2020, using the Indigenous Raw Material criterion pursuant to Executive Order No. 226.

On September 14, 2020, SLPGC was granted a maximum postponement of 2 years of its ITH bonus year on grounds of COVID-19 pandemic. SLPGC opted to exercise the deferral of its ITH bonus year in 2020, or a period of one (1) year only. The bonus year was availed for the period of January 1, 2021 to December 31, 2021.

Corporate Recovery and Tax Incentive for Enterprise (CREATE) Act

On March 26, 2021, Republic Act No. 11534, Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, was signed into law and took effect on April 11, 2021. The CREATE Act introduces reforms to the corporate income tax and incentive systems by implementing changes to the current tax regulations. Some of these changes, which became effective beginning July 1, 2020, are as follows:

- Reduction in the RCIT rate from 30% to 20% for entities with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million (excluding the value of land on which the business entity's office, plant and equipment are situated);
- Reduction in the RCIT from 30% to 25% for all other corporations;
- Reduction in the MCIT rate from 2% to 1% of gross income for 3 years or until June 30, 2023;
- Repeal of the imposition of 10% improperly accumulated earnings tax (IAET).

25. Basic/Diluted Earnings Per Share

The following table presents information necessary to calculate earnings per share:

	2023	2022	2021
Net income	**₱27,933,296,337**	₱39,871,157,824	₱16,200,097,441
Divided by the weighted average number of common shares outstanding	**4,250,547,620**	4,250,547,620	4,250,547,620
Basic/diluted earnings per share	**₱6.57**	₱9.38	₱3.81

There have been no other transactions involving common shares or potential common shares between the reporting date and the date of authorization of these consolidated financial statements.

26. Coal Operating Contract with DOE

The DOE issued Coal Operating Contract (COC) to the Parent Company which gives it the exclusive right to conduct exploration, development and coal mining operations in Semirara Island. In return for the mining rights granted to the Parent Company, the Government is entitled to receive annual royalty payments consisting of the balance of the gross income after deducting operating expenses, operator's fee and special allowance. The DOE, through the Energy Resources Development Bureau, approved the exclusion of coal produced and used solely by the Parent Company to feed its power plant used for mining operations in determining the amount due to DOE.

On May 13, 2008, the DOE granted the Parent Company's request for an extension of its COC for another 15-year or until July 14, 2027.

Royalty dues for DOE's share under this contract, amounted to ₱10,682.61 million, ₱15,963.37 million and ₱6,354.77 million in 2023, 2022 and 2021, respectively, included under 'Operating expenses' in the consolidated statements of comprehensive income (see Note 20). Payable to DOE, amounting to ₱3,336.57 million and ₱2,169.25 million as of December 31, 2023 and 2022, respectively, are included under the 'Trade and other payables' account in the consolidated statements of financial position (see Note 12).

27. **Contingencies and Commitments**

The Group is a party to certain proceedings and legal cases with other parties in the normal course of business. The ultimate outcome of these proceedings and legal cases cannot be presently determined. Management, in consultation with its legal counsels, believes that it has substantial legal and factual bases for its positions and is currently of the opinion that the final resolution of these claims will not have a material effect on the consolidated financial statements.

The Group is also contingently liable with respect to certain taxation matters, lawsuits and other claims which are being contested by management, the outcome of which are not presently determinable. Management believes that the final resolution of these claims will not have a material effect on the Group's consolidated financial statements.

There is no resulting provision in 2023, 2022 and 2021 for these lawsuits, claims and assessments based on management's assessment. The other information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, are not disclosed on the grounds that it can be expected to prejudice the outcome of pending lawsuits, claims and assessments.

a. Effectivity of Revenue Regulations (RR) 1-2018

On January 5, 2018, RR 1-2018 took effect pursuant to the effectivity of the Tax Reform for Acceleration and Inclusion (TRAIN) law beginning January 1, 2018. Among others, the new tax law raised the excise tax rates on domestic and imported coal from ₱10.0 per metric ton (MT) to ₱50.0 per MT in the first year of implementation, ₱100.0/MT in the second year, and ₱150.0/MT in the third and succeeding years. Based also on the RR, coal produced under coal operating contracts entered into by the Government pursuant to PD No. 972, as well as those exempted from excise tax on mineral products under other laws, shall now be subject to the applicable rates beginning January 1, 2018.

On February 21, 2018, the Group requested for a clarification on this with the tax bureau and submitted a supplemental letter explaining why the excise tax provisions on coal under the TRAIN law will not apply to the Group under the terms and conditions of its COC with the DOE. In response, on December 17, 2018, Revenue Memorandum Circular (RMC) No. 105-2018 was issued, clarifying the payment of excise tax on domestic coal sales and specifically identifying the Group as merely a collecting agent (the Group collected from customers and remitted to the tax bureau). The RMC did not provide for the excise tax treatment of export coal sales (per RMC, this will be tackled in a separate revenue memorandum issuance), but management believes that the Group is similarly not liable for this under the terms of its existing COC. Given this, management believes that both the timing and the amount of excise tax on exported coal that will be due from the Group, if any, are uncertain as of December 31, 2023 and 2022 and will only be confirmed when the said issuance will be issued by the tax bureau.

b. *DOE Resolution on Violation of Accreditation of Coal Traders*

On May 23, 2019, the trial shipment of 4,768.737 MT of the Group was shipped and delivered to Gold Anchorage Stevedoring and Arrastre Services, Inc. (GASAI). On June 6, 2019, the Group received an Order dated June 4, 2019 from the DOE directing the SMPC to: (a) File a verified Answer within 30 days from receipt; and (b) cease and desist from doing coal trading activities and operations. Order also states that the coal trader accreditation of SMPC is suspended until further notice.

On July 5, 2019, the Group filed its Verified Answer arguing that: (a) sale and delivery of coal to GASAI was done in good faith; (b) the cease and desist order (CDO) and suspension is disproportionately severe under the circumstances as it should only be directed to trading done with GASAI; and c) imposition of fines is only applicable to those entities who are not accredited.

On July 10, 2019, the Group wrote the DOE requesting deferment of the implementation of the CDO and/or suspension pending resolution of the DOE.

On July 12, 2019, the DOE held in abeyance the imposition of the implementation of the CDO subject to the following conditions:
a. Order of abeyance is effective only for 30 days or until resolution of the Answer, whichever comes earlier;
b. the Group to continue with its existing coal contracts, but shall not enter as party to any new coal supply agreement; and,
c. the Group should faithfully comply with its commitments and obligations as an accredited coal trader.

On November 19, 2019, the Group received the DOE Resolution dated October 15, 2019 imposing the following penalties:
- Suspension of coal trading activities for 1 month, except to the Group-owned and other powerplants with existing coal supply agreements; and,
- Monetary penalty of ₱1.74 million.

On November 20, 2019, a motion for reconsideration to the Resolution dated October 15, 2019 was filed with the following prayer:
- The Resolution is null and void as it was issued in violation of the DOE Rules of Procedure; and,
- The CDO and Resolution are onerous and overbroad in scope as it was applied to unrelated transactions (not GASAI's) and inconsistent with the objectives of the Accreditation Guidelines.

On November 25, 2019, an amended motion for reconsideration was filed by the Group.

On January 3, 2020, the Group received letter from the DOE dated December 26, 2019 directing the former to file its position paper relative to the CDO in which the Group filed on January 10, 2020.

On March 16, 2021, DOE modified its October 15, 2019 resolution as follows:
- Ordering payment of a fine of ₱610,000 instead
- Removal of the penalty of one-month suspension of the coal trader accreditation.

The Group paid the penalty on March 31, 2021.

c. *Land Lease Agreement*

As discussed in Note 9, the Group entered into an LLA with PSALM for the lease of land where the Power Plant is situated, for the period of 25 years, renewable for another 25 years upon mutual agreement. In 2009, the Group paid US$3.19 million or its Peso equivalent ₱150.57 million as advance rental for the 25-year land lease.

Provisions of the LLA include that the Group has the option to buy the Option Assets upon issuance of an Option Existence Notice (OEN) by the lessor. Option assets are parcels of land that form part of the leased premises which the lessor offers for sale to the lessee.

The Group was also required to deliver and submit to the lessor a performance security in the form of Stand-by Letter of Credits. As of December 31, 2023, SBLC issued for this purpose has a value of US$0.54 million. The Performance Security shall be maintained by the Company in full force and effect continuously without any interruption until the Performance Security expiration date. The Performance Security initially must be effective for the period of one year from the date of issue, to be replaced prior to expiration every year thereafter and shall at all times remain valid.

In the event that the lessor issues an OEN and the Group buy the option assets, the land purchase price should be equivalent to the highest of the following and/or amounts:
(i) assessment of the Provincial Assessors of Batangas Province; (ii) the assessment of the Municipal or City Assessor having jurisdiction over the particular portion of the leased premises; (iii) the zonal valuation of Bureau of Internal Revenue or, (iv) 21.00 per square meter (dollar). Valuation basis for (i) to (iii) shall be based on the receipt of PSALM of the option to exercise notice.

The exchange rate to be used should be the Philippine Dealing Exchange rate at the date of receipt of PSALM of the option to exercise notice.

On July 12, 2010, PSALM issued an OEN and granted the Group the "Option" to purchase parcels of land (Optioned Assets) that form part of the leased premises. The Group availed of the "Option" and paid the Option Price amounting to US$0.32 million (₱14.72 million) exercisable within one year from the issuance of the Option Existence Notice.

On April 28, 2011, the Group sent a letter to PSALM requesting for the assignment of the option to purchase a lot with an area of 82,740 square meters in favor of its Parent Company. On May 5, 2011, PSALM approved the assignment. On June 1, 2011, the Group exercised the land lease option at a purchase price of ₱292.62 million and is included as part of "Property, plant and equipment".

On October 12, 2011, the Group reiterated its proposal to purchase the remainder of the Leased Premises not identified as Optioned Assets. One of the salient features of the proposal included the execution of Contract to Sell (CTS) between the Group and PSALM. This included the proposal of the Group to assign its option to purchase and sub-lease in favor of SLPGC.

On February 13, 2012, PSALM held off the approval of the proposal to purchase the portion of Calaca Leased Premises not identified as Optioned Assets, subject to further studies. On the same date, PSALM Board has approved the Group's request to sub-lease a portion of the Calaca Leased Premises to SLPGC for the purpose of constructing and operating a power plant.

On February 14, 2014, the Group reiterated its proposal to purchase the Calaca Leased Premises not identified as Optioned Assets.

On February 1, 2017, the Group again reiterated to PSALM its proposal to purchase the Calaca Leased Premises.

On August 15, 2017, the Group exercised its option to purchase for a lot with an area of 9,548 square meters at a price of ₱10.56 million.

On September 24, 2019, PSALM informed SCPC regarding lots ready for OEN issuance. On February 11, 2020, SCPC wrote PSALM seeking clarifications on the status of lots available for OEN.

On June 30, 2021, the Group exercised its option to purchase lots with a total area of 19,304 square meters for a consideration of ₱43.11 million (see Note 9).

On December 27, 2023, PSALM wrote informing the Company that certain lots with an area of 389,357 square meters may be considered for OEN issuance under the principle of "just cause of exclusive possession". The Company, in its letter dated January 24, 2024, to PSALM inquired if an adjustment in the final price of lots can be made since titles have yet to be issued to PSALM and since portions of the lots are submerged in seawater. PSALM replied on January 29, 2024, and reiterated the OEN when issued will be an "as-is-where-is' basis. To date, the Company has yet to consider whether to accede to the position of PSALM.

Foreshore lease

On April 2009, National Power Corporation (NAPOCOR or "NPC") and the Department of Environment and Natural Resources -CENRO (DENR-CENRO) entered to a 25-year foreshore lease agreement. On July 29, 2009, DMCI HI won the open and competitive bidding of the 600MW Batangas Coal-Fired Thermal Power Plant conducted by PSALM. Subsequently, the rights of DMCI HI on the 600MW Batangas Coal-Fired Thermal Power Plant was assigned to SCPC. PSALM and SCPC executed the Deed of Sale on the power plant. On December 29, 2011, NPC transferred its rights over the foreshore lease with DENR-CENRO thru an execution of Deed of Assignment in which the Group unconditionally agrees to assume all rights and obligations under the Foreshore Lease Agreement. Lease payments is subject to reappraisal every 10 years of the contract. On the first 10 years of the lease, the rate is ₱2.65 million. The rate was reappraised in May 3, 2019. Starting April 2019, the rate will be ₱3.88 million until reappraised in 2029. Refer to Note 10 for the information and related disclosures.

d. Application for Approval of the ASPA between the Group and NGCP, with Prayer for the Issuance of Provisional Authority

On July 12, 2018, the Group and NGCP filed an application for approval of the ASPA, with a prayer for the issuance of provisional authority, docketed as ERC Case No. 2018-074-RC, where NGCP agreed to procure and the Group agreed to supply ancillary services in the form of regulating reserve under a firm and non-firm arrangement and contingency reserve and dispatchable reserve under a non-firm arrangement.

Both parties filed their joint pre-trial brief and filed their compliance with the jurisdictional requirements before the ERC. On October 11, 2018, the case was set for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing. ERC directed the Group and NGCP to submit additional documents to file its formal offer of evidence.

On November 9, 2018, the Group and NGCP filed their formal offer of evidence and compliance.

On May 21, 2019, the Group received the ERC Order dated May 20, 2019 granting interim relief in favor of the Group and NGCP to implement the ASPA. The ERC Order, however, disallowed the recovery of the cost of minimum stable load (Pmin) Capacity of the gas turbine.

On June 6, 2019, the Group filed a Motion for Partial Reconsideration with Manifestation of the Order dated May 20, 2019 praying for the recovery of the cost Pmin Capacity of 2 MW.

On September 5, 2019, the ERC resolved to deny the Group's Motion for Partial Reconsideration with Manifestation for lack of merit.

On November 19, 2019, the Group and NGCP filed their Joint Manifestation with Motion to Withdraw in view of the decision to terminate the ASPA. As of March 3, 2021, ERC has yet to rule on the Joint Manifestation with Motion to Withdraw filed by the Group and NGCP.

While no supply agreement has been secured yet, the plant is being used by the Group for electricity generation and sale through WESM.

On July 12, 2021, the Group received an order from the ERC dated June 22, 2021 requiring both NGCP and the Group to comply with DOE Department Circular No. DC2019-12-0018 or Adopting a General Framework Governing the Provision and Utilization of Ancillary Services in the Grid. The Group manifested to the ERC that the circular is no longer applicable as the ASPA has long been terminated as jointly manifested to the ERC in November 19, 2019.

The ERC has yet to rule on the Motion to Withdraw filed jointly by NGCP and the Group.

28. Financial Risk Management Objectives and Policies

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, lease liabilities, and long-term debt. 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 for 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 December 31, 2023 and 2022.

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):

	2023	2022
Domestic market	**33.59%**	41.76%
Export market	**66.41%**	58.24%

The following table shows the effect on income before income tax should the change in the prices of coal occur based on the inventory of the Group as of December 31, 2023 and 2022 with all other variables held constant.

The change in coal prices used in the simulation assumes fluctuation from the lowest and highest price based on one (1)-year historical price movements in 2023 and 2022.

	Effect on income before income tax increase (decrease)	
Change in coal price	**2023**	2022
Based on ending coal inventory		
Increase by 29% in 2023 and 19% in 2022	**₱774,424,326**	₱1,088,406,194
Decrease by 29% in 2023 and 19% in 2022	**(774,424,326)**	(1,088,406,194)
Based on coal sales volume		
Increase by 33% in 2023 and 18% in 2022	**13,164,052,954**	9,880,537,599
Decrease by 33% in 2023 and 18% in 2022	**(13,164,052,954)**	(9,880,537,599)

Interest rate risk
The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt 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 and presented by maturity profile:

	2023						
	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%**	**₱18,985,080,896**	**₱–**	**₱–**	**₱–**	**₱–**	**₱18,985,080,896**
Peso (PHP) long-term debt*							
a) 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**
b) 3,000.00 million loan	**Fixed annual interest rate of 4.88% - 4.90% per annum**	**773,377,083**	**–**	**–**	**–**	**–**	**773,377,083**
c) 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**
d) 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**
e) 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**
f) 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 amounting to ₱362.77 million*

		2022					
	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	0.01% to 6.00%	₱20,052,471,393	₱–	₱–	₱–	₱–	₱20,052,471,393
Peso (PHP) long-term debt*							
a) 1,400.00 million loan	Fixed annual interest rate of 4.97% - 5.13% per annum	₱279,461,205	₱264,915,019	₱250,183,136	₱235,544,101	₱56,711,835	₱1,086,815,296
b) 3,000.00 million loan	Fixed annual interest rate of 4.88% - 4.90% per annum	811,428,646	773,377,083	–	–	–	1,584,805,729
c) 2,000.00 million loan	Fixed annual interest rate of 4.88% - 4.90% per annum	334,140,313	320,219,313	306,277,456	292,346,027	–	1,252,983,109
d) 2,700.00 million loan	Fixed annual interest rate of 4.88% - 4.90% per annum	506,447,338	485,391,157	464,310,058	443,241,418	–	1,899,389,971
e) 3,500.00 million loan	Fixed annual interest rate of 4.88% - 4.90% per annum	1,098,897,733	1,641,668,550	707,939,901	–	–	3,448,506,184
f) 4,000.00 million loan	Fixed annual interest rate of 5.00% - 5.13% per annum	904,620,829	862,386,243	–	–	–	1,767,007,072
		₱3,934,996,064	₱4,347,957,365	₱1,728,710,551	₱971,131,546	₱56,711,835	₱11,039,507,361

**Includes future interest payables amounting to ₱808.35 million*

The following table demonstrates the sensitivity of the Group's income before income tax to a reasonably possible change in interest rates on December 31, 2023 and 2022, with all variables held constant, through the impact on floating rate borrowings (amounts in thousands):

	Effect on income before income tax Increase (decrease)	
Basis points	**2023**	2022
+100	**(₱21,531)**	(₱28,709)
-100	**21,531**	28,709

The assumed movement in basis points for interest rate sensitivity analysis is based on the Group's historical changes in market interest rates on bank loans.

There was no effect on the equity other than those affecting the income before tax.

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group's policy is to maintain a level of cash that is sufficient to fund its monthly cash requirements, at least for the next four to six months. Capital expenditures are funded through a mix of suppliers' credit, letters of credit, trust receipts and long-term debt, while operating expenses and working capital requirements are funded through cash collections. A significant part of the Group's financial assets that are held to meet the cash outflows include cash equivalents and trade receivables. Although trade receivables are contractually collectible on a short-term basis, the Group expects continuous cash inflows through continuous production and sale of coal and power generation. In addition, although the Group's short-term deposits are collectible at a short notice, the deposit base is stable over the long term as deposit rollovers and new deposits can offset cash outflows.

Moreover, the Group considers the following as mitigating factors for liquidity risk:
- It has available lines of credit that it can access to answer anticipated shortfall in sales and collection of receivables resulting from timing differences in programmed inflows and outflows.
- It has very diverse funding sources.
- It has internal control processes and contingency plans for managing liquidity risk. Cash flow reports and forecasts are reviewed on a weekly basis in order to quickly address liquidity concerns. Outstanding trade receivables are closely monitored.

As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. Fund-raising activities may include obtaining bank loans.

The tables below summarize the maturity profile of the Group's financial assets and financial liabilities as of December 31, 2023 and 2022 based on contractual payments:

	2023					
	On Demand	Within 1 year	Beyond 1 year to 2 years	Beyond 2 year to 3 years	Beyond 3 years	Total
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 employees amounting to ₱100.29 million which are considered as non-financial asset*
[(2)]*Excludes statutory liabilities amounting to ₱273.19 million*
[(3)]*Includes future interest payable amounting to ₱362.77 million*

	2022					
	On Demand	Within 1 year	Beyond 1 year to 2 years	Beyond 2 year to 3 years	Beyond 3 years	Total
Financial Assets						
Cash in banks and cash equivalents	₱20,052,471,393	₱–	₱–	₱–	₱–	₱20,052,471,393
Receivables						
Trade:						
Outside parties	10,562,538,314	–	–	–	–	10,562,538,314
Related parties	944,474,856	–	–	–	–	944,474,856
Others[1]	196,729,604	–	–	–	–	196,729,604
Environmental guarantee fund	–	–	–	–	15,637,143	15,637,143
	₱31,756,214,167	₱–	₱–	₱–	₱15,637,143	₱31,771,851,310
Financial Liabilities						
Trade and other payables						
Trade:						
Payable to suppliers and contractors	₱7,025,549,922	₱–	₱–	₱–	₱–	7,025,549,922
Related parties	217,158,369	–	–	–	–	217,158,369
Accrued expenses and other payables[2]	418,470,532	–	–	–	–	418,470,532
Lease liabilities	–	20,827,207	17,153,963	9,639,833	48,469,119	96,090,122
Peso long-term debt with interest payable in arrears[3]						
1,400.00 million loan	–	279,461,205	264,915,019	250,183,136	292,255,936	1,086,815,296
3,000.00 million loan	–	811,428,646	773,377,083	–	–	1,584,805,729
2,000.00 million loan	–	334,140,313	320,219,313	306,277,456	292,346,027	1,252,983,109
2,700.00 million loan	–	506,447,338	485,391,157	464,310,058	443,241,418	1,899,389,971
3,500.00 million loan	–	1,098,897,733	1,641,668,550	707,939,901	–	3,448,506,184
4,000.00 million loan	–	904,620,829	862,386,243	–	–	1,767,007,072
	₱7,661,178,823	₱3,955,823,271	₱4,365,111,328	₱1,738,350,384	₱1,076,312,500	₱18,796,776,306

[1] *Excludes advances to officers and employees amounting to ₱95.04 million which are considered as nonfinancial assets*
[2] *Excludes statutory liabilities amounting to ₱368.50 million*
[3] *Includes future interest of ₱808.35 million*

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, 43.11% and 45.93% of the Group's sales in 2023 and 2022 were denominated in US$ whereas approximately 24.40% and 16.80% of liabilities were denominated in US$ as of December 31, 2023, and 2022, respectively.

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

	December 31, 2023		December 31, 2022	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**$145,489,122**	**₱8,084,830,510**	$172,349,869	₱9,672,274,648
Trade receivables	**69,163,967**	**3,843,441,646**	26,361,264	1,479,394,136
Liabilities				
Trade payables	**(99,887,893)**	**(5,550,770,214)**	(68,422,914)	(3,839,893,934)
Net exposure	**$114,765,196**	**₱6,377,501,942**	$130,288,219	₱7,311,774,850

The exchange rates used were ₱55.57 to US$1 and ₱56.12 to US$1 in 2023 and 2022, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities) as of December 31, 2023 and 2022.

	Currency	Increase (decrease) in Philippine Peso/ Foreign exchange rate	Effect on profit before tax
2023	**USD**	**6.66%**	**₱424,741,629**
		(6.66%)	**(424,741,629)**
2022	USD	7.51%	₱549,114,291
		(7.51%)	(549,114,291)

There is no impact on the Group's equity other than those already affecting profit or loss. The movement in sensitivity analysis is derived from current observations on movement in dollar average exchange rates.

The Group recognized realized and unrealized net foreign exchange gains (losses) amounting to (₱175.81) million, ₱1,003.61 million and ₱339.60 million in 2023, 2022 and 2021, respectively, arising from the translation of the Group's cash and cash equivalents, trade receivables, trade payables, short-term loans and long-term debt.

Credit risk
Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group manages and controls credit risk by doing business with recognized, creditworthy third parties, thus, there is no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group evaluates the financial condition of the local customers before deliveries are made to them.

On the other hand, export sales are covered by sight letters of credit issued by foreign banks subject for the Group's approval, hence, mitigating the risk on collection. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to doubtful accounts is not significant. The Group generally bills 80% of coal delivered payable within 30 days upon receipt of billing and the remaining 20% payable within 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 and environmental guarantee 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 December 31 and show the credit quality of the assets by indicating whether the assets are subjected to the 12-month ECL or lifetime ECL.

	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 advances to officers and employees amounting to ₱100.29 million which are considered as non-financial asset*

	2022			
	12-month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Total
Cash in banks and cash equivalents	₱20,052,471,393	₱–	₱–	₱20,052,471,393
Receivables:				
Trade receivables - related parties	–	944,474,856	–	944,474,856
Trade receivables - outside parties	–	8,968,380,620	1,594,157,694	10,562,538,314
Others*	–	190,914,245	5,815,359	196,729,604
Environmental guarantee fund	–	15,637,143	–	15,637,143
	₱20,052,471,393	₱10,119,406,864	₱1,599,973,053	₱31,771,851,310

**Excludes advances to officers and employees amounting to ₱95.04 million which are considered as non-financial asset*

Capital management
The primary objective of the Group's capital management strategy is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

No changes were made in the objectives, policies and processes from the previous years.

The Group manages its capital using debt-to-equity ratio, which is interest-bearing loans divided by equity, and EPS. The following table shows the Group's capital ratios as of December 31, 2023 and 2022.

	2023	2022
Interest-bearing loans	**₱6,726,332,549**	₱10,196,187,514
Total equity	**62,377,978,690**	64,252,397,908
Debt-equity ratio	**0.11:1**	0.16:1
EPS (Note 25)	**₱6.57**	₱9.38

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 December 31, 2023 and 2022:

	2023	2022
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)**	(120,416,244)
Retained earnings – unappropriated	**45,551,667,126**	47,372,204,129
Retained earnings – appropriated	**6,800,000,000**	6,800,000,000
	₱62,377,978,690	₱64,252,397,908

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

29. **Fair Values**

Fair Value Information
The fair values of cash and cash equivalents, receivables, environmental guarantee fund, trade payables and accrued expenses and other payables approximate its carrying values since most of these financial instruments are relatively short-term in nature.

Long-term debt and lease liabilities
Estimated fair values are based on the discounted value of future cash flows using the applicable rates for similar types of debt. Interest rates used in discounting cash flows ranges from 4.63% to 5.13%, while interest rate for lease liabilities is 3.20% to 7.88% in 2023 and 2022, respectively.

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 2023 and 2022.

30. Notes to Consolidated Statements of Cash Flows

Supplemental disclosure of noncash investing activities follows:

	2023	2022	2021
Transfers from inventories to property, plant and equipment (Notes 6 and 9)	**₱239,372,058**	₱695,205,692	₱531,586,938

Changes in liabilities arising from financing activities in 2023, 2022 and 2021 follows:

	For the Year Ended December 31, 2023			
	January 1, 2023	**Net cash flows**	**Noncash**	**December 31, 2023**
Long-term debt (Note 13)	**₱10,196,187,514**	**(₱3,489,414,286)**	**₱19,559,321**	**₱6,726,332,549**
Dividend payable (Note 12)	**3,334,682**	**(29,754,052,759)**	**29,753,833,340**	**3,115,263**
Lease liabilities (Note 10)	**70,700,846**	**(17,988,992)**	**4,848,214**	**57,560,068**
	₱10,270,223,042	**(₱33,261,456,037)**	**₱29,778,240,875**	**₱6,787,007,880**

	For the Year Ended December 31, 2022			
	January 1, 2022	Net cash flows	Noncash	December 31, 2022
Long-term debt (Note 13)	₱15,066,635,161	(₱4,901,914,286)	₱31,466,639	₱10,196,187,514
Dividend payable (Note 12)	3,100,694	(21,252,510,224)	21,252,744,212	3,334,682
Lease liabilities (Note 10)	88,376,182	(23,690,307)	6,014,971	70,700,846
	₱15,158,112,037	(₱26,178,114,817)	₱21,290,225,822	₱10,270,223,042

	For the Year Ended December 31, 2021			
	January 1, 2021	Net cash flows	Noncash	December 31, 2021
Short-term loans (Note 13)	₱5,425,000,000	(₱5,425,000,000)	₱–	₱–
Long-term debt (Note 13)	14,449,071,814	610,585,714	6,977,633	15,066,635,161
Dividend payable (Note 12)	1,193,054	(12,751,642,860)	12,753,550,500	3,100,694
Lease liabilities (Note 10)	103,018,715	(21,747,446)	7,104,913	88,376,182
	₱19,978,283,583	(₱17,587,804,592)	₱12,767,633,046	₱15,158,112,037

Noncash changes pertain to amortization of deferred financing costs and cash dividend declaration by the Parent Company, recognition of lease liabilities as a result of adoption of PFRS 16 and subsequent additions thereto, and accretion of interest (see Notes 2 and 10).

31. Operating Segments

Segment Information

For management purposes, the Group is organized into business units based on their products and activities. Segment revenues, cost and operating expenses, profit or loss, segment assets and segment liabilities assume measurement under PFRS.

Reportable operating segments are as follows:

- Mining - engaged in surface open cut mining of thermal coal; and,
- Power - involved in generation of power available for sale thru bilateral contracts, wholesale electricity market and trading.

No operating segments have been aggregated to form the above reportable operating segments.

The Chief Operating Officer (COO) monitors the operating results of the Group for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, operating profit and pretax income which are measured similarly in the consolidated financial statements. Transactions between operating segments are made at terms and prices agreed upon by the parties.

	2023 (In thousands)				
	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Revenue					
Sales to external customers	**₱52,268,160**	**₱24,692,255**	**₱–**	**₱–**	**₱76,960,415**
Inter-segment sales	**7,550,937**	**–**	**–**	**(7,550,937)**	**–**
	59,819,097	**24,692,255**	**–**	**(7,550,937)**	**76,960,415**
Cost of sales*	**(22,498,824)**	**(10,661,034)**	**–**	**6,926,040**	**(26,233,818)**
Depreciation and amortization	**(4,518,530)**	**(2,793,654)**	**–**	**636,493**	**(6,675,691)**
Gross profit	**32,801,743**	**11,237,567**	**–**	**11,596**	**44,050,906**
Operating expenses*	**(11,492,718)**	**(3,561,558)**	**(113)**	**–**	**(15,054,389)**
Depreciation	**(23,300)**	**(39,570)**	**–**	**–**	**(62,870)**
Operating profit (loss)	**21,285,725**	**7,636,439**	**(113)**	**11,596**	**28,933,647**
Others - net	**3,205,584**	**555,040**	**–**	**(3,035,000)**	**725,624**
Finance income	**855,432**	**329,299**	**2,772**	**–**	**1,187,503**
Foreign exchange gain (loss) - net	**(159,468)**	**(16,340)**	**–**	**–**	**(175,808)**
Finance costs	**(180,631)**	**(408,618)**	**–**	**–**	**(589,249)**
Pretax income (loss)	**25,006,642**	**8,095,820**	**2,659**	**(3,023,404)**	**30,081,717**
Provision for income tax	**(107,342)**	**(2,040,525)**	**(554)**	**–**	**(2,148,421)**
Net income	**₱24,899,300**	**₱6,055,295**	**₱2,105**	**(₱3,023,404)**	**₱27,933,296**
Segment assets	**₱57,268,808**	**45,202,642**	**₱55,168**	**(₱18,165,836)**	**₱84,360,782**
Deferred tax assets	**250,319**	**517,342**	**–**	**–**	**767,661**
	₱57,519,127	**₱45,719,984**	**₱55,168**	**(₱18,165,836)**	**₱85,128,443**
Segment liabilities	**₱12,828,469**	**₱4,229,617**	**₱230,964**	**(₱1,264,918)**	**₱16,024,132**
Long-term debt	**725,661**	**6,000,671**	**–**	**–**	**6,726,332**
	₱13,554,130	**₱10,230,288**	**₱230,964**	**(₱1,264,918)**	**₱22,750,464**
Cash flows arising from:					
Operating activities	**₱26,570,942**	**₱9,578,882**	**₱–**	**₱50,055**	**₱36,199,879**
Investing activities	**29,572**	**(588,024)**	**–**	**(3,401,882)**	**(3,960,334)**
Financing activities	**(29,959,529)**	**(6,701,354)**	**–**	**3,399,427**	**(33,261,456)**
Other disclosures					
Capital expenditures	**₱2,967,055**	**₱1,049,792**	**₱–**	**₱–**	**₱4,016,846**

**Excluding depreciation and/or amortization*

	2022 (In thousands)				
	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Revenue					
Sales to external customers	₱70,506,121	₱20,622,572	₱–	₱–	₱91,128,693
Inter-segment sales	5,674,498	–	–	(5,674,498)	–
	76,180,619	20,622,572	–	(5,674,498)	91,128,693
Cost of sales*	(19,963,309)	(9,494,034)	–	5,369,675	(24,087,668)
Depreciation and amortization	(3,259,968)	(2,713,660)	–	306,144	(5,667,484)
Gross profit	52,957,342	8,414,878	–	1,321	61,373,541
Operating expenses*	(16,783,021)	(3,097,697)	(1,947)	–	(19,882,665)
Depreciation	(25,794)	(43,770)	–	–	(69,564)
Operating profit (loss)	36,148,527	5,273,411	(1,947)	1,321	41,421,312
Others- net	1,007,498	243,063	–	(1,008,000)	242,561
Finance income	342,863	69,782	735	–	413,380
Foreign exchange gain (loss) - net	1,015,444	(11,838)	–	–	1,003,606
Finance costs	(312,046)	(545,877)	–	–	(857,923)
Pretax income (loss)	38,202,286	5,028,541	(1,212)	(1,006,679)	42,222,936
Provision for income tax	(1,211,729)	(1,139,902)	(147)	–	(2,351,778)
Net income	₱36,990,557	₱3,888,639	(₱1,359)	(₱1,006,679)	₱39,871,158
Segment assets	₱60,166,663	44,933,470	₱46,700	(₱18,530,801)	₱86,616,032
Deferred tax assets	–	486,751	–	–	486,751
	₱60,166,663	₱45,420,221	₱46,700	(₱18,530,801)	₱87,102,783
Segment liabilities	₱10,362,492	₱3,687,359	₱230,851	(₱1,626,504)	₱12,654,198
Long-term debt	948,056	9,248,131	–	–	10,196,187
	₱11,310,548	₱12,935,490	₱230,851	(₱1,626,504)	₱22,850,385
Cash flows arising from:					
Operating activities	₱34,857,900	₱6,451,187	₱–	(₱534,199)	₱40,774,888
Investing activities	(1,521,801)	(1,521,441)	–	(993,439)	(4,036,681)
Financing activities	(23,695,431)	(4,009,237)	–	1,526,553	(26,178,115)
Other disclosures					
Capital expenditures	₱2,518,089	₱1,785,592	₱–	₱–	₱4,303,681

**Excluding depreciation and/or amortization*

	2021 (In thousands)				
	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Revenue					
Sales to external customers	₱35,592,979	₱16,831,448	₱–	₱–	₱52,424,427
Inter-segment sales	5,262,513	–	–	(5,262,513)	–
	40,855,492	16,831,448	–	(5,262,513)	52,424,427
Cost of sales*	(15,667,358)	(9,196,871)	–	4,779,840	(20,084,389)
Depreciation and amortization	(3,900,193)	(2,712,156)	–	457,169	(6,155,180)
Gross profit	21,287,941	4,922,421	–	(25,504)	26,184,858
Operating expenses*	(6,842,853)	(2,334,645)	(4,371)	–	(9,181,869)
Depreciation	(32,969)	(50,323)	–	–	(83,292)
Operating profit (loss)	14,412,119	2,537,453	(4,371)	(25,504)	16,919,697
Others - net	1,264,315	175,425	–	(1,200,002)	239,738
Finance income	13,615	8,703	224	–	22,542
Foreign exchange gain (loss) - net	340,934	(1,332)	–	–	339,602
Finance costs	(303,528)	(672,830)	–	–	(976,358)
Pretax income (loss)	15,727,455	2,047,419	(4,147)	(1,225,506)	16,545,221
Provision for income tax	(89,753)	(255,323)	(48)	–	(345,124)
Net income	₱15,637,702	₱1,792,096	(₱4,195)	(₱1,225,506)	₱16,200,097
Segment assets	₱45,432,360	46,312,161	₱56,092	(₱20,715,979)	₱71,084,634
Deferred tax assets	129,672	430,084	–	–	559,756
	₱45,562,032	₱46,742,245	₱56,092	(₱20,715,979)	₱71,644,390
Segment liabilities	₱9,080,193	₱5,458,955	₱238,876	(₱3,810,166)	₱10,967,858
Long-term debt	3,363,603	11,703,032	–	–	15,066,635
	₱12,443,796	₱17,161,987	₱238,876	(₱3,810,166)	₱26,034,493

(Forward)

	2021 (In thousands)				
	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Cash flows arising from:					
Operating activities	₱15,324,763	₱6,588,541	₱–	(₱633,528)	₱21,279,776
Investing activities	(1,289,535)	(1,152,362)	–	(1,296,079)	(3,737,976)
Financing activities	(15,262,676)	(4,171,746)	–	1,846,617	(17,587,805)
Other disclosures					
Capital expenditures	₱2,480,325	₱1,384,140	₱–	₱–	₱3,864,465
**Excluding depreciation and/or amortization*					

Inter-segment revenues, other income and cost of sales are eliminated in the consolidation under adjustments and eliminations.

Segment assets exclude deferred tax assets amounting to ₱767.66 million, ₱486.75 million and ₱559.76 million as of December 31, 2023, 2022 and 2021, respectively.

Capital expenditures consist of additions to property, plant and equipment.

All noncurrent assets other than financial instruments are located in the Philippines.

Disaggregation of Revenue Information

Set out below is the disaggregation of the Group’s revenue from contracts with customers:

Revenues from coal sales

	2023	2022	2021
Domestic market	**₱19,087,490,745**	₱28,652,104,719	₱10,915,873,609
Export market	**33,180,669,968**	41,854,016,190	24,677,105,058
	₱52,268,160,713	₱70,506,120,909	₱35,592,978,667

Substantially all revenues from external customer are from open cut mining and sales of thermal coal. Local and export classification above is based on the geographic location of the customer.

All of the Group’s sales of coal are revenue from contracts with customers recognized at point in time.

Revenues from power sales

	2023	2022	2021
Bilateral contracts			
Distribution utility	**₱2,532,595,868**	₱1,935,669,732	₱531,792,960
RES	**3,820,348,311**	4,335,089,131	10,015,107,072
Others	**288,636,284**	312,721,867	617,653,813
	6,641,580,463	6,583,480,730	11,164,553,845
Spot sales			
WESM	**18,050,674,268**	14,039,091,068	5,666,894,422
	₱24,692,254,731	₱20,622,571,798	₱16,831,448,267

All revenues from power are derived from the Philippine market and are revenue from contracts with customers recognized over time.

Set out below is the reconciliation of contracts with customers with the amounts disclosed in segment information:

	For the Year Ended December 31, 2023				
	Domestic coal sales	**Export coal sales**	**Bilateral Contracts**	**Spot sales**	**Total**
Revenue					
External customers	**₱19,087,490,745**	**₱33,180,669,968**	**₱6,641,580,463**	**₱18,050,674,268**	**₱76,960,415,444**
Inter-segment	**7,550,936,901**	**–**	**–**	**–**	**7,550,936,901**
	26,638,427,646	**33,180,669,968**	**6,641,580,463**	**18,050,674,268**	**84,511,352,345**
Inter-segment adjustments and eliminations	**(7,550,936,901)**	**–**	**–**	**–**	**(7,550,936,901)**
	₱19,087,490,745	**₱33,180,669,968**	**₱6,641,580,463**	**₱18,050,674,268**	**₱76,960,415,444**

	For the Year Ended December 31, 2022				
	Domestic coal sales	Export coal sales	Bilateral Contracts	Spot sales	Total
Revenue					
External customers	₱28,652,104,719	₱41,854,016,190	₱6,583,480,730	₱14,039,091,068	₱91,128,692,707
Inter-segment	5,674,498,212	–	–	–	5,674,498,212
	34,326,602,931	41,854,016,190	6,583,480,730	14,039,091,068	96,803,190,919
Inter-segment adjustments and eliminations	(5,674,498,212)	–	–	–	(5,674,498,212)
	₱28,652,104,719	₱41,854,016,190	₱6,583,480,730	₱14,039,091,068	₱91,128,692,707

	For the Year Ended December 31, 2021				
	Domestic coal sales	Export coal sales	Bilateral Contracts	Spot sales	Total
Revenue					
External customers	₱10,915,873,609	₱24,677,105,058	₱11,164,553,845	₱5,666,894,422	₱52,424,426,934
Inter-segment	5,262,513,290	–	–	–	5,262,513,290
	16,178,386,899	24,677,105,058	11,164,553,845	5,666,894,422	57,686,940,224
Inter-segment adjustments and eliminations	(5,262,513,290)	–	–	–	(5,262,513,290)
	₱10,915,873,609	₱24,677,105,058	₱11,164,553,845	₱5,666,894,422	₱52,424,426,934

32. Other Matters

a. Electric Power Industry Reform Act (EPIRA)

With the objective of providing competitive price of electricity, the EPIRA authorized DOE to constitute an independent entity to be represented equitably by electric power industry participants and to administer and operate WESM. WESM will provide a mechanism for identifying and setting the price of actual variations from the quantities transacted under contracts between sellers and purchasers of electricity.

In addition, the DOE was tasked to formulate the detailed rules for WESM which include the determination of electricity price in the market. The price determination methodology will consider accepted economic principles and should provide a level playing field to all electric power industry participants. The price determination methodology was subject to the approval of the ERC.

In this regard, the DOE created PEMC to act as the market operator governing the operation of WESM. On June 26, 2006, WESM became operational in the Luzon grid and adopts the model of a "gross pool, net settlement" electricity market.

In 2017, the Board of PEMC has approved the transition plan for the creation of an independent market operator (IMO), paving the way for the state firm to finally relinquish control of the WESM.

On February 4, 2018, the DOE published Department Circular No. DC2018-01-0002, "Adopting Policies for the Effective and Efficient Transition to the Independent Market Operator for the Wholesale Electricity Spot Market". This Circular shall take effect immediately after its publication in two (2) Newspapers of general circulation and shall remain in effect until otherwise revoked. Pursuant to Section 37 and Section 30 of the EPIRA, jointly with the electric power participants, the DOE shall formulate the detailed rules for the wholesale electricity spot market. Said rules shall provide the mechanism for determining the price of electricity not covered by bilateral contracts between sellers and purchasers of electricity users. The price determination methodology contained in said rules shall be subject to the approval of ERC. Said rules shall also reflect accepted economic principles and provide a level playing field to all electric power industry participants.

b. Clean Air Act

On November 25, 2000, the Implementing Rules and Regulations (IRR) of the Philippine Clean Air Act (PCAA) took effect. The IRR contains provisions that have an impact on the industry as a whole and on the Group in particular, that need to be complied with within 44 months (or until July 2004) from the effectivity date, subject to the approval by Department of Environment and Natural Resources. The power plant of the Group uses thermal coal and uses a facility to test and monitor gas emissions to conform to Ambient and Source Emissions Standards and other provisions of the Clean Air Act and its IRR. Based on the Group's initial assessment of its power plant's existing facilities, it believes that it is in full compliance with the applicable provisions of the IRR of the PCAA as of December 31, 2023 and 2022.

c. Competitive Selection Process (CSP)

On June 11, 2015, DOE Circular No. DC2015-06-0008, "Mandating All Distribution Utilities to Undergo CSP In Securing PSAs", was signed, requiring all Distribution Utilities (DUs) to conduct a CSP in procuring PSAs. The CSP shall be conducted by a qualified third party duly recognized by the DOE and ERC and, in the case of Electric Cooperatives (ECs), shall be recognized by the National Electrification Administration (NEA). The CSP shall conform with aggregation of DU's un-contracted demand requirement, annual conduct of CSP, and a uniform PSA Template on the terms and conditions to be issued by the ERC and DOE. The circular does not apply to PSAs with tariff rates already approved and/or have been applied for approval by the ERC before the effectivity of the circular. The DOE shall enforce and monitor compliance and the penalty provision through ERC.

On October 20, 2015, the DOE and ERC released Joint Resolution No. 1 (2015), "A Resolution Enjoining All Distribution Utilities to Conduct Competitive Selection Process (CSP) in the Procurement of Supply for Their Captive Market". The DOE and ERC recognize that CSP in the procurement of PSAs by the DUs engenders transparency, enhances security of supply, and ensure stability of electricity prices to captive electricity end-users in the long-term.

On the same day, the ERC signed Resolution No. 13, Series of 2015, "A Resolution Enjoining All Distribution Utilities to Conduct Competitive Selection Process (CSP) in the Procurement of Supply for Their Captive Market". The resolution prescribes that all PSAs shall be awarded to the winning Generation Company following a successful transparent CSP, or by Direct Negotiation in the event of two (2) failed CSPs, and that DUs may adopt any accepted form of CSP. This resolution does not apply to PSAs already filed with the ERC as of its effectivity.

On March 15, 2016, the ERC released Resolution No. 1 Series of 2016, "A Resolution Clarifying the Effectivity of ERC Resolution No.13, series of 2015". The resolution postponed the effectivity of ERC Resolution No.13, Series of 2015 to April 30, 2016. All PSAs executed on or after the said date shall be required, without exception, to comply with the provisions of the CSP resolution. There should be at least two qualified bids for the CSP to be considered as successful and lastly, the DU shall adopt the Terms of Reference prescribed in Section 2 of ERC Resolution No. 13, Series of 2015. On PSA's with provisions on automatic renewal or extension of term, it shall apply that PSA's approved by ERC or filed before the effectivity of Resolution No. 1, may have one (1) automatic renewal or extension for a period not exceeding one (1) year from the end of their respective terms. There will be no automatic renewal or extension of PSAs upon effectivity of Resolution No. 1.

On February 9, 2018, the DOE published Department Circular No. DC2018-02-0003, "Adopting and Prescribing the Policy for the Competitive Selection Process in the Procurement by the Distribution Utilities of Power Supply Agreement for the Captive Market". This Circular shall take effect immediately after its publication in two (2) Newspapers of general circulation and shall remain in effect until otherwise revoked. There are five (5) governing principles in the Policy (1) Transparency in the conduct of CSP through wide dissemination of bid opportunities and participation of all generation companies (GenCos); (2) Competitiveness by extending equal opportunity to eligible and qualified GenCos to participate in the CSP; (3) Least cost manner in ensuring that each distribution utility (DU) is able to meet the demand for its captive market at any given time; (4) Simple, streamlined and efficient procurement process applicable to the specific requirements of each Distribution Development Plan; and (5) Accountability involved in the procurement process and implementation of the Power Supply Agreement awarded under CSP.

d. Retail Competition and Open Access (RCOA)

Under Section 31 of the Electric Power Industry Reform Act (EPIRA) of 2001, RCOA shall be implemented. In Retail Competition, the Contestable Market are provided electricity by Retail Suppliers through Open Access, wherein qualified Persons are allowed to use the Transmission, and/or Distribution Systems and their associated facilities. The implementation of RCOA is subject to the following conditions; a. Approval of the unbundled transmission and distribution wheeling charges; b. initial implementation of the cross subsidy removal scheme; c. Establishment of the WESM; d. Privatization of at least 70% of the total capacity of generating assets of NPC in Luzon and Visayas; and e. Transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPP Administrators.

Upon satisfying these conditions, the ERC declared 26 December 2012 as the Open Access Date where end-users who have an average monthly peak demand for the preceding twelve (12) months, as indicated by a single utility meter, of at least 1MW (the threshold level) qualifies as Contestable Customers (CCs) making up the Contestable Market (Phase 1). After a six-month Transition Period, on 26 June 2013, Retail Supply Contracts (RSCs) entered into by and between the Ccs and their chosen Suppliers where implemented. Phase 2 implementation was set to begin two (2) years after Phase 1. During Phase 2, the threshold level shall be reduced to 750 kW and Aggregators shall be allowed to supply electricity to End-users whose aggregate monthly average peak demand within a Contiguous Area is at least 750 kW. Subsequently and every year thereafter, the ERC shall evaluate the performance of the market.

On the basis of such evaluation, it shall gradually reduce the threshold level until it reaches the household demand level.

On May 12, 2016, ERC Resolution No. 10 (2016), ”A Resolution Adopting the Revised Rules for Contestability”, was signed. This revised rules aim to clarify and establish the conditions and eligibility requirements for End-users to be part of the Contestable Market; to set the threshold level for the Contestable Market; to ensure the efficient transition towards full contestability and to ensure consumer protection and enhance the competitive operation of the retail electricity market.

The Resolution states that the Threshold Reduction Date covering End-users with an average monthly peak demand of at least 750 kilowatts (750 kW) for the preceding twelve (12) months, is set to 26 June 2016. Thus, on such date, all End-users with an average monthly peak demand of at least 1 MW (1MW Customers) and 750 kW (750kW Customers), which have been issued Certificates of Contestability by the ERC, shall be allowed to contract with any RES on a voluntary basis. Thereafter, an End-user with an average monthly peak demand of at least 1MW is hereby mandated to enter into RSC with a RES by its mandatory contestability date of 26 December 2016 (This was moved by the ERC to 26 February 2017 through ERC Resolution No. 28 (2016), “Revised Timeframe for Mandatory Contestability, Amending Resolution No. 10, series of 2016, entitled Revised Rules for Contestability” signed on November 15, 2016. Subsequently, an End-user with an average monthly peak demand of at least 750kW is hereby mandated to enter into an RSC with a RES by its mandatory contestability date of 26 June 2017. The lowering of the threshold to cover an end-user with an average monthly peak demand of at least 500kW is set on 26 June 2018, subject to the review of the performance of the retail market by the ERC. Corollary, in its review of the performance of the retail market, the ERC shall establish a set of criteria as basis for the lowering of the contestability threshold. Retail Aggregation shall subsequently be allowed on 26 June 2018. During this phase, suppliers of electricity shall be allowed to contract with end-users whose aggregate demand within a Contiguous Area is at least 750 kW. Retail Competition and Open Access shall be effective only in grids where the WESM is operational.

On February 21, 2017, the Supreme Court issued a Temporary Restraining Order (TRO), G.R. No. 228588, on the implementation of several ERC Resolutions and a DOE Circular concerning the RCOA. ERC Res 10 & 28, Series of 2016 were among them. In a joint advisory on February 24, 2017, the DOE, ERC and PEMC said that they are in a process of drafting a general advisory for the guidance of RCOA Stakeholders. Issues to be considered are: 1) those who have already executed RSCs and were already registered and switched shall continue to honor their respective RSCs; 2) ongoing applications for registration filed before the Central Registration Body (CRB) may proceed voluntarily; 3) applicants who wish to withdraw or defer their registration before the CRB may do so consistent with the Retail Market Rules provided that the CRB shall not be liable for any legal repercussions that may arise out of the contestable customers’ contractual obligations; and 4) remaining contestable customers who have not yet secured their RSCs may continue to negotiate and exercise their power to choose.

e. Renewable Portfolio Standards (RPS)

The implementation of the RPS is an important development for the Renewable Energy (RE) Market, and impacts the public as a whole. Republic Act No. 9513 or the Renewable Energy Law gives both fiscal and non-fiscal incentives to investors in order to encourage the promotion and development of renewable energy in the Philippines. Toward this end, the RPS serves as a market-based policy mechanism which makes use of the RE Market to facilitate and commercialize trading in RE Certificates, the latter which are used to satisfy the RPS requirements and increases RE generation in the country.

On December 30, 2017, DOE Circular No. DC2017-12-0015, or the RPS On-Grid Rules, took effect, requiring DUs, electricity suppliers, generating companies supplying directly connected customers, and other mandated energy sector participants to source or produce a certain share of electricity from their Energy Mix from eligible RE resources. These eligible RE facilities include the following technologies: biomass, waste to energy technology, wind, solar, hydro, ocean, geothermal, and other RE technologies later identified by the DOE.

The RPS On-Grid Rules mandates energy sector participants to comply with the minimum annual RPS requirement in order to meet the aspirational target of thirty-five (35%) in the generation mix by 2030.

This minimum RE requirement, however, will not be imposed immediately but in 2020. The 2018 and 2019 years are considered transition years to help the mandated participants comply with the DOE Circular. Additionally, the RPS On-Grid Rules implements a Minimum Annual Incremental RE Percentage to be sold by mandated participants. It is initially set at a minimum of one percent (1%) and applied to net electricity sales or annual energy demand for the next ten (10) years, and used to determine the current year's requirement for RE Certificates (RECs) of the Mandated Participant.

SGV
Building a better working world

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing the consolidated financial statements of Semirara Mining and Power Corporation and its Subsidiaries (the Group) as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated February 27, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticlao

Jennifer D. Ticlao
Partner
CPA Certificate No. 109616
Tax Identification No. 245-571-753
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-110-2023, September 12, 2023, valid until September 11, 2026
PTR No. 10082023, January 6, 2024, Makati City

February 27, 2024

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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Semirara Mining and Power Corporation and its Subsidiaries (the Group) as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated February 27, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule of Components of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2023 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticlao

Jennifer D. Ticlao
Partner
CPA Certificate No. 109616
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PTR No. 10082023, January 6, 2024, Makati City

February 27, 2024

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
INDEX TO THE SUPPLEMENTARY SCHEDULES

Annex A: Reconciliation of retained earnings available for dividend declaration

Annex B: Map Showing the Relationships Between and Among the Group and its Ultimate Parent Company, Middle Parent, Subsidiaries or Co-subsidiaries, Associates, Wherever Located or Registered

Annex C: Supplementary schedules required by Annex 68-J

- Schedule A: Financial Assets
- Schedule B: Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholder (Other Than Related Parties)
- Schedule C: Amounts Receivables/Payables from/to Related Parties Which are Eliminated During the Consolidation of Financial Statements
- Schedule D: Long-Term Debt
- Schedule E: Indebtedness to Related Parties
- Schedule F: Guarantees of Securities of other Issuers
- Schedule G: Capital Stock

ANNEX A

SEMIRARA MINING AND POWER CORPORATION
SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023

Unappropriated Retained Earnings, beginning of reporting period		**₱31,140,441,789**
Add: Category A: Items that are directly credited to Unappropriated Retained Earnings	₱–	
Reversal of Retained Earnings Appropriation/s	–	
Effect of restatements or prior-period adjustments	–	
Less: Category B: Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the reporting period	29,753,833,340	
Retained Earnings appropriated during the reporting period	–	
Effect of restatements or prior-period adjustments	–	**29,753,833,340**
Unappropriated Retained Earnings, as adjusted		**1,386,608,449**
Add/Less: Net Income for the current year		**24,899,300,679**
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared	–	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	–	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
Unrealized fair value gain of Investment Property	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
Sub-total		–
Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)		
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	–	
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
Realized fair value gain of Investment Property	–	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
Sub-total		–

Add: <u>Category C.3</u>: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)		
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	–	
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
Reversal of previously recorded fair value gain of Investment Property	–	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded	–	
Sub-total		–
Adjusted Net Income/Loss		**26,285,909,128**
Add: <u>Category D:</u> Non-actual losses recognized in profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)		
Sub-total		
Add/Less: <u>Category E</u>: Adjustments related to relief granted by the SEC and BSP		
Amortization of the effect of reporting relief		
Total amount of reporting relief granted during the year	–	
Sub-total		–
Add/Less: <u>Category F:</u> Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of treasury shares (except for reacquisition of redeemable shares)	–	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	(72,300,065)	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction	–	
Adjustment due to deviation from PFRS/GAAP - gain (loss)	–	
Sub-total		**(72,300,065)**
Total Retained Earnings, end of the reporting period available for dividend		**₱26,213,609,063**

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

Financial Soundness Indicators

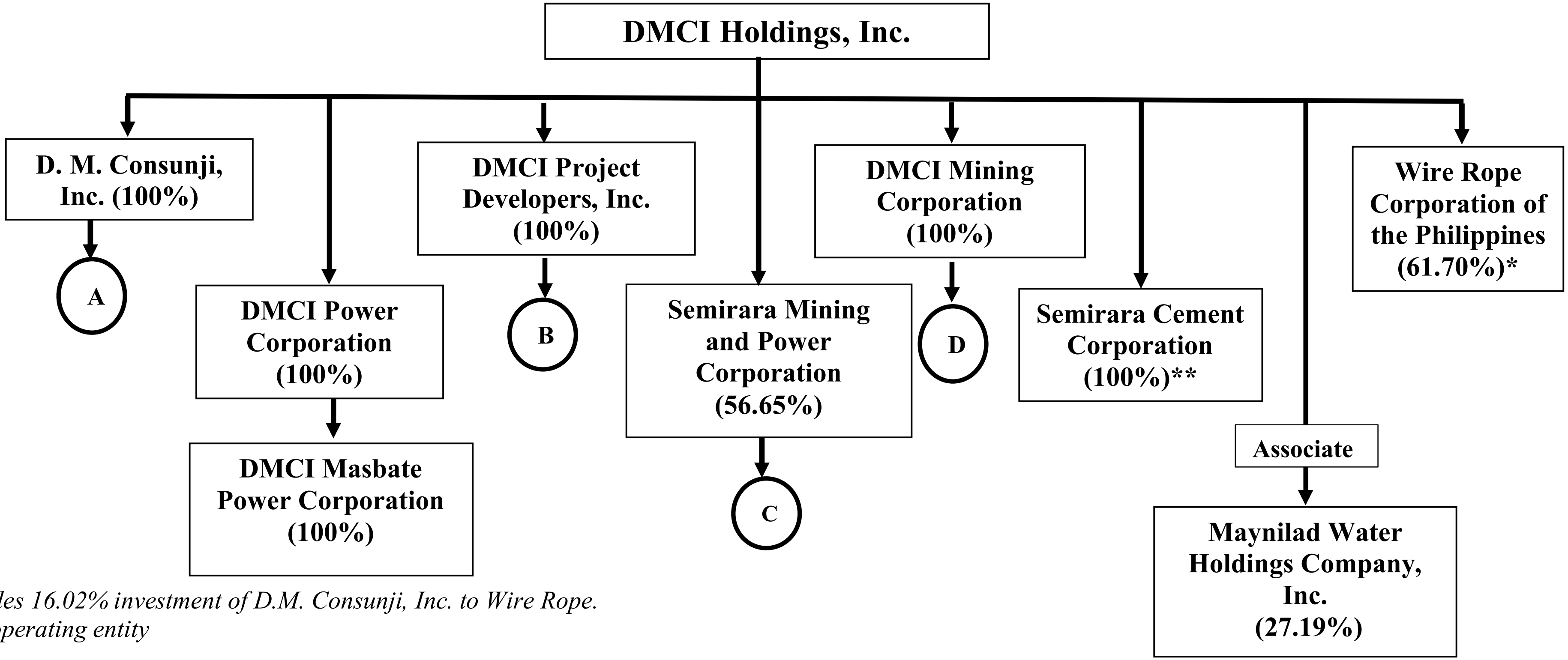
Below are the financial ratios that are relevant to the Group for the years ended December 31, 2023 and 2022:

Financial ratios		2023	2022
Current ratio	Current assets / Current liabilities	**2.38:1**	2.91:1
Acid-test ratio	Current assets less inventories / Current liabilities	**1.63:1**	2.08:1
Solvency ratio	Net income plus depreciation / Total liabilities	**1.55:1**	2.01:1
Debt to equity ratio	Interest-bearing loans / Total equity	**0.11:1**	0.16:1
Asset-to-equity ratio	Total assets / Total equity	**1.36:1**	1.36:1
Inventory turnover	Cost of sales / Average inventory	**1.71:1**	1.82:1
Accounts receivable turnover ratio	Net credit sales / Average accounts receivable	**7.34:1**	10.64:1
Interest rate coverage	Earnings before interest and taxes / Interest paid	**54.93:1**	63.18:1
Return on assets	Net income / Average total assets	**0.32:1**	0.50:1
Return on equity	Net income / Average total equity	**0.44:1**	0.73:1
Gross Margin ratio	Gross profit / Sales	**0.57:1**	0.67:1
Net profit margin ratio	Net income / Sales	**0.36:1**	0.44:1

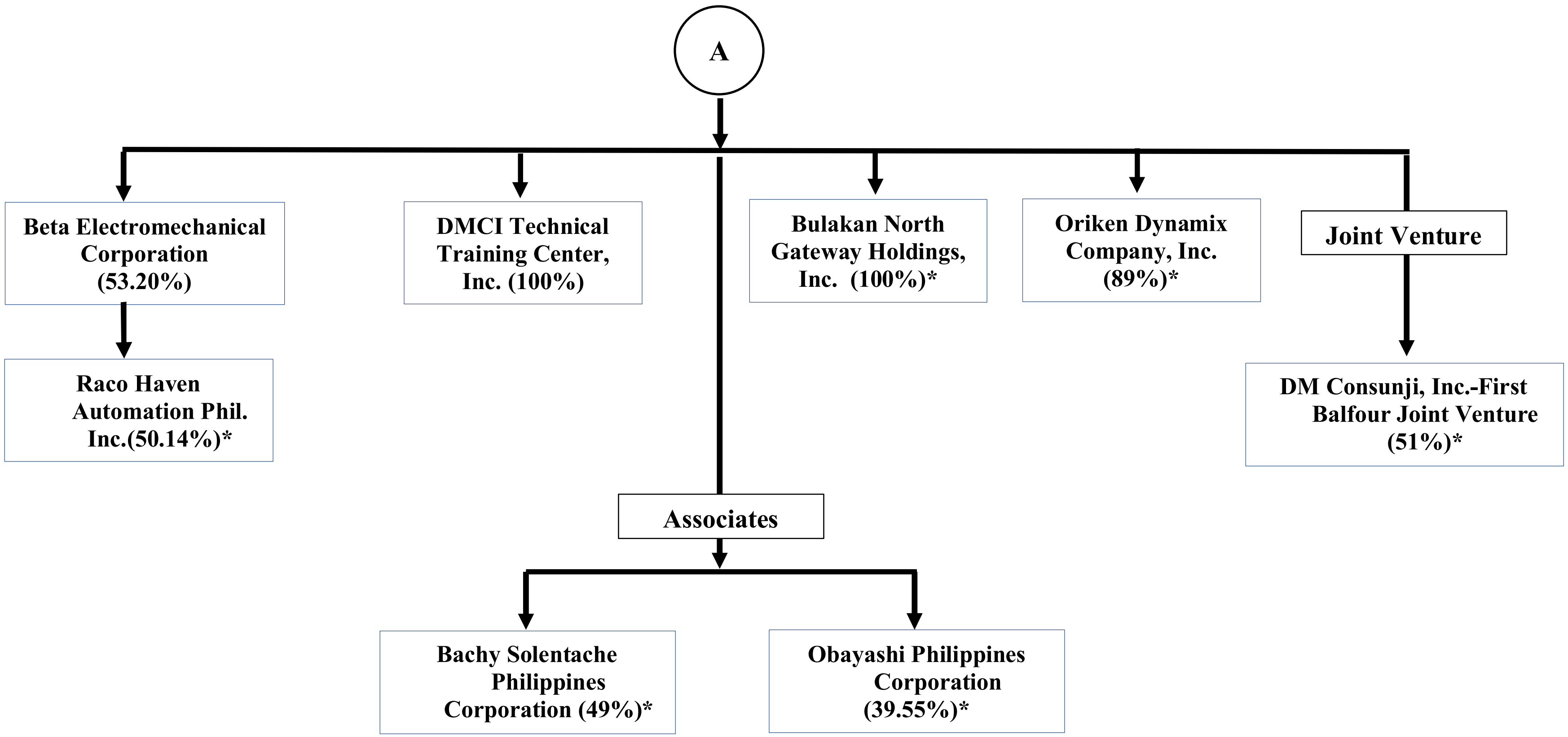
<u>ANNEX B</u>

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

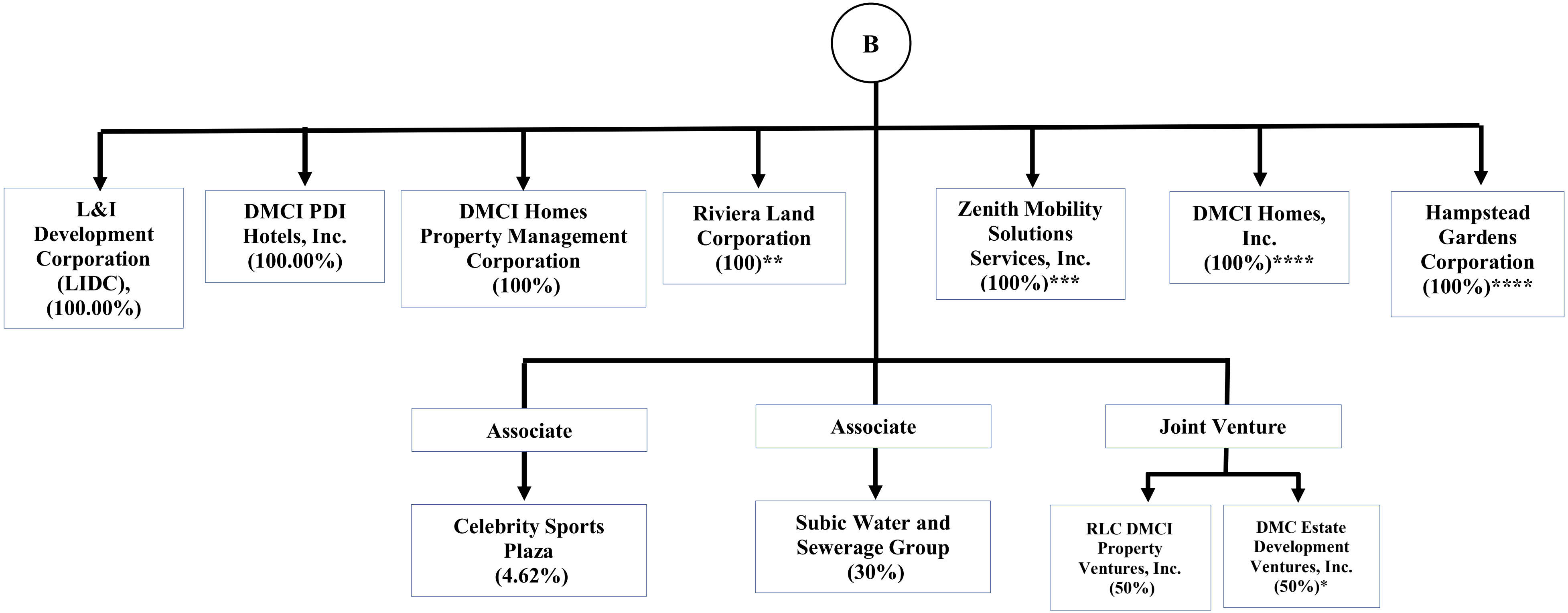
Group Structure
Below is a map showing the relationship between and among the Group as of December 31, 2023:



* *Includes 16.02% investment of D.M. Consunji, Inc. to Wire Rope.*
***Non-operating entity*



**Non-operating entities*

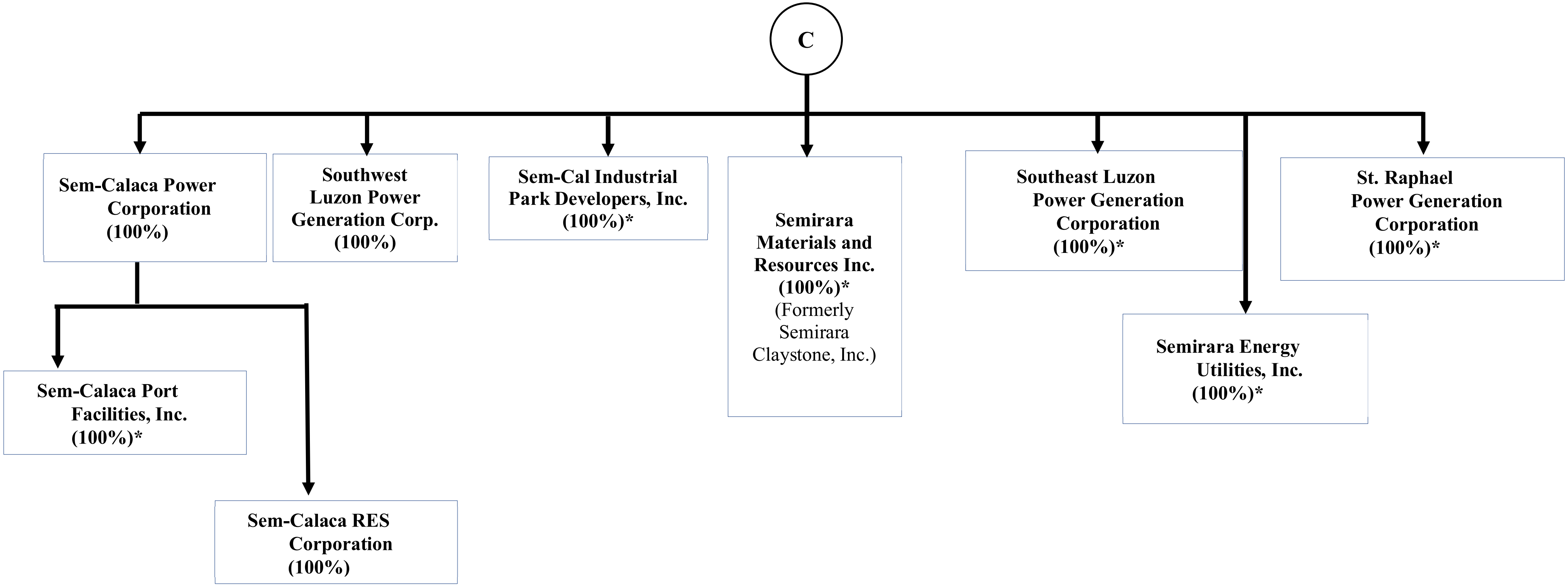


* *Established in 2021*

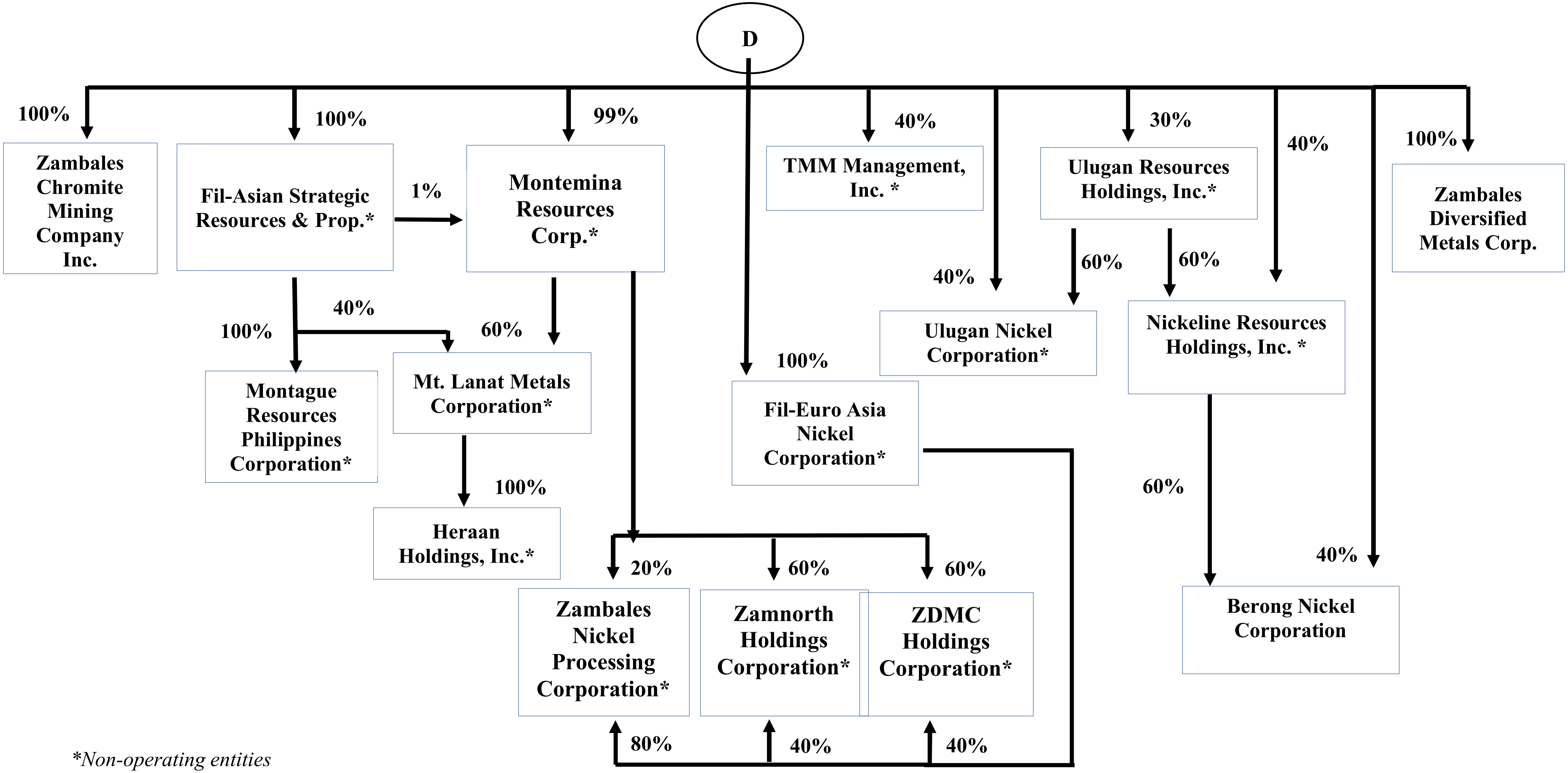
** *Includes the 34.12% interest of DMCI*

*** *Equity interest increased from 51% to 100% in 2020*

**** *Liquidating as of December 31, 2023*



**Non-operating entities*



Non-operating entities

ANNEX C

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE A: FINANCIAL ASSETS

DECEMBER 31, 2023

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received and accrued

NOT APPLICABLE

ANNEX C

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDER (OTHER THAN RELATED PARTIES)

DECEMBER 31, 2023

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period

Not applicable. The Group's receivables from officers and employees pertain to ordinary purchases subject to usual terms, travel and expense advances and other transactions arising from the Group's ordinary course of business.

ANNEX C

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE C: AMOUNTS RECEIVABLES/PAYABLES FROM/TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

DECEMBER 31, 2023

Name of Subsidiaries	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Sem-Calaca Power Corporation	**₱982,694,548**	**₱5,455,686,946**	**₱5,729,552,336**	**₱–**	**₱708,829,158**	**₱–**	**₱708,829,158**
Semirara Materials and Resources, Inc.	**228,721,893**	**22,187**	**–**	**–**	**228,744,080**	**–**	**228,744,080**
Southwest Luzon Power Generation Corporation	**443,037,208**	**1,784,531,183**	**1,962,665,722**	**–**	**264,902,669**	**–**	**264,902,669**
Semirara Energy Utilities, Inc.	**694,100**	**47,219**	**–**	**–**	**741,319**	**–**	**741,319**
Southeast Luzon Power Generation Corporation	**17,688,644**	**44,020**	**–**	**–**	**17,732,664**	**–**	**17,732,664**
SEM-Cal Industrial Park Developers, Inc.	**405,789**	**44,020**	**–**	**–**	**449,809**	**–**	**449,809**
St. Raphael Power Generation Corporation	**11,544,770**	**–**	**–**	**–**	**11,544,770**	**–**	**11,544,770**
	₱1,684,786,952	**₱7,240,375,575**	**₱7,692,218,058**	**₱–**	**₱1,232,944,469**	**₱–**	**₱1,232,944,469**

ANNEX C

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE D: LONG-TERM DEBT

DECEMBER 31, 2023

Title of issue and type of obligation	Amount authorized by indenture	Interest rates	Maturity date	Number of periodic installments	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet
Bank loans	₱1,400.00 million	Fixed annual interest rate of 4.97% - 5.13% per annum	Various quarterly maturities starting 2020 until 2027	Interest payable every 3 months, principal to be paid on maturity date	₱222,792,205	₱502,869,060
Bank loans	₱3,000.00 million	Fixed annual interest rate of 4.88% - 4.90% per annum	Various quarterly maturities starting 2021 until 2025	Interest payable every 3 months, principal to be paid on maturity date	750,000,000	–
Bank loans	₱2,000.00 million	Fixed annual interest rate of 4.88% - 4.90% per annum	Various quarterly maturities starting 2019 until 2026	Interest payable every 3 months, principal to be paid on maturity date	285,714,286	568,628,772
Bank loans	₱2,700.00 million	Fixed annual interest rate of 4.88% - 4.90% per annum	Various quarterly maturities starting 2019 until 2026	Interest payable every 3 months, principal to be paid on maturity date	432,000,000	859,581,299
Bank loans	₱3,500.00 million	Fixed annual interest rate of 4.88% – 4.90% per annum	Various quarterly maturities starting 2017 until 2024	Interest payable every 3 months, principal to be paid on maturity date	1,575,000,000	695,518,530
Bank loans	₱4,000.00 million	Fixed annual interest rate of 5.00% - 5.13% per annum	Various quarterly maturities starting 2019 until 2024	Interest payable every 3 months, principal to be paid on maturity date	834,228,397	–
					₱4,099,734,888	₱2,626,597,661

ANNEX C

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE E: INDEBTEDNESS TO RELATED PARTIES

DECEMBER 31, 2023

Name of related party	Balance at beginning of period	Balance at end of period

Not applicable. The Group currently has no noncurrent indebtedness to related parties

ANNEX C

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE F: GUARANTEES OF SECURITIES OF OTHER ISSUERS

DECEMBER 31, 2023

Name of issuing entity of securities guaranteed by the company for which this statements is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount of owned by person for which statement is filed	Nature of guarantee

NOT APPLICABLE

ANNEX C

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE G: CAPITAL STOCK

DECEMBER 31, 2023

Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock - ₱1 par value	10,000,000,000	4,250,547,620	–	3,007,294,581	91,594,004	1,151,659,035

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Apr 15, 2024 04:38 PM

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SEMIRARA MINING & POWER CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **SEMIRARA MINING AND POWER CORPORATION** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the year ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signed this 27th day of February 2024.

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

Maria Cristina C. Gotianun
President

Carla Cristina T. Levina
Chief Finance Officer

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public for and in MUNTINLUPA CITY this ___ day of MAR 1 1 2024, affiants exhibited before me:

Name	Passport/CTC No.	Expiry Date / Place Issued
Isidro A. Consunji	P2690001B	07/30/29 DFA, MANILA
Maria Cristina C. Gotianun	P5509920A	02/20/28 DFA, MANILA
Carla Cristina T. Levina	P7838909A	07/05/28 DFA, MANILA

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my Notarial Seal on the date and place above written.

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Page No. 31
Book No. XV
Series No. 2024

ATTY. MARIA JOSEFINA R. ALFONSO
NOTARY PUBLIC
ROLL NO. 65867
MUNTINLUPA CITY, PHILIPPINES

ATTY. MARIA JOSEFINA R. ALFONSO
Notary Public for Muntinlupa City, Philippines
Notarial Commission No. 24-039
Valid until 31 December 2025
Unit 802, Prime Land Tower, Market Street
Ayala Alabang, Muntinlupa City 1780
Roll of Attorneys No. 65867
IBP LRN No. 015215; PPLM Chapter
PTR No. A-6090395; 01/18/2024; Taguig City
MCLE Compliance No. VII-00211[illegible] issued [illegible]

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	0	0	9	1	4	4	7

COMPANY NAME

SEMIRARA MINING AND POWER CORPORATION

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

2/F DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
APFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.semiraramining.com	8888-3000 / 8888-3055	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
747	First Monday of May	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Carla Cristina T. Levina	ctlevina@semirarampc.com	8888-3025	N/A

CONTACT PERSON's ADDRESS

2/F DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Semirara Mining and Power Corporation (the Company), which comprise the parent company statements of financial position as at December 31, 2023 and 2022, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including material accounting policy information.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required under Revenue Regulations 15-2010

The supplementary information required under Revenue Regulations 15-2010 for purposes of filing with the Bureau of Internal Revenue is presented by the management of Semirara Mining and Power Corporation in a separate schedule. Revenue Regulations 15-2010 requires the information to be presented in the notes to parent company financial statements. Such information is not a required part of the basic parent company financial statements. The information is also not required by the Revised Securities Regulation Code Rule 68. Our opinion on the basic parent company financial statements is not affected by the presentation of the information in a separate schedule.

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticlao

Jennifer D. Ticlao
Partner
CPA Certificate No. 109616
Tax Identification No. 245-571-753
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-110-2023, September 12, 2023, valid until September 11, 2026
PTR No. 10082023, January 6, 2024, Makati City

February 27, 2024

SEMIRARA MINING AND POWER CORPORATION

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 26 and 27)	**₱12,130,515,154**	₱15,534,335,973
Receivables (Notes 5, 16, 26, and 27)	**8,370,637,309**	8,892,856,500
Inventories (Note 6)	**11,248,442,336**	9,752,362,511
Other current assets (Note 7)	**872,464,639**	676,985,201
Total Current Assets	**32,622,059,438**	34,856,540,185
Noncurrent Assets		
Investments in subsidiaries (Note 8)	**16,913,125,000**	16,913,125,000
Property, plant and equipment (Note 9)	**7,681,249,513**	8,333,262,768
Right-of-use assets (Note 22)	**20,310,988**	32,027,198
Deferred tax assets - net (Note 23)	**250,318,622**	–
Other noncurrent assets (Note 10)	**32,063,651**	31,707,428
Total Noncurrent Assets	**24,897,067,774**	25,310,122,394
	₱57,519,127,212	₱60,166,662,579

LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 11, 16, 26 and 27)	**₱11,964,901,990**	₱8,921,259,677
Income tax payable (Note 23)	**319,820,681**	897,302,520
Current portion of long-term debt (Notes 12, 26 and 27)	**222,792,205**	222,395,026
Current portion of lease liabilities (Notes 22, 26 and 27)	**11,103,373**	13,706,237
Total Current Liabilities	**12,518,618,249**	10,054,663,460
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 12, 26 and 27)	**502,869,060**	725,661,265
Lease liabilities - net of current portion (Notes 22, 26 and 27)	**13,370,942**	21,636,101
Provision for decommissioning and site rehabilitation costs (Note 13)	**322,262,084**	285,945,139
Pension liability - net (Note 17)	**198,917,210**	97,859,317
Deferred tax liability - net (Note 23)	–	124,788,736
Total Noncurrent Liabilities	**1,037,419,296**	1,255,890,558
Total Liabilities	**13,556,037,545**	11,310,554,018
Equity		
Capital stock (Note 14)	**4,264,609,290**	4,264,609,290
Additional paid-in capital	**6,675,527,411**	6,675,527,411
Treasury shares (Note 14)	**(739,526,678)**	(739,526,678)
Retained earnings (Note 15):		
Unappropriated	**27,135,101,869**	31,989,634,530
Appropriated	**6,800,000,000**	6,800,000,000
Net remeasurement loss on pension plan (Note 17)	**(172,622,225)**	(134,135,992)
Total Equity	**43,963,089,667**	48,856,108,561
	₱57,519,127,212	₱60,166,662,579

See accompanying Notes to Parent Company Financial Statements.

SEMIRARA MINING AND POWER CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2023	2022
REVENUE FROM CONTRACTS WITH CUSTOMERS (Notes 16 and 29)	**₱59,935,924,435**	₱76,341,515,390
COST OF SALES (Note 18)	**27,134,181,680**	23,384,173,176
GROSS PROFIT	**32,801,742,755**	52,957,342,214
OPERATING EXPENSES (Note 19)	**11,516,018,054**	16,808,815,402
INCOME FROM OPERATIONS	**21,285,724,701**	36,148,526,812
OTHER INCOME (CHARGES) - Net		
Dividend income (Note 8)	**3,000,000,000**	1,000,000,000
Finance income (Notes 4 and 21)	**855,432,427**	342,863,112
Finance costs (Note 20)	**(180,631,349)**	(312,046,005)
Foreign exchange gains (loss) - net (Note 26)	**(159,467,271)**	1,015,443,527
Other income - net	**205,583,775**	7,498,445
	3,720,917,582	2,053,759,079
INCOME BEFORE INCOME TAX	**25,006,642,283**	38,202,285,891
PROVISION FOR INCOME TAX (Note 23)	**107,341,604**	1,211,728,596
NET INCOME	**24,899,300,679**	36,990,557,295
OTHER COMPREHENSIVE INCOME (LOSS)		
Item not to be reclassified to profit or loss in subsequent periods		
Remeasurement gain (loss) on pension plan (Note 17)	**(51,314,977)**	78,874
Income tax effect (Note 23)	**12,828,744**	(19,718)
	(38,486,233)	59,156
TOTAL COMPREHENSIVE INCOME	**₱24,860,814,446**	₱36,990,616,451
Basic/Diluted Earnings per Share (Note 26)	**₱5.86**	₱8.70

See accompanying Notes to Parent Company Financial Statements.

SEMIRARA MINING AND POWER CORPORATION
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 14)	Additional Paid-in Capital	Treasury Shares (Note 14)	Retained Earnings Unappropriated (Note 15)	Retained Earnings Appropriated (Note 15)	Net Remeasurement Loss on Pension Plan (Note 17)	Total
				For the Year Ended December 31, 2023			
Balances as of January 1, 2023	**₱4,264,609,290**	**₱6,675,527,411**	**(₱739,526,678)**	**₱31,989,634,530**	**₱6,800,000,000**	**(₱134,135,992)**	**₱48,856,108,561**
Net income	–	–	–	**24,899,300,679**	–	–	**24,899,300,679**
Other comprehensive loss	–	–	–	–	–	**(38,486,233)**	**(38,486,233)**
Total comprehensive income (loss)	–	–	–	**24,899,300,679**	–	**(38,486,233)**	**24,860,814,446**
Cash dividends declared (Note 15)	–	–	–	**(29,753,833,340)**	–	–	**(29,753,833,340)**
Balances as of December 31, 2023	**₱4,264,609,290**	**₱6,675,527,411**	**(₱739,526,678)**	**₱27,135,101,869**	**₱6,800,000,000**	**(₱172,622,225)**	**₱43,963,089,667**
				For the Year Ended December 31, 2022			
Balances as of January 1, 2022	₱4,264,609,290	₱6,675,527,411	(₱739,526,678)	₱16,251,821,447	₱6,800,000,000	(₱134,195,148)	₱33,118,236,322
Net income	–	–	–	36,990,557,295	–	–	36,990,557,295
Other comprehensive income	–	–	–	–	–	59,156	59,156
Total comprehensive income	–	–	–	36,990,557,295	–	59,156	36,990,616,451
Cash dividends declared (Note 15)	–	–	–	(21,252,744,212)	–	–	(21,252,744,212)
Balances as of December 31, 2022	₱4,264,609,290	₱6,675,527,411	(₱739,526,678)	₱31,989,634,530	₱6,800,000,000	(₱134,135,992)	₱48,856,108,561

See accompanying Notes to Parent Company Financial Statements.

SEMIRARA MINING AND POWER CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱25,006,642,283**	₱38,202,285,891
Adjustments for:		
Depreciation and amortization (Notes 9, 10, 18, 19 and 22)	**4,209,804,328**	3,064,738,740
Finance costs (Note 20)	**180,631,349**	312,046,005
Pension expense (Note 17)	**52,587,790**	57,239,043
Gain on sale of equipment (Notes 9 and 16)	**–**	(289,000)
Dividend income (Note 8)	**(3,000,000,000)**	(1,000,000,000)
Net unrealized foreign exchange losses (gains)	**195,184,726**	(1,202,246,647)
Finance income (Note 21)	**(855,432,427)**	(342,863,112)
Reversal of allowance for inventory obsolescence	**(79,863,727)**	–
Operating income before changes in operating assets and liabilities	**25,709,554,322**	39,090,910,920
Decrease (increase) in:		
Receivables	**501,256,198**	(876,538,566)
Inventories	**(1,153,481,032)**	(2,092,630,692)
Other current assets	**(58,785,625)**	(20,273,943)
Increase (decrease) in:		
Trade and other payables	**2,077,301,106**	(1,142,345,323)
Provision for decommissioning and site rehabilitation	**17,084,500**	(27,329,512)
Net cash generated from operations	**27,092,929,469**	34,931,792,884
Interest received (Note 21)	**855,432,427**	342,863,112
Interest paid	**(158,895,307)**	(303,700,157)
Benefits paid (Note 17)	**(2,844,874)**	(20,108,229)
Income taxes paid, including creditable withholding tax (Note 23)	**(1,183,795,870)**	(92,941,321)
Net cash flows provided by operating activities	**26,602,825,845**	34,857,906,289
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property, plant and equipment (Notes 9 and 28)	**(2,967,054,582)**	(2,521,116,118)
Computer software (Note 10)	**(29,361)**	(449,548)
Proceeds from dividends (Note 8)	**3,000,000,000**	1,000,000,000
Increase in other noncurrent assets	**(3,344,151)**	(235,653)
Net cash flows provided by (used in) investing activities	**29,571,906**	(1,521,801,319)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of:		
Dividends (Note 28)	**(29,754,052,759)**	(21,252,510,224)
Long-term debt (Note 12)	**(224,000,000)**	(2,424,000,000)
Lease liabilities (Note 22)	**(13,360,536)**	(18,926,848)
Net cash flows used in financing activities	**(29,991,413,295)**	(23,695,437,072)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(44,805,275)**	1,283,417,903
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(3,403,820,819)**	10,924,085,801
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**15,534,335,973**	4,610,250,172
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱12,130,515,154**	₱15,534,335,973

See accompanying Notes to Parent Company Financial Statements.

SEMIRARA MINING AND POWER CORPORATION
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

Semirara Mining and Power Corporation (SMPC or the Parent Company) was 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. The Parent Company is 56.65% owned subsidiary of DMCI Holdings, Inc. (DHI), a publicly listed entity in the Philippines and its ultimate parent company.

The Parent Company'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.

The Parent Company has seven (7) wholly owned subsidiaries namely Sem-Calaca Power Corporation (SCPC), Southwest Luzon Power Generation Corporation (SLPGC), SEM-Cal Industrial Park Developers, Inc. (SCIPDI), Semirara Materials and Resources, Inc. (SMRI), Semirara Energy Utilities, Inc. (SEUI), Southeast Luzon Power Generation Corporation (SeLPGC) and St. Raphael Power Generation Corporation (SRPGC).

The parent company financial statements as of December 31, 2023 and 2022 and for the years then ended were authorized for issue by the Board of Directors (BOD) on February 27, 2024.

2. Material Accounting Policy Information

Basis of Preparation

The parent company financial statements have been prepared using the historical cost basis. The parent company financial statements are presented in Philippine Peso (₱), the functional and presentation currency. All amounts are rounded-off to the nearest Peso, except for earnings per share and par value information, or unless otherwise indicated.

The accompanying financial statements have been prepared under the going concern assumption.

Statement of Compliance

The parent company financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by Philippine Interpretations Committee (PIC).

The Parent Company also prepares and issues consolidated financial statements for the same period and presented in compliance with PFRSs which are available at the Parent Company's registered and principal office address.

Adoption of New and Amended Accounting Standards and Interpretations
The accounting policies adopted in the preparation of the parent company 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 Parent Company 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 pronouncements did not have an impact on the financial statements of the Parent Company.

- 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 Parent Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Parent Company's 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 Parent Company’s financial statements as it is not in scope of the Pillar Two model rules.

<u>Standards Issued but not yet Effective</u>
Pronouncements issued but not yet effective are listed below. The Parent Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Parent Company intends to adopt the relevant 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 Parent Company 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 Parent Company’s 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 Parent Company's 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 Parent Company.

- 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 Parent Company's 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 Parent Company's 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 Parent Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Parent Company has applied the practical expedient, the Parent Company 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 Parent Company 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 for *Revenue from contracts with customers*).

In order for a financial asset to be classified and measured at amortized cost or at 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 Parent Company'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 Parent Company commits to purchase or sell the asset.

As of December 31, 2023 and 2022, the Parent Company's financial assets comprise of financial assets at amortized cost.

Subsequent measurement - Financial assets at amortized cost
The Parent Company 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 Parent Company's financial assets at amortized cost includes cash and cash equivalents, excluding cash on hand, receivables (excluding nonfinancial assets) and environmental guarantee fund presented 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 derecognized when:

- the right to receive cash flows from the asset has expired; or,
- the Parent Company has transferred its right 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 (i) the Parent Company has transferred substantially all the risks and rewards of the asset, or (ii) the Parent Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Parent Company 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 Parent Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Parent Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Parent Company 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 Parent Company 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 Parent Company 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 Parent Company 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 Parent Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, the Parent Company applies a simplified approach in calculating ECLs. Therefore, the Parent Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

The Parent Company uses a provision matrix which is based on historical observed default rate or losses and adjusted by forward-looking estimate. Primary drivers like macroeconomic indicators of qualitative factors (e.g., inflation) were added to the expected losses calculation to reach a forecast supported by both quantitative and qualitative data points.

The key inputs in the model include the Parent Company's definition of default, historical data of three (3) years for the origination and default date. The Parent Company considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Parent Company may also consider a financial asset to be in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For the Parent Company's cash and cash equivalents and environmental guarantee fund presented under other noncurrent assets measured at amortized cost, the general approach for measuring expected credit losses was applied.

For cash and cash equivalents, the Parent Company applies the minimal 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 Parent Company'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. To estimate the ECL, the Parent Company uses the ratings published by a reputable rating agency.

For environmental guarantee fund, ECLs are recognized in two (2) 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).

Financial liabilities

Initial recognition

Financial liabilities are classified, at initial recognition, either 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 Parent Company's financial liabilities comprise of trade and other payables and long-term debt and lease liabilities.

Subsequent measurement - Payables, loans and borrowings

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 the parent company statements of comprehensive income.

This accounting policy applies to the Parent Company's trade and other payables, long-term debt, lease liabilities, and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as net pension liability, income tax payable, and other statutory liabilities).

Derecognition

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

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 shiploading cost, which is a period cost, all other production related costs are charged to production cost. Spare parts and supplies are usually carried as inventories and are recognized in the parent company statements of comprehensive income when consumed.

Stripping Costs

As part of its mining operations, the Parent Company 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 parent company statements of comprehensive income as operating costs as they are incurred.

In identifying components of the coal body, the Parent Company 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 'Mining properties and mining equipment' under 'Property, plant and equipment' in the parent company statements of financial position. This forms part of the total investment in the relevant cash generating unit, which is reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

The stripping activity asset is subsequently depreciated using the units-of-production method over the life of the identified component of the coal body that became more accessible as a result of the stripping activity. Economically recoverable reserves, which comprise proven and probable reserves, are used to determine the expected useful life of the identified component of the coal body. The stripping activity asset is then carried at cost less amortization and any impairment losses.

Mineable Ore Reserves

Mineable ore reserves are estimates of the amount of coal that can be economically and legally extracted from the Parent Company's mining properties. The Parent Company 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 Parent Company 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 'Mining properties and mining 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 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.

Mining 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.

Mining 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 ‘Mining properties and mining equipment’ under ‘Property, plant and equipment’ in the parent company statements of financial position.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation of property, plant and equipment commences once the assets are put into operational use.

Depreciation of property, plant and equipment are computed on a straight-line basis over the estimated useful lives (EUL) of the respective assets or over the remaining life of the mine, whichever is shorter, as follows:

	Years
Machineries and mining equipment	2 to 3
Power plant and buildings	10 to 25
Roads and bridges	17

The EUL and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

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 parent company statement of comprehensive income in the year the item is derecognized.

Investments in Subsidiaries

The Parent Company’s investments in its subsidiaries are accounted for using the cost method in the parent company financial statements.

A subsidiary is an entity that is controlled by another entity. 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 that entity has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and,
- The ability to use its power over the investee to affect its returns.

Other Assets

Other assets pertain to all other resources controlled by the Parent Company as a result of past events and from which future economic benefits are probable to flow to the Parent Company. 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
The Company classifies advances to suppliers based on the actual realization of such advances based on the determined usage/realization of the asset to which it is intended for (e.g., inventory, investment property and 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 Parent Company within its normal operating cycle or within 12 months from end of reporting period. These are measured at amortized cost less any impairment loss.

Impairment of Nonfinancial Assets
The Parent Company assesses at each reporting date whether there is an indication that its nonfinancial assets may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Parent Company makes an estimate of the asset's recoverable amount.

Investments in subsidiaries
The Parent Company determines at each reporting date whether there is any objective evidence that the investments in subsidiaries are impaired. If this is the case, the Parent Company calculates the amount of impairment as being the difference between the recoverable amount (i.e., higher between fair value less cost to sell and value in use) and the carrying value of the investee company and recognizes the difference in the parent company statements of comprehensive income.

Property, plant and equipment, right-of-use assets and other current and noncurrent assets
An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses are recognized in the parent company statements of comprehensive income.

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 parent company statements of comprehensive income. 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 Parent Company primarily derives its revenue from the sale of coal. 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 Parent Company expects to be entitled in exchange for those goods or services. The Parent Company 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 of obligation to the customer is satisfied. The revenue is measured at the amount to which the Parent Company 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.

Dividend income

Revenue is recognized when the Parent Company's right to receive the payment is established, which is generally when the BOD approves the dividend.

Finance income

Finance income is recognized as it accrues. The Parent Company'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.

Costs and Expenses

Costs and expenses are generally recognized when incurred and measured at the fair value of the consideration paid or payable.

The following specific recognition criteria must also be met before costs and expenses are recognized:

Cost of sales

Cost of sales includes directly related production costs such as materials and supplies, fuel and lubricants, outside services, depreciation and amortization, direct labor, other related production overhead and hauling and shipment costs. These costs are recognized when the related revenue is recognized.

Operating expenses
Operating expenses are expenses that arise in the course of the ordinary operations of the Parent Company. 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. Operating expenses are recognized in the parent company statements of comprehensive income as incurred.

Contract Balances
Trade receivables
Trade receivables represent the Parent Company'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 Parent Company incurs shiploading costs for each coal delivery made under its contracts with customers. The Parent Company has elected to apply the practical expedient option for costs to fulfill a contract which allows the Parent Company 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 Parent Company 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 Parent Company during the period.

All other borrowing costs are recognized in the parent company statements of comprehensive income in the period in which they are incurred.

Foreign Currency-denominated Transactions and Translation
The parent company financial statements are presented in Philippine Peso, which is also the Parent Company's functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate at reporting date. All differences are taken to the parent company statements of comprehensive income.

Pension Cost
The Parent Company 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 parent company statements of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by an independent qualified actuary.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the parent company statements of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income (OCI) in the period in which they arise. Remeasurements are not reclassified to parent company statements of comprehensive income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Parent Company, nor can they be paid directly to the Parent Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related liabilities). If the fair value of the plan assets is higher than the present value of the defined benefit liability, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Parent Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit liability is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees.

<u>Leases</u>
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 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 Parent Company as a lessee

Right-of-use assets
The Parent Company 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 is adjusted for any remeasurement of lease liability. The cost of right-of-use assets includes the amount of lease liability recognized and is depreciated on a straight-line basis over the shorter of the lease term and the EUL of the underlying assets (if depreciable). If ownership of the leased asset transfers to the Parent Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Right-of-use assets are presented under noncurrent assets in the parent company statement of financial position and is subject to impairment. Refer to the accounting policies on *Impairment of Nonfinancial Assets.*

Lease liabilities
At the commencement date of the lease, the Parent Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments. The lease payments include fixed payments (including in substance fixed payments), less any lease incentives receivable. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

In calculating the present value of lease payments, the Parent Company 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 in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Parent Company applies the short-term lease recognition exemption to its rental of warehouse and office space that has lease term of 12 months or less from the initial application date and do not contain a purchase option. It also applies the lease of low value assets recognition exemption to leases. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

<u>Income Tax</u>
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 Parent Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the parent company 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 other comprehensive income or directly in equity is recognized in the parent company statement of comprehensive income and parent company 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 parent company financial statements as the ITH status of the subsidiary neither results in a deductible temporary difference or temporary taxable difference. However, for temporary differences that are expected to reverse beyond the ITH, deferred taxes are recognized.

Provisions

Provisions are recognized only when the Parent Company 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 Parent Company 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 parent company 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 parent company statements of comprehensive income.

Equity

The Parent Company 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 Parent Company less dividends declared, if any. Dividends on common stocks are recognized as a liability and deducted from equity when they are declared. Dividends for the year that are approved after reporting date are dealt with as an event after reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard’s transitional provisions.

Earnings per Share (EPS)
Basic EPS is computed by dividing the net income for the year attributable to common shareholders (net income less dividends on convertible redeemable preferred shares) by the weighted average number of common shares issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period.

Diluted EPS is computed by dividing the net income for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of dilutive convertible redeemable preferred shares. Diluted EPS assumes the conversion of the outstanding preferred shares. When the effect of the conversion of such preferred shares is anti-dilutive, no diluted EPS is presented.

Treasury shares
Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the 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 Parent Company 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 Parent Company'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 Parent Company generally accounts for intersegment revenues and expenses at agreed transfer prices. Income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of income after taxes. Financial information of operating segment is presented in Note 19 to the parent financial statements.

Contingencies
Contingent liabilities are not recognized in the parent company financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the parent company 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 parent company 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 parent company 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 Parent Company's position at reporting date (adjusting events) are reflected in the parent company financial statements. Any post year-end event that is not an adjusting event is disclosed when material to the parent company financial statements.

3. Material Accounting Judgments, Estimates and Assumptions

The preparation of the parent company financial statements in compliance with PFRSs requires management to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. The judgments, estimates and assumptions used in the accompanying parent company financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the parent company financial statements. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the parent company financial statements as they become reasonably determinable. Actual results could differ from such estimates.

Judgments

In the process of applying the Parent Company'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 parent company financial statements:

a. *Revenue recognition - method and measure of progress*
The Parent Company concluded that revenue from coal sales is to be recognized at a point in time (i.e., when the coal passes the rail of the bulk carrier while loading at the SMPC's port for third party sales, when the coal crosses the ship's rail of the related party for intercompany sales) which is consistent with the point in time when customer obtains control of a promised asset under PFRS 15.

b. *Determination of components of ore bodies and allocation measures for stripping cost allocation*
The Parent Company has identified that each of its two active mine sites, 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 Parent Company 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 Parent Company recognizes stripping activity asset by comparing the actual stripping ratio during the year for each component and the component's mine life stripping ratio.

c. *Contingencies*
The Parent Company is currently involved in various legal proceedings and taxation matters. The estimate of the probable costs for the resolution of these claims has been developed in consultation with external legal counsel handling the Parent Company's defense in these matters and is based upon an analysis of potential results. The Parent Company currently believes that these proceedings will not have a material adverse effect on its current financial position and results of operations. It is possible, however, that future results of operations and financial position could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 25).

d. *Determination of lease term of contracts with renewal and termination options - Parent Company as a Lessee*
The Parent Company has several lease contracts that include extension and termination options. The Parent Company 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 Parent Company 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 Parent Company included the renewal period as part of the lease term for leases of land with longer non-cancellable periods (i.e., 10 to 20 years). The Parent Company typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised. However, for some lease contracts identified to be scoped under PFRS 16, the Parent Company did not include such renewal and termination period of several lease contracts since the renewal and termination options is based on mutual agreement, thus not enforceable.

e. *Impairment assessment of nonfinancial assets*
The Parent Company reviews its nonfinancial assets for impairment. This includes considering certain indicators of impairment such as significant or prolonged decline in the fair value of the asset, 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 Parent Company operates.

Management believes that no impairment indicator exists on other nonfinancial assets of the Parent Company. The information and related balances of these remaining nonfinancial assets are disclosed in Notes 7, 8, 9, 10 and 22.

Management's Use of Estimates and Assumptions
The key assumptions concerning the future and other sources of estimation uncertainty at the 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 Parent Company uses the mineable ore reserve in the determination of the amount of amortization of mine properties using units-of-production method. The Parent Company estimates its mineable ore reserves by using estimates provided by the Parent Company's professionally qualified internal mining engineers and geologist. These estimates on the mineable ore resource and reserves are determined based on the information obtained from activities such as drilling, core logging or geophysical logging, coal sampling, sample database encoding, coal seam correlation and geological modelling.

The carrying values of mining properties included as part of 'Mining properties and mining equipment' under 'Property, plant and equipment' amounted to ₱3,751.88 million and ₱4,196.98 million as of December 31, 2023 and 2022, respectively (see Note 9).

b. *Estimating provision for expected credit losses of receivables*
The Parent Company 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 Parent Company's historical observed default rates. The Parent Company 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 Parent Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The allowance for impairment loss for receivables is disclosed in Note 5.

The Parent Company 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 stock pile inventory quantities*
The Parent Company estimates the coal stock pile inventory by conducting a topographic survey which is performed by in-house surveyors and third-party surveyors. The survey is conducted at least on a monthly basis. The process of estimation involves a predefined formula which considers an acceptable margin of error of plus or minus five percent (5%).

Thus, an increase or decrease in the estimation threshold for any period would differ if the Parent Company utilized different estimates and this would either increase or decrease the cost of sales for the year.

The coal pile inventory as of December 31, 2023 and 2022 amounted to ₱1,509.52 million and ₱2,436.96 million, respectively (see Note 6).

d. *Estimating allowance for obsolescence in spare parts and supplies*
The Parent Company 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 Parent Company made different judgments or utilized different estimates. An increase in the allowance for inventory obsolescence would increase the Parent Company's recorded operating expenses and decrease its current assets.

The carrying amount of spare parts and supplies is disclosed in Note 6.

e. *Estimating provision for decommissioning and site rehabilitation costs*
The Parent Company is legally required to fulfill certain obligations under its Department of Environment and Natural Resources issued Environmental Compliance Certificate when its activities end in the depleted mine pits. Significant estimates and assumptions are made in determining the provision for decommissioning and site rehabilitation as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities given the approved decommissioning and site rehabilitation plan, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided.

An increase in decommissioning and site rehabilitation costs would increase the carrying amount of the related assets and increase noncurrent liabilities. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Assumptions used to compute the decommissioning and site rehabilitation costs are reviewed and updated annually.

Information with respect to the estimated provision for decommissioning and site rehabilitation cost are disclosed in Note 13.

f. *Impairm*ent *assessment of nonfinancial assets*
The Parent Company 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 Parent Company operates.

When indicators exist, an impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Assets that are subject to impairment testing when impairment indicators are present are as follows:

	2023	2022
Property, plant and equipment (Note 9)	**₱7,681,249,513**	₱8,333,262,768
Right-of-use assets (Note 22)	**20,310,988**	32,027,198
Other current assets (Note 7)	**872,464,639**	676,985,201
Other noncurrent assets (Note 10)	**32,063,651**	31,707,428

Impairment losses on other current and noncurrent assets were recognized upon assessment that its carrying amounts exceeded the assets' recoverable values.

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

g. *Estimating useful lives of depreciable property, plant and equipment*
The Parent Company estimated the useful lives of its property, plant and equipment (except land, equipment in transit, construction in progress and mine properties) 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 Parent Company 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.

The carrying values and movements in property, plant and equipment are disclosed in Note 9.

h. *Recoverability of deferred tax assets*
The Parent Company reviews the carrying amounts of deferred tax assets at each reporting date. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Parent Company will generate taxable earnings in future periods and in reference to its income tax holiday (ITH) status in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Parent Company to realize the net deferred tax assets recorded at reporting date could be impacted.

i. *Estimating pension and other employee benefits*
The cost of defined benefit pension plan and the present value of the pension liabilities are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These assumptions are described in Note 17 and include among others, the determination of the discount rates and future salary increases.

Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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

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

Information on the Parent Company's pension expense and related pension liability are disclosed in Note 17.

j. *Estimating the incremental borrowing rate*
The Parent Company 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 Parent Company 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 Parent Company '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 Parent Company estimates the IBR using observable inputs (such as market interest rates) by reference to its existing bank loans. This rate reflects the amount that the entity would need to borrow over the term of the lease.

The Parent Company's lease liabilities discounted using the IBR amounted to ₱24.47 million and ₱35.34 million as of December 31, 2023 and 2022, respectively (see Note 22).

4. Cash and Cash Equivalents

	2023	2022
Cash on hand	**₱1,744,731**	₱3,946,321
Cash in banks	**843,314,168**	1,017,078,237
Cash equivalents	**11,285,456,255**	14,513,311,415
	₱12,130,515,154	₱15,534,335,973

Cash and cash equivalents comprise of cash on hand and in banks and short-term deposits but excludes any restricted cash that is not available for use by the Parent Company and therefore is not considered highly liquid.

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents include short-term placements made for varying periods of up to three (3) months, depending on the immediate cash requirements of the Parent Company, and earn interest at the respective prevailing rates. Interest rates ranges from 0.03% to 7.13% and 0.05% to 6.00% in 2023 and 2022, respectively.

In 2023 and 2022, interest income earned on cash and cash equivalents amounted to ₱855.43 million and ₱342.86 million, respectively (see Note 21).

5. Receivables

	2023	2022
Trade receivables - outside parties	**₱5,861,630,756**	₱6,351,073,802
Trade receivables - related parties (Note 16)	**2,626,832,184**	2,621,837,844
Others	**124,148,444**	161,918,929
	8,612,611,384	9,134,830,575
Less allowance for impairment losses	**241,974,075**	241,974,075
	₱8,370,637,309	₱8,892,856,500

Trade receivables - outside parties
Receivables from coal sales are noninterest-bearing and generally have 30 days credit terms. These receivables arise from coal export sales which are priced in US$ and coal domestic sales for coal sold to domestic market which are priced in Philippine Peso.

Trade receivables - related parties
Receivables from related parties are noninterest-bearing and have 30-day credit terms.

Others
Others include noninterest-bearing advances to officers and employees which are collected through salary deduction. These are expected to be settled within one year.

Allowance for impairment losses
As of December 31, 2023 and 2022, this account pertains to the following:

Trade receivables - related parties	₱200,046,209
Trade receivables - outside parties	36,112,507
Others	5,815,359
	₱241,974,075

6. **Inventories**

	2023	2022
At cost		
Coal pile inventory	**₱1,509,524,877**	₱2,436,960,810
At NRV		
Spare parts and supplies	**9,889,105,179**	7,545,453,148
Less allowance for inventory obsolescence	**150,187,720**	230,051,447
	9,738,917,459	7,315,401,701
	₱11,248,442,336	₱9,752,362,511

Coal pile inventory are stated at cost, which is lower than NRV. The cost of coal inventories recognized as 'Cost of sales' in the parent company statements of comprehensive income amounted to ₱25,659.66 million and ₱22,122.70 million in 2023 and 2022, respectively (Note 18).

Coal pile inventory at cost include capitalized depreciation of ₱262.74 million and ₱324.22 million in 2023 and 2022, respectively (Note 9).

Movement in the Parent Company's allowance for inventory obsolescence are as follows:

	2023	2022
Balance at beginning of year	**₱230,051,447**	₱230,051,447
Reversal (Note 18)	**(79,863,727)**	–
Balance at end of year	**₱150,187,720**	₱230,051,447

7. **Other Current Assets**

	2023	2022
Creditable withholding tax	**₱612,954,154**	₱476,260,341
Advances to suppliers	**154,762,508**	195,429,244
Others	**104,747,977**	5,295,616
	₱872,464,639	₱676,985,201

Creditable withholding tax
Creditable withholding tax pertains to the amount withheld by the Parent Company's customers from their income payments. This will be claimed as tax credit and will be used against future income tax payable.

Advances to suppliers
Advances to suppliers classified as current assets represent prepayments for the acquisition of materials and supplies and are expected to be realized within one (1) year.

Others
Others include a placement to a bank with maturity period of less than one year, prepayments on rent, insurance, and other prepaid charges.

8. Investments in Subsidiaries

This account consists of the following investments and related percentages of ownership as of December 31, 2023 and 2022:

	Principal Activity	Ownership	Amount
Subsidiaries			
SCPC	Power	100%	₱8,000,000,000
SLPGC	Power	100	8,640,000,000
SMRI	Manufacturing	100	34,375,000
SEUI	Power	100	3,125,000
SeLPGC	Power	100	3,125,000
SCIPDI	Economic zone developer	100	2,500,000
SRPGC	Power	100	230,000,000
			₱16,913,125,000

The Parent Company's subsidiaries are all incorporated and domiciled in the Philippines. Except for SCPC and SLPGC, the other subsidiaries have not yet started commercial operations as of December 31, 2023 and 2022.

In 2023, the Parent Company received cash dividends from SCPC and SLPGC amounting to ₱1,000.00 million and ₱2,000.00 million, respectively.

In 2022, the Parent Company received cash dividends from SLPGC amounting to ₱1,000.00 million.

9. Property, Plant and Equipment

	2023			
	Mining Properties and Mining Equipment	**Power Plant and Buildings**	**Roads and Bridges**	**Total**
Cost				
At January 1	**₱43,357,589,193**	**₱3,717,394,636**	**₱846,946,929**	**₱47,921,930,758**
Additions	**3,836,870,363**	**4,587,233**	**–**	**3,841,457,596**
Disposals	**(1,600,000)**	**–**	**–**	**(1,600,000)**
Adjustment (Note 13)	**35,498,636**	**–**	**–**	**35,498,636**
At December 31	**47,228,358,192**	**3,721,981,869**	**846,946,929**	**51,797,286,990**
Accumulated Depreciation				
At January 1	**36,027,932,561**	**2,762,755,242**	**797,980,187**	**39,588,667,990**
Depreciation and amortization (Notes 6, 18 and 19)	**4,250,524,398**	**231,888,796**	**46,556,293**	**4,528,969,487**
Disposals	**(1,600,000)**	**–**	**–**	**(1,600,000)**
At December 31	**40,276,856,959**	**2,994,644,038**	**844,536,480**	**44,116,037,477**
Net Book Value	**₱6,951,501,233**	**₱727,337,831**	**₱2,410,449**	**₱7,681,249,513**

	2022			
	Mining Properties and Mining Equipment	Power Plant and Buildings	Roads and Bridges	Total
Cost				
At January 1	₱39,643,459,779	₱3,717,394,636	₱846,946,929	₱44,207,801,344
Additions	3,823,681,718	–	–	3,823,681,718
Disposals	(91,103,000)	–	–	(91,103,000)
Adjustment (Note 13)	(18,449,304)	–	–	(18,449,304)
At December 31	43,357,589,193	3,717,394,636	846,946,929	47,921,930,758
Accumulated Depreciation				
At January 1	32,995,467,615	2,521,031,006	747,817,790	36,264,316,411
Depreciation and amortization (Notes 6, 18 and 19)	3,109,967,946	241,724,236	50,162,397	3,401,854,579
Disposals	(77,503,000)	–	–	(77,503,000)
At December 31	36,027,932,561	2,762,755,242	797,980,187	39,588,667,990
Net Book Value	₱7,329,656,632	₱954,639,394	₱48,966,742	₱8,333,262,768

Mine properties, mining tools and other equipment

- In 2023, the Parent Company acquired various mining properties, mining tools and other equipment amounting to ₱3,841.46 million and ₱26.86 million remains unpaid as of December 31, 2023.
- Fully depreciated asset with original cost of ₱77.50 million was donated to a third party in 2022.
- 'Mining properties and mining equipment' include expected costs for decommissioning and rehabilitation of mine sites and dismantling of mining machineries and conveyor belts at the end of the mining operations. The impact of annual re-estimation is shown in the rollforward as an adjustment (see Note 13).
- 'Mining properties and mining equipment' also includes the mining properties and stripping activity assets amounting to ₱3,751.88 million and ₱4,196.98 million as of December 31, 2023 and 2022, respectively, that are depreciated using the units-of-production method (see Note 3).

Depreciation and amortization included in the parent company statements of comprehensive income and capitalized as cost of 'Inventories' and 'Property, Plant and Equipment' are as follows:

	2023	2022
Depreciation and amortization of:		
Property, plant and equipment	**₱4,528,969,487**	₱3,401,854,579
Right-of-use assets (Note 22)	**11,716,210**	12,495,262
Computer software (Note 10)	**3,017,289**	5,074,823
	₱4,543,702,986	₱3,419,424,664
Included under:		
Inventories (Note 6)	**₱262,735,066**	₱324,223,934
Mining properties and mining equipment	**71,163,592**	30,461,990
	333,898,658	354,685,924
Cost of sales (Note 18):		
Depreciation and amortization	**4,159,163,349**	3,016,987,577
Hauling and shiploading costs	**27,341,039**	21,957,413
Operating expenses (Note 19)	**23,299,940**	25,793,750
	4,209,804,328	3,064,738,740
	₱4,543,702,986	₱3,419,424,664

10. Other Noncurrent Assets

	2023	2022
Environmental guarantee fund (Note 26)	**₱15,607,306**	₱13,607,307
Computer software	**1,401,207**	4,389,135
Others	**15,055,138**	13,710,986
	₱32,063,651	₱31,707,428

Environmental guarantee fund
Environmental guarantee fund represents the funds designated to cover all costs attendant to the operation of the Multi-party Monitoring Team of the Parent Company's environmental unit.

Computer software
Movements in computer software account follow:

	2023	2022
At Cost		
At January 1	**₱86,456,317**	₱86,006,769
Additions	**29,361**	449,548
At December 31	**86,485,678**	86,456,317
Accumulated Amortization		
At January 1	**82,067,182**	76,992,359
Amortization (Notes 9, 18 and 19)	**3,017,289**	5,074,823
At December 31	**85,084,471**	82,067,182
	₱1,401,207	₱4,389,135

Others
Others include various types of deposits which are recoverable over more than one (1) year.

11. Trade and Other Payables

	2023	2022
Trade:		
Payable to suppliers and contractors	**₱8,170,218,110**	₱6,170,136,615
Related parties (Note 16)	**188,387,367**	105,102,914
Payable to Department of Energy (DOE) (Note 24)	**3,336,570,310**	2,169,246,696
Accrued expenses and other payables	**269,726,203**	476,773,452
	₱11,964,901,990	₱8,921,259,677

Trade payable to suppliers and contractors
Trade payable to suppliers and contractors arises from progress billing of completed work as of cut-off period. The amount includes liabilities amounting to ₱5,550.77 million (US$99.89 million) and ₱3,839.89 million (US$68.42 million) as of December 31, 2023 and 2022, respectively, to various foreign suppliers for open account purchases of equipment and equipment parts and supplies (see Note 26).

Trade payables are noninterest-bearing and are normally settled on 30 to 360-day credit terms.

Payable to DOE

Payable to DOE represents the share of DOE in the gross revenue of the Parent Company's coal production and shipments computed in accordance with the Coal Operating Contract between the Parent Company and DOE dated July 11, 1977, and as amended on January 16, 1981 (see Note 24).

Accrued expenses and other payables

Details of the accrued expenses and other payables account follow:

	2023	2022
Taxes, permits and licenses (Note 23)	**₱227,949,803**	₱451,862,329
Salaries and wages	**24,715,863**	5,222,560
Association dues	**8,041,687**	8,856,404
Interest (Note 12)	**5,903,587**	7,497,477
Dividends (Note 28)	**3,115,263**	3,334,682
	₱269,726,203	₱476,773,452

Accrued expenses and other payables are noninterest-bearing and are normally settled within the next 12 months.

12. Long-term Debt

	2023	2022
Principal	**₱728,000,000**	₱952,000,000
Less unamortized debt issue cost	**2,338,735**	3,943,709
	725,661,265	948,056,291
Less current portion of long-term debt	**222,792,205**	222,395,026
	₱502,869,060	₱725,661,265

Details of the local bank loans are as follows:

		Outstanding Balance				
Loan Type	**Year of Availment**	**2023**	2022	**Maturity**	**Interest Rate**	**Payment Terms**
Peso loan 1	2020	**₱728,000,000**	₱952,000,000	Various quarterly maturities starting 2020 until 2027	Fixed interest rate of 4.974% per annum	Interest payable every 3 months, principal to be paid on maturity date

The movements in unamortized debt issue cost as of December 31, 2023 and 2022 are as follows:

	2023	2022
Balance at beginning of year	**₱3,943,709**	₱12,396,736
Amortization (Note 20)	**(1,604,974)**	(8,453,027)
Balance at end of year	**₱2,338,735**	₱3,943,709

The outstanding bank loan is clean and is compliant with loan covenants.

Interest expense on long-term debt recognized under 'Finance cost' amounted to ₱43.77 million and ₱128.67 million in 2023 and 2022, respectively (see Note 20).

The principal maturities of long-term debt as of December 31, 2023 and 2022 follow:

	2023	2022
Within one year	**₱224,000,000**	₱224,000,000
More than one year	**504,000,000**	728,000,000
	₱728,000,000	₱952,000,000

13. Provision for Decommissioning and Site Rehabilitation Costs

	2023	2022
At January 1	**₱285,945,139**	₱298,756,686
Effect of changes in estimates (Note 9)	**43,368,960**	(21,589,768)
Actual usage	**(26,284,460)**	(5,739,744)
Accretion of interest (Note 20)	**19,232,445**	14,517,965
At December 31	**₱322,262,084**	₱285,945,139

This provision has been established based on the Parent Company's internal estimates. Assumptions based on the current regulatory requirements and economic environment have been made, which management believes are reasonable bases upon which to estimate the future liability. These estimates are reviewed annually to take into account any material changes to the assumptions (see Note 3).

However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in return, will depend upon future coal prices, which are inherently uncertain.

Discount rates used by the Parent Company to compute for the present value of liability for decommissioning and mine site rehabilitation cost was 5.96% in 2023 and 6.65% in 2022.

In 2023, there were two (2) mine pits being mined for coal deposits – Molave and Narra. In October 2022, Narra resumed its operation which was non-operational since March 2019 due to implementation of geotechnical solutions on the continuous increase of water seepage in Narra pit. The Panian mine site has been depleted and its operation was closed in September 2016. All mine sites are located in Semirara Island, Province of Antique.

In November 2023, a mudflow incident occurred in Molave mine that resulted to a change in its existing pit configuration. Expected mine life of Molave was shortened by one year as increased mudflow from the adjacent area made mining operations in Molave uneconomic. Given the adjusted stripping ratio and heightened risks, the remaining Molave reserves were no longer economically feasible to mine.

In January 2024, the Parent Company presented to the DOE the early closure plan of Molave including the revised impact to the Parent Company's work program and budget from 2024 onwards.

The Parent Company revised its mine work program based on the current conditions of the mining operations. Management revisited certain procedures, practices and assumptions on its existing rehabilitation plan (e.g., timing of mining operations, reforestation requirements, movement of the overburden) which resulted to adjustment in the previously estimated provision for decommissioning and mine site rehabilitation costs.

Resulting changes in estimate pertaining to mine sites amounted to an addition of ₱43.37 million in 2023 and a reduction of ₱21.59 million in 2022. The changes in estimates were recognized as adjustment to 'Mine properties, mining tools and other equipment' under property, plant and equipment account amounting to ₱35.50 million and ₱18.45 million in 2023 and 2022, respectively (see Note 9), and as adjustment to 'Others' under operating expense account amounting to ₱7.87 million and ₱3.14 million in 2023 and 2022, respectively (see Note 19).

14. **Capital Stock**

The details of the Parent Company's capital stock as of December 31, 2023 and 2022 are as follows:

	Shares	Amount
Authorized - ₱1 par value		
Balance at beginning and end of year	10,000,000,000	₱10,000,000,000
Issued and outstanding		
Capital stock		
Balance at beginning and end of year	4,264,609,290	4,264,609,290
Treasury shares		
Balance at beginning and end of year	(14,061,670)	(739,526,678)
	4,250,547,620	₱3,525,082,612

Treasury shares
As of December 31, 2023 and 2022, the Parent Company has bought-back shares of 14,061,670 shares for a total consideration of ₱739.53 million. This is presented as treasury shares in the parent company statements of financial position.

The unappropriated retained earnings amounting to ₱27,135.10 million and ₱31,989.63 million as of December 31, 2023 and 2022, respectively, are restricted for the payment of dividends to the extent of the cost of the shares held in treasury, recognized deferred tax assets and net unrealized foreign exchange gains (except on cash) recognized in profit or loss (see Note 15).

Below is the summary of the Parent Company's track record of registration of securities with the SEC as of December 31, 2023:

	Number of shares registered	**Number of holders as of yearend**
December 31, 2021	4,250,547,620	741
Add: Movement	–	(5)
December 31, 2022	4,250,547,620	736
Add: Movement	–	11
December 31, 2023	**4,250,547,620**	**747**

15. Retained Earnings

As of December 31, 2023 and 2022, retained earnings amounted to ₱33,935.10 million and ₱38,789.63 million, respectively.

The Parent Company's retained earnings are restricted for the payment of dividends to the extent of the cost of the shares held in treasury, recognized deferred tax assets and net unrealized foreign exchange gains (except on cash) recognized in profit or loss as of December 31, 2023 and 2022.

The Parent Company's retained earnings available for dividend declaration as of December 31, 2023 and 2022 amounted to ₱26,213.61 million and ₱31,140.44 million, respectively.

Cash Dividends
On October 9, 2023, the Parent Company's BOD authorized the Parent Company to declare and distribute special cash dividends of ₱3.50 per share or ₱14,876.92 million to stockholders of record as of October 23, 2023 and payable on November 8, 2023.

On March 27, 2023, the Parent Company's BOD authorized the Parent Company to declare and distribute regular cash dividends of ₱1.80 per share or ₱7,650.99 million to stockholders of record as of April 13, 2023 and payable on April 25, 2023.

On March 27, 2023, the Parent Company's BOD authorized the Parent Company to declare and distribute special cash dividends of ₱1.70 per share or ₱7,225.93 million to stockholders of record as of April 13, 2023 and payable on April 25, 2023.

On October 17, 2022, the Parent Company's BOD authorized the Parent Company to declare and distribute special cash dividends of ₱3.50 per share or ₱14,876.92 million to stockholders of record as of October 31, 2022 and payable on November 15, 2022.

On March 31, 2022, the Parent Company's BOD authorized the Parent Company to declare and distribute regular cash dividends of ₱1.50 per share or ₱6,375.82 million to stockholders of record as of April 18, 2022 and payable on April 28, 2022.

Appropriations
On October 28, 2022, the BOD approved the re-appropriation of ₱5,300.00 million from the appropriated retained earnings as of 2020 for capital expenditures and power expansion projects which are expected to be completed by 2026.

On October 28, 2021, the BOD approved the appropriation of ₱1,500.00 million from the unappropriated retained earnings as of December 31, 2021 for other investments of the Parent Company. This appropriation is intended for the renewable energy investments of the Parent Company which are expected to be completed by 2026.

16. Related Party Transactions

The Parent Company in its regular conduct of business has entered into transactions with related parties. Related parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making the financial and operating decisions, the parties are subject to common control or the party is an associate or a joint venture. The Parent Company has affiliates under common control of DHI and Dacon Corporation.

The significant transactions with related parties are as follows:

		2023			
		Amount/ Volume	**Receivable (Payable)**	**Terms**	**Conditions**
Trade receivables (Note 5)					
Subsidiaries					
Coal sales	(a)	**₱7,550,936,901**	**₱967,275,155**	**30 days, noninterest-bearing**	**Unsecured, no impairment**
Transfer of materials and reimbursement of shared and pre-operating expenses	(b)	**156,384**	**270,559,153**	**Noninterest-bearing, due and demandable**	**Unsecured, has impairment provision**
Entities under common control					
Coal sales	(a)	**751,089,835**	**1,308,007,425**	**Noninterest-bearing, due and demandable**	**Unsecured, no impairment**
Transfer of materials and reimbursement of shared and pre-operating expenses	(c)	**11,635,870**	**80,990,451**	**Noninterest-bearing, due and demandable**	**Unsecured, no impairment**
			₱2,626,832,184		
Trade payables (Note 11)					
Subsidiaries					
Repairs and maintenance services	(d)	**(₱4,587,233)**	**(₱4,587,233)**	**30 days noninterest-bearing**	**Unsecured**
Entities under common control					
Repairs and maintenance services	(d)	**(21,539,855)**	**(7,354,714)**	**30 days for monthly billings and portion after expiration of retention period, noninterest-bearing**	**Unsecured**
Mine exploration, rental and marine vessel operation and management	(e)	**(592,274,097)**	**(93,567,997)**	**30 days, noninterest-bearing**	**Unsecured**
Office, parking and warehouse rental expenses	(g)	**(17,042,094)**	**(1,286,691)**	**30 days, noninterest-bearing**	**Unsecured**
Aviation services	(h)	**(113,756,803)**	**(77,566,939)**	**30 days, noninterest-bearing**	**Unsecured**
Others	(c)	**(4,023,793)**	**(4,023,793)**	**30 days, noninterest-bearing**	**Unsecured**
			(₱188,387,367)		

		2022			
		Amount/ Volume	Receivable (Payable)	Terms	Conditions
Trade receivables (Note 5)					
Subsidiaries					
Coal sales	(a)	₱5,377,685,820	₱1,024,626,118	30 days, noninterest-bearing	Unsecured, no impairment
Transfer of materials and reimbursement of shared and pre-operating expenses	(b)	14,302,272	660,160,832	Noninterest-bearing, due and demandable	Unsecured, has impairment provision
Entities under common control					
Coal sales	(a)	936,967,262	862,122,326	30 days, noninterest-bearing	Unsecured, no impairment
Transfer of materials and reimbursement of shared and pre-operating expenses	(c)	13,494,725	74,928,568	Noninterest-bearing, due and demandable	Unsecured, no impairment
			₱2,621,837,844		
Trade payables (Note 11)					
Entities under common control					
Repairs and maintenance services	(d)	(₱28,226,998)	(₱21,689,620)	30 days for monthly billings and portion after expiration of retention period, noninterest-bearing	Unsecured
Mine exploration, rental and marine vessel operation and management	(e)	(176,612,602)	(62,393,850)	30 days noninterest-bearing	Unsecured
Office, parking and warehouse rental expenses	(f)	(1,469,610)	(1,785,076)	30 days, noninterest-bearing	Unsecured
Aviation services	(g)	(33,968,706)	(14,480,563)	30 days, noninterest-bearing	Unsecured
Purchases of raw materials	(h)	(1,024,645)	(3,800,335)	30 days, noninterest-bearing	Unsecured
Others	(c)	(518,057)	(953,470)	30 days, noninterest-bearing	Unsecured
			(₱105,102,914)		

a. The Parent Company has entered into purchase commitment with SCPC for the supply of coal. On December 22, 2011, the Parent Company renewed the contract agreement wherein the Parent Company shall supply and SCPC shall purchase minimum volume of 1,100,000 metric tons +/- 10% up to the maximum quantity of 2,400,000 MT of coal that shall take effect from July 1, 2011 until December 31, 2022. Further, both parties agreed on the amendment of Semirara coal specification, pricing, and price adjustments.

In January 2022, the Parent Company and SCPC entered into a Coal Supply Agreement wherein the Parent Company shall supply to and SCPC shall purchase an annual volume of 1,020,000 MT +/- of coal that shall take effect from January 1, 2022 until June 30, 2027.

The Parent Company has entered also into purchase commitment with SLPGC for the supply of coal. The agreement will be effective up to 10 years from March 1, 2016. The Parent Company shall supply and SLPGC shall purchase minimum volume of 525,000 MT +/- 10% up to maximum quantity of 1,050,000 MT of coal.

The Parent Company has coal sales to DMCI Masbate Power Corporation (DMPC) and DMCI Power Corporation (DPC), entities under common control of DMCI-HI, intended for DMPC's and DPC's thermal-fired power plants.

The receivables from coal sales are included in receivables under 'Trade receivables - related parties' in the parent company statements of financial position (see Note 5).

b. Reimbursement of shared pre-operating expenses advanced by the Parent Company to its subsidiaries. These include contracted services, licenses, permit fees, notarial fees, documentary stamp taxes, transfer of materials and other operating expenses.

c. Reimbursement of shared expenses advanced by the Parent Company to its affiliates. These include contracted services, share in rental expenses, office materials and supplies, and maintenance and renewal expenses of information systems.

d. The Parent Company contracted DMCI for various repairs and maintenance services for the plane runway and mine site cut-off walls at Semirara Island.

e. DMC CERI had transactions with the Parent Company for services rendered relating to the Parent Company's coal operations. These include services for the confirmatory drilling for coal reserve and evaluation of identified potential areas, exploratory drilling of other minerals within Semirara Island, and fresh water well drilling for industrial and domestic supply under an agreement. Expenses incurred for said services are included in 'Outside services' under 'Cost of sales' in the parent company statements of comprehensive income (see Note 18).

   DMC CERI also provides service requirements needed by the Parent Company to operate and maintain barges, vessels and tugboats for the purpose of transporting coal. This is inclusive of full and complete supervision of all employees and personnel assigned to perform such services. It also covers hauling and transportation of spare parts, materials, sand and gravel and other cargoes for its use at its coal operation. Expenses incurred for these services are included in 'Hauling and shiploading costs' under 'Cost of sales' in the parent company statements of comprehensive income (see Note 18).

   Furthermore, DMC CERI provides labor services relating to coal operations including those services rendered by consultants. Expenses incurred for said services are included in 'Direct labor' under 'Cost of sales' in the parent company statements of comprehensive income (see Note 18).

Labor costs related to manpower services rendered by DMC CERI represent salaries and wages of personnel, including consultants, incurred in rendering services to Parent Company in its coal operations. Under existing arrangements, payments of salaries and wages are given directly to personnel concerned. Expenses incurred for said services are included in 'Direct labor' under 'Cost of Sales' in the parent company statements of comprehensive income (see Note 18).

In 2020, marine vessels were sold to DMC CERI for ₱620.58 million, of which ₱13.39 million remained uncollected as of December 31, 2023.

f. DMC Urban Property Developers, Inc. (DMC-UPDI) had transactions with the Parent Company representing long-term lease on land, warehouse space and other transactions necessary for the coal operations. Rental expenses on warehouse space are included in 'Cost of Sales' under 'Outside services', while payments related to lease of land are accounted as reduction to lease liabilities upon adoption of PFRS 16 (see Notes 18 and 22).

g. Royal Star Aviation Inc. provides maintenance services and hangarage for the Parent Company's aircrafts that are used to transport supplies, employees and visitors in and out of the mine site. The related expenses are included in 'Cost of sales' under 'Production overhead' in the parent company statements of comprehensive income (see Note 18).

h. Transactions with other affiliates pertain to supply of various raw materials.

Terms and conditions of transactions with related parties
Except as indicated otherwise, the outstanding accounts with other related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties. The Parent Company has approval process and established limits when entering into material related party transactions.

There have been no guarantees or collaterals provided or received for any related party receivables or payables. These accounts are non-interest bearing and are generally unsecured. Impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. As of December 31, 2023 and 2022, the allowance for impairment losses recognized on related party balances amounted to ₱200.05 million (see Note 5).

Compensation of key management personnel of the Parent Company amounted to ₱98.30 million and ₱126.92 million in 2023 and 2022, respectively.

There are no other agreements between the Parent Company and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Parent Company's pension plan.

17. Pension Plan

The Parent Company has a funded, noncontributory defined benefit plan covering substantially all of its regular employees. The latest actuarial valuation is as of December 31, 2023. Provisions for pension liabilities are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. The Parent Company updates the actuarial valuation every year by hiring the services of a third party professionally qualified actuary.

The Parent Company accrues retirement costs (included in 'Pension liability' of the parent company statements of financial position) based on an actuarially determined amount using the projected unit credit method.

The funds are administered by a trustee bank under the supervision of the BOD of the plan. The BOD is responsible for the investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of the significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the plan's objectives, benefit liability and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy). The BOD delegates the implementation of the investment policy in accordance with the investment strategy as well as various principles and objectives to an Investment Committee, which consists of members of the BOD, the President and Vice President and Chief Finance Officer.

Under the existing regulatory framework, Republic Act (RA) 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Provisions for pension liability are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. The Parent Company updates the actuarial valuation every year by hiring the services of a third party professionally qualified actuary. There are no plan amendments or curtailments in 2023 and 2022.

The cost of defined benefit pension plans and the present value of the net pension liability are determined using actuarial valuations.

The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension liabilities for the defined benefit plan are shown below:

	2023	2022
Discount rate	**6.05%**	7.16%
Salary increase rate	**3.00%**	3.00%
Weighted average duration of defined benefit obligation	**5.1 years**	4.6 years

The following table summarizes the components of pension expense in the parent company statements of comprehensive income:

	2023	2022
Current service cost	**₱44,703,816**	₱54,192,594
Interest expense related to defined benefit liability	**31,636,391**	22,350,059
Interest income related to plan assets	**(23,752,417)**	(19,303,610)
	₱52,587,790	₱57,239,043

The above pension expense is included in 'Direct labor' under 'Cost of sales' and 'Personnel costs' under 'Operating Expenses' in the parent company statements of comprehensive income (see Notes 18 and 19).

The following tables provide analyses of the movement in pension liability recognized on parent company statements of financial position:

	2023	2022
Defined benefit liability at beginning of year	**₱441,849,033**	₱446,108,970
Current service cost	**44,703,816**	54,192,594
Interest expense	**31,636,391**	22,350,059
Remeasurement losses (gains) of arising from:		
Changes in financial assumptions	**28,453,595**	(48,967,759)
Changes in demographic assumptions	**–**	(26,370,126)
Experience adjustments	**19,723,483**	14,643,524
Benefits paid from plan assets	**(24,504,095)**	–
Benefits directly paid by the Parent Company	**(2,844,874)**	(20,108,229)
Defined benefit liability at end of year	**₱539,017,349**	₱441,849,033

	2023	2022
Fair value of plan assets at beginning of year	**₱343,989,716**	₱385,301,593
Remeasurement losses arising from return on plan assets	**(3,137,899)**	(60,615,487)
Interest income	**23,752,417**	19,303,610
Benefits paid from plan assets	**(24,504,095)**	–
Fair value of plan assets at end of year	**₱340,100,139**	₱343,989,716

	2023	2022
Net pension liability at beginning of year	**₱97,859,317**	₱60,807,377
Net pension expense	**52,587,790**	57,239,043
Remeasurement losses (gains) recognized in OCI	**51,314,977**	(78,874)
Benefit payments	**(2,844,874)**	(20,108,229)
Net pension liability at end of year	**₱198,917,210**	₱97,859,317

The Parent Company is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund are at the Parent Company's discretion. However, in the event a benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable from the Parent Company to the Retirement Fund.

The composition and fair value of plan assets as at the end of reporting date are as follows:

	2023	2022
Cash and cash equivalents	**₱50,407,240**	₱38,584,675
Equity instruments		
Financial institutions	**74,615,279**	85,606,431
Debt instruments		
Government securities	**210,290,248**	214,791,490
Unquoted debt securities	**2,925,954**	3,821,780
Receivables	**1,861,418**	1,185,340
	₱340,100,139	₱343,989,716

Trust fee in 2023 and 2022 amounted to ₱633,451 and ₱163,429, respectively.

The composition of the fair value of the plan assets includes:

- *Cash and cash equivalents* - include savings and time deposit with affiliated bank and special deposit account with Bangko Sentral ng Pilipinas.

- *Investment in equity securities* - includes investment in common and preferred shares of financial institute and real estate traded in the Philippine Stock Exchange.

- *Investment in debt securities - government securities* - includes investment in Philippine Retail Treasury Bonds and Fixed Rate Treasury Notes.

- *Investments in unquoted debt securities* includes investment in long-term debt notes and retail bonds.

- *Receivables* pertain to interest and other receivables on the investments in the fund.

The management performs a study of how to match its existing assets versus the net pension liability to be settled. The overall investment policy and strategy of the Parent Company's defined benefit plan is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risks of the plan. The Parent Company's current guiding strategic investment strategy consists of 63% and 64% of debt instruments, 15% and 11% of cash and cash equivalents, 22% and 25% of equity instruments and 1% and 0% of others as of December 31, 2023 and 2022, respectively.

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the Defined Benefit Obligation (DBO) at the reporting date after first adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged. The sensitivities were expressed as the corresponding change in the DBO.

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

		Increase (decrease) in DBO	
		2023	2022
Discount rates	+1%	**(₱25,789,780)**	(₱19,014,664)
	-1	**28,920,364**	21,269,047
Future salary increases	+1%	**29,525,058**	21,954,159
	-1	**(26,755,096)**	(19,922,256)

Shown below is the maturity analysis of the undiscounted benefit payments up to 10 years:

	2023	2022
Less than 1 year	**₱266,701,355**	₱234,902,344
More than 1 year to 5 years	**126,952,156**	118,588,776
More than 5 years to 10 years	**274,465,434**	186,700,550
	₱668,118,945	₱540,191,670

18. **Cost of Sales**

	2023	2022
Cost of coal (Note 6)		
Fuel and lubricants	**₱10,424,902,919**	₱9,563,169,000
Materials and supplies	**6,088,980,142**	5,646,778,768
Depreciation and amortization (Notes 9, 10 and 22)	**4,159,163,349**	3,016,987,577
Direct labor (Notes 17)	**2,688,866,355**	2,209,076,854
Production overhead (Note 16)	**1,821,482,025**	1,357,783,356
Outside services (Note 16)	**476,269,604**	328,903,702
	25,659,664,394	22,122,699,257
Hauling and shiploading costs (Notes 9 and 16)	**1,474,517,286**	1,261,473,919
	₱27,134,181,680	₱23,384,173,176

In 2023, the Parent Company made a reversal on the previously recognized allowance for inventory obsolescence amounting to ₱79.86 million included as part of "Materials and supplies" under cost of coal in the parent company statements of comprehensive income.

19. **Operating Expenses**

	2023	2022
Government share (Note 24)	**₱10,682,608,445**	₱15,963,371,469
Personnel costs (Note 17)	**412,488,409**	386,593,336
Office expenses	**139,998,172**	119,764,036
Professional fees	**44,972,106**	40,407,734
Depreciation and amortization (Notes 9 and 22)	**23,299,940**	25,793,750
Transportation and travel	**24,273,979**	21,360,578
Entertainment, amusement and recreation	**17,669,348**	15,644,134
Taxes and licenses	**8,692,644**	8,931,947
Others	**162,015,011**	226,948,418
	₱11,516,018,054	₱16,808,815,402

Others include tax deficiencies paid for taxable year 2020 BIR audit amounting to ₱140.00 million in 2023 and accrued interest on the 2020 income tax due amounting to ₱184.00 million in 2022 (see Note 23).

20. **Finance Costs**

	2023	2022
Interests on:		
Long-term debt (Note 12)	**₱43,773,440**	₱128,672,672
Amortization of debt issuance cost (Note 12)	**1,604,974**	8,453,027
Accretion of decommissioning and site rehabilitation costs (Note 13)	**19,232,445**	14,517,965
Lease liabilities (Note 22)	**2,492,513**	3,513,741
Bank charges	**113,527,977**	156,888,600
	₱180,631,349	₱312,046,005

21. Finance Income

	2023	2022
Interests on (Note 4):		
Cash equivalents	**₱846,296,974**	₱333,664,796
Cash in banks	**9,135,453**	9,198,316
	₱855,432,427	₱342,863,112

22. Leases

Parent Company as a lessee
The Parent Company has lease contracts for various items of land at the mine site and office spaces used in its operations. Leases of land generally have lease terms between 10 to 20 years, while office spaces generally have lease terms of two (2) to seven (7) years. The Parent Company also has certain leases of warehouse and office spaces with lease terms of 12 months or less. The Parent Company applies the ‘short-term lease’ recognition exemption for these leases.

Set out below the movement in the Parent Company’s right-of-use assets and lease liabilities in 2023 and 2022:

	Right-of-use Assets	
	2023	2022
At Cost		
Beginning and ending balance	**₱83,015,068**	₱83,015,068
Accumulated Amortization		
Beginning balance	**50,987,870**	38,492,608
Amortization (Notes 18 and 19)	**11,716,210**	12,495,262
Ending balance	**62,704,080**	50,987,870
	₱20,310,988	₱32,027,198

	Lease Liabilities	
	2023	2022
Beginning balance	**₱35,342,338**	₱50,755,445
Accretion of interest (Note 20)	**2,492,513**	3,513,741
Payments	**(13,360,536)**	(18,926,848)
Ending balance	**24,474,315**	35,342,338
Less current portion of lease liabilities	**11,103,373**	13,706,237
Noncurrent portion of lease liabilities	**₱13,370,942**	₱21,636,101

The lease liabilities were measured at the present value of the remaining lease payments discounted at the Parent Company’s weighted average incremental borrowing rate of 3.20% in 2023 and 2022.

As of December 31, 2023 and 2022, future minimum lease payments under operating leases are as follows:

	2023	2022
Within one year	**₱12,525,506**	₱16,198,750
After one year but not more than 5 years	**15,034,128**	27,559,635
	₱27,559,634	₱43,758,385

23. **Income Tax**

	2023	2022
Current	**₱319,820,681**	₱898,392,068
Final	**149,799,537**	58,895,077
Deferred	**(362,278,614)**	254,441,451
	₱107,341,604	₱1,211,728,596

In 2022, the current provision for income tax includes the accrual of income tax due in its 2020 income amounting to ₱897.30 million.

The reconciliation of the effective statutory income tax rate to the provision for income tax rate shown in the parent company statements of comprehensive income follow:

	2023	2022
Statutory income tax rate	**25.00%**	25.00%
Adjustments for:		
Nondeductible expense	**0.28**	0.89
Tax-exempt income	**(24.66)**	(22.69)
Interest income subjected to final tax - net of nondeductible interest expense	**(0.19)**	(0.03)
Effective income tax rate	**0.43%**	3.17%

The Parent Company has the following net deferred tax assets (liabilities) as of December 31, 2023 and 2022:

	2023	2022
Deferred tax assets on:		
Pension liability (Note 17)	**₱102,441,160**	₱96,704,138
Allowance for inventory obsolescence (Note 6)	**37,546,930**	57,512,862
Allowance for doubtful accounts (Note 5)	**60,493,519**	22,530,585
Lease liabilities (Note 22)	**6,118,578**	6,348,719
Unrealized foreign exchange losses	**48,796,182**	–
	255,396,369	183,096,304
Deferred tax liabilities on:		
Right-of-use assets	**(5,077,747)**	(7,323,379)
Unrealized foreign exchange gains	–	(300,561,661)
	(5,077,747)	(307,885,040)
Net deferred tax assets (liabilities)	**₱250,318,622**	(₱124,788,736)

The movements in net deferred tax assets (liabilities) in 2023 and 2022 are as follows:

	2023	2022
January 1	**(₱124,788,736)**	₱129,672,433
Charged to profit or loss	**362,278,614**	(254,441,451)
Charged to other comprehensive income	**12,828,744**	(19,718)
December 31	**₱250,318,622**	(₱124,788,736)

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used.

Board of Investments (BOI) Incentives

In relation to the Parent Company's operation in Panian mine site, on September 26, 2008, the BOI issued in favor of the Parent Company a Certificate of Registration as an Expanding Producer of Coal in accordance with the provisions of the Omnibus Investments Code of 1987. Pursuant thereto, the Parent Company shall be entitled to the following incentives, among others:

On August 31, 2012 and February 24, 2016, BOI has granted the Parent Company Certificates of Registration as New Producer of Coal in accordance with the provisions of the Omnibus Investments Code of 1987 in relation to the operation in Narra Mine (formerly Bobog) (Certificate of Registration No. 2012-183) and Molave Mine (Certificate of Registration No. 2016-042). Pursuant thereto, the Parent Company shall be entitled to the following incentives for the two Certificates of Registration, among others:

a. ITH for four (4) years from January 2015 and January 2017 for Narra mine and Molave mine, respectively, or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

b. Income qualified for ITH availment shall not exceed by more than 10% of the projected income represented by the Parent Company in its application provided the project's actual investments and employment match the Parent Company's representation in the application.

On October 24, 2019, the BOI approved the request for suspension of Narra Mine until the slope stability of the Narra mine to resume production is ensured, as follows:

a. the suspension of mining operation of Narra Mine under its Certificate of Registration No. 2012-183 dated August 31, 2012, subject to the capping of ITH incentive of Molave mine to 9,697,165 MT under BOI Certificate of Registration No. 2016-042 dated February 24, 2016, which is the highest attained production volume for the last three (3) years of operation; and,

b. the suspension of the corresponding ITH under its Certificate of Registration No. 2012-183 dated August 31, 2012.

On November 28, 2019, the BOI approved the Parent Company's application for extension for one (1) year for ITH incentive. The approved bonus year under Certificate of Registration No. 2016-042 is for the period October 15, 2020 to October 14, 2021 using the Indigenous Raw Material Criterion pursuant to Executive Order No. 226.

The Parent Company received a letter from the BOI dated February 28, 2020, stating that the BOI per Board Resolution No. 04-14, Series of 2020, approved the motion for reconsideration of the Parent Company and that the portion of BOI Board Resolution No. 31-07, Series of 2019, capping the incentive of Molave mine to 9,697,165 MT be amended. The annual coal production rate of 16 million metric tons as specified in the Amended Environmental Compliance Certificate issued by the Department of Environment and Natural Resources-Environmental Management Bureau (DENR-EMB) shall be imposed upon the Parent Company's two (2) projects under BOI Certificate of Registration No. 2012-183 dated August 31, 2012 and BOI Certificate of Registration No. 2016-042 dated February 24, 2016 as New Producer of Coal, pursuant to the provisions under the Executive Order No. 226. Any revenue arising from the coal production in excess of 16 million metric tons annual production rate shall not be entitled to ITH incentive.

On July 12, 2021, the Parent Company applied for another extension of one (1) year of ITH incentive for Molave Mine. On December 16, 2021, the BOI approved the Parent Company's application for extension for one (1) year of ITH incentive for Molave Mine.

The approved bonus year under Certificate of Registration No. 2016-042 is for the period October 15, 2021 to October 14, 2022 using the net foreign exchange earnings criterion pursuant to Executive Order No. 226.

On July 2, 2020, through Board Resolution No. 12-13, Series of 2020, the BOI approved the request for deferment of the ITH incentive availment for taxable year 2020, noting that the operation has been affected or disrupted by COVID-19 pandemic and since the project has not fully enjoyed the incentives granted to it for reasons beyond the Company's control pursuant to Article 7(14) of Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987, as amended, subject to the following:

(1) the income tax due for the taxable year covered by the deferment period shall be paid by the Parent Company;

(2) the Parent Company will only be entitled to ten (10) months of ITH incentive in the next taxable year since the deferment period, taxable year 2020, is the project's last year of ITH availment period;

(3) that this deferment shall not prejudice the project's approved bonus year under Certificate of Registration No. 2016-042 for the period October 15, 2020 to October 14, 2021 using the Indigenous Raw Material Criterion pursuant to Art. 39(a)(ii) of E.O. 226 pursuant to Board Resolution No. 31-07, Series of 2019. Noting the deferment of its ITH incentive for taxable year 2020, the bonus year shall correspondingly be amended from October 15, 2021 to October 24, 2022.

In 2022, the BOI provided the Parent Company the option to amend the ITH incentive (bonus) expiration year to October 2023 subject to the Parent Company paying the taxable year 2020 income tax due amounting to ₱897.30 million and the related interest.

In 2022, the Parent Company recognized ₱897.30 million of income tax due on its income in 2020, as part of its provision for current income tax.

In January 2023, the Parent Company settled the income tax due for the taxable year 2020 at ₱1,088.46 million inclusive of interest amounting to ₱191.16 million. Hence, the ITH incentive (bonus) will expire beginning October 2023 and the income from the registered activities of the BOI project (Molave mine pit) from October 2023 will be subjected to regular corporate tax of 25%.

The BOI corrected the ITH availment period of the BOI project pursuant to Art. 39(a)(1)(iii) of E.O. 226 under Certificate of Registration No. 2016-042 from October 15, 2021 to October 14, 2022 to October 15, 2022 to October 14, 2023.

The Parent Company availed of incentive in the form of ITH on its income under registered activities. The income under registered activities amounted to ₱21,559.39 million, and ₱36,375.37 million in 2023 and 2022, respectively.

24. **Coal Operating Contract with DOE**

On July 11, 1977, the Government, through its former Energy Development Board, awarded a 35-year COC to a consortium led by Vulcan Industrial & Mineral Exploration Corporation and Sulu Sea Oil Development Corporation that subsequently assigned said COC to then Semirara Coal Corporation, now the Parent Company, on April 7, 1980. On July 27, 1977, Presidential Decree (PD) 972 was amended by PD 1174 thereby: (a) increasing coal operators' maximum cost recovery from an amount not exceeding 70% to 90% of the gross proceeds from production; and (b) increasing the amount of a special allowance for Philippine corporations from an amount not exceeding 20% to 30% of the balance of the gross income, after deducting all operating expenses. As a result, the Parent Company’s COC was subsequently amended on January 16, 1981 reflecting said changes.

On May 13, 2008, the DOE granted the Parent Company’s request for an extension of its COC for another 15 years or until July 14, 2027.

On November 12, 2009, the COC was amended further, expanding its contract area to include Caluya and Sibay Islands, Antique, covering an additional area of 3,000 hectares and 4,200 hectares, respectively.

On August 6, 2018, the contract area in Caluya Islands was expanded and the COC was amended further to include an additional area of 13,000 hectares.

On April 29, 2013, the DOE issued a new COC to the Parent Company, granting the Parent Company the exclusive right to conduct exploration, development and coal mining operations in the municipality of Bulalacao, province of Oriental Mindoro, up to a maximum of 36 years from its effective date. The COC covers two coal-bearing parcels of land covering areas of 2,000 and 5,000 hectares, respectively. On November 9, 2021, the COC was voluntarily relinquished by the Parent Company.

On June 7, 2013, the DOE issued a new COC to the Parent Company, which grants the Parent Company the exclusive right to conduct exploration, development and coal mining operations in the municipalities of Maitum and Kiamba, province of Sarangani, up to a maximum of 36 years from its effective date. The COC covers a coal-bearing parcel of land covering area of 5,000 hectares. On January 18, 2019, the old COC was voluntarily relinquished by the Parent Company.

In return for the mining rights granted to the Parent Company, the Government is entitled to receive annual royalty payments consisting of the balance of the gross income after deducting operating expenses, operator’s fee and special allowance. The DOE, through the Energy Resources Development Bureau, approved the exclusion of coal produced and used solely by the Parent Company to feed its power plant used for mining operations in determining the amount due to DOE.

Royalty dues for DOE’s share under this contract, amounted to ₱10,682.61 million and ₱15,963.37 million in 2023 and 2022, respectively, included under ‘Operating expenses’ in the Parent Company statements of comprehensive income (see Note 19). The related payable to DOE amounting to ₱3,336.57 million and ₱2,169.25 million as of December 31, 2023 and 2022, is included under the ‘Trade and other payables’ account in the parent company statements of financial position (see Note 11).

25. **Contingencies and Commitments**

The Parent Company is a party to certain proceedings and legal cases with other parties in the normal course of business. The ultimate outcome of these proceedings and legal cases cannot be presently determined. Management, in consultation with its legal counsels, believes that it has substantial legal and factual bases for its positions and is currently of the opinion that the final resolution of these claims will not have a material effect on the financial statements.

The Parent Company is also contingently liable with respect to certain taxation matters, lawsuits and other claims which are being contested by management, the outcome of which are not presently determinable. Management believes that the final resolution of these claims will not have a material effect on the parent company financial statements.

There is no resulting provision in 2023, 2022 and 2021 for these lawsuits, claims and assessments based on management's assessment. The other information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, are not disclosed on the grounds that it can be expected to prejudice the outcome of pending lawsuits, claims and assessments.

a. *Effectivity of Revenue Regulations (RR) 1-2018*

   On January 5, 2018, RR 1-2018 took effect pursuant to the effectivity of the Tax Reform for Acceleration and Inclusion (TRAIN) law beginning January 1, 2018. Among others, the new tax law raised the excise tax rates on domestic and imported coal from ₱10.0 per metric ton (MT) to ₱50.0 per MT in the first year of implementation, ₱100.0/MT in the second year, and ₱150.0/MT in the third and succeeding years. Based also on the RR, coal produced under coal operating contracts entered into by the Government pursuant to PD No. 972, as well as those exempted from excise tax on mineral products under other laws, shall now be subject to the applicable rates beginning January 1, 2018.

   On February 21, 2018, the Parent Company requested for a clarification on this with the tax bureau and submitted a supplemental letter explaining why the excise tax provisions on coal under the TRAIN law will not apply to the Parent Company under the terms and conditions of its COC with the DOE. In response, on December 17, 2018, Revenue Memorandum Circular (RMC) No. 105-2018 was issued, clarifying the payment of excise tax on domestic coal sales and specifically identifying the Parent Company as merely a collecting agent (the Parent Company collected from customers and remitted to the tax bureau). The RMC did not provide for the excise tax treatment of export coal sales (per RMC, this will be tackled in a separate revenue memorandum issuance), but management believes that the Parent Company is similarly not liable for this under the terms of its existing COC. Given this, management believes that both the timing and the amount of excise tax on exported coal that will be due from the Parent Company, if any, are uncertain as of December 31, 2023 and 2022 and will only be confirmed when the said issuance will be issued by the tax bureau.

b. *DOE Resolution on Violation of Accreditation of Coal Traders*

   On May 23, 2019, the trial shipment of 4,768.737 MT of the Parent Company was shipped and delivered to Gold Anchorage Stevedoring and Arrastre Services, Inc. (GASAI). On June 6, 2019, the Parent Company received an Order dated June 4, 2019 from the DOE directing the Parent Company to: (a) File a verified Answer within 30 days from receipt; and (b) cease and desist from doing coal trading activities and operations. Order also states that the coal trader accreditation of the Parent Company is suspended until further notice.

On July 5, 2019, the Parent Company filed its Verified Answer arguing that: (a) sale and delivery of coal to GASAI was done in good faith; (b) the cease and desist order (CDO) and suspension is disproportionately severe under the circumstances as it should only be directed to trading done with GASAI; and c) imposition of fines is only applicable to those entities who are not accredited.

On July 10, 2019, the Parent Company wrote the DOE requesting deferment of the that implementation of the CDO and/or suspension pending resolution of the DOE.

On July 12, 2019, the DOE held in abeyance the imposition of the implementation of the CDO subject to the following conditions:

a. Order of abeyance is effective only for 30 days or until resolution of the Answer, whichever comes earlier;
b. the Parent Company to continue with its existing coal contracts, but shall not enter as party to any new coal supply agreement; and,
c. the Parent Company should faithfully comply with its commitments and obligations as an accredited coal trader.

On November 19, 2019, the Parent Company received the DOE Resolution dated October 15, 2019 imposing the following penalties:

- Suspension of coal trading activities for 1 month, except to the Parent Company-owned and other powerplants with existing coal supply agreements; and,
- Monetary penalty of ₱1.74 million.

On November 20, 2019, a motion for reconsideration to the Resolution dated October 15, 2019 was filed with the following prayer:

- The Resolution is null and void as it was issued in violation of the DOE Rules of Procedure; and,
- The CDO and Resolution are onerous and overbroad in scope as it was applied to unrelated transactions (not GASAI's) and inconsistent with the objectives of the Accreditation Guidelines.

On November 25, 2019, an amended motion for reconsideration was filed by the Parent Company.

On January 3, 2020, the Parent Company received letter from the DOE dated December 26, 2019 directing the former to file its position paper relative to the CDO in which the Parent Company filed on January 10, 2020.

On March 16, 2021, DOE modified its October 15, 2019 resolution as follows:

- Ordering payment of a fine of P610,000.00 instead
- Removal of the penalty of one-month suspension of the coal trader accreditation.

The Parent Company paid the penalty on March 31, 2021.

26. **Financial Risk Management Objectives and Policies**

The Parent Company has various financial assets such as cash and cash equivalents, receivables and environmental guarantee fund, which arise directly from operations.

The Parent Company's financial liabilities comprise trade and other payables, long-term debt, lease liabilities, and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as pension liability, income tax payable, and other statutory liabilities). The main purpose of these financial liabilities is to raise finance for the Parent Company's operations. The main risks arising from the Parent Company's financial instruments are price risk, interest rate risk, liquidity risk, foreign currency risk and credit risk.

The BOD reviews and approves policies for managing each of these risks which are summarized below.

The sensitivity analyses have been prepared on the following basis:

- Price risk - movement in one-year historical coal prices
- Interest rate risk - market interest rate on loans
- Foreign currency risk - annual movement in the foreign exchange rates

The assumption used in calculating the sensitivity analyses of the relevant parent company statement of comprehensive income item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held as of December 31, 2023 and 2022.

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 Parent Company can charge for its coal is directly and indirectly related to the price of coal in the global coal market. In addition, as the Parent Company 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 Parent Company'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 Parent Company in its relationship with its key customers by offering higher quality, better prices or larger guaranteed supply volumes, any of which would have a materially adverse effect on the Parent Company's profits.

To mitigate this risk, the Parent Company 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 vs export). Also, in order to mitigate any negative impact resulting from price changes, it is the Parent Company'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 rates).

Below are the details of the Parent Company's coal sales to the domestic market and to the export market (as a percentage of total coal sales volume):

	2023	2022
Domestic market	**48.84%**	51.99%
Export market	**51.16%**	48.01%

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 Parent Company as of December 31 with all other variables held constant. The change in coal prices used in the simulation assumes fluctuation from the lowest and highest price based on one-year historical price movements in 2023 and 2022.

	Effect on income before income tax Increase (decrease)	
Change in coal price	**2023**	2022
Based on ending coal inventory		
Increase by 29% in 2023 and 19% in 2022	**₱774,424,326**	₱1,088,406,194
Decrease by 29% in 2023 and 19% in 2022	**(774,424,326)**	(1,088,406,194)
Based on coal sales volume		
Increase by 33% in 2023 and 18% in 2022	**13,164,052,954**	9,880,537,599
Decrease by 33% in 2023 and 18% in 2022	**(13,164,052,954)**	(9,880,537,599)

Interest rate risk
The Parent Company's exposure to the risk of changes in market interest rates relates primarily to the Parent Company's long-term debt with floating interest rates. The Parent Company'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 Parent Company's financial instruments that are exposed to cash flow (fixed rate instrument) and fair value (fixed rate instrument) interest rate risks and presented by maturity profile:

		December 31, 2023					
	Interest	**Within 1 year**	**More than 1 year to 2 years**	**More than 2 years to 3 years**	**More than 3 years to 4 years**	**More than 4 years**	**Carrying Value**
Cash in banks and cash equivalents	**0.03% to 7.13%**	**₱12,128,770,423**	**₱–**	**₱–**	**₱–**	**₱–**	**₱12,128,770,423**
Peso (PHP) long-term debt at fixed rate[1]							
a. 1,400.00 million loan	**Fixed rate at 4.974% per annum**	**₱264,915,019**	**₱250,183,136**	**₱235,544,101**	**₱56,711,835**	**₱–**	**₱807,354,091**

[1]*includes future interest payable amounting to ₱79.35 million*

		December 31, 2022					
	Interest	Within 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years	Carrying Value
Cash in banks and cash equivalents	0.05% to 6.00%	₱15,530,389,652	₱–	₱–	₱–	₱–	₱15,530,389,652
Peso (PHP) long-term debt at fixed rate[1]							
a. 1,400.00 million loan	Fixed rate at 4.974% per annum	₱279,461,205	₱264,915,019	₱250,183,136	₱235,544,101	₱56,711,835	₱1,086,815,296

[1]*includes future interest payable amounting to ₱134.82 million*

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Parent Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Parent Company'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 sufficiently funded through cash collections. A significant part of the Parent Company's financial assets that are held to meet the cash outflows include cash and cash equivalents and receivables. Although receivables are contractually collectible on a short-term basis, the Parent Company expects continuous cash inflows through continuous production and sale of coal. In addition, although the Parent Company's short-term investments 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 Parent Company considers the following as mitigating factors for liquidity risk:

- It has available lines of credit that it can access to answer anticipated shortfall in sales and collection of receivables resulting from timing differences in programmed inflows and outflows.
- It has very diverse funding sources.
- It has internal control processes and contingency plans for managing liquidity risk. Cash flow reports and forecasts are reviewed on a weekly basis in order to quickly address liquidity concerns. Outstanding trade receivables are closely monitored.

As part of its liquidity risk management, the Parent Company 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 Parent Company's financial assets and financial liabilities as of December 31, 2023 and 2022 based on contractual payments.

	2023					
	On Demand	**Within 1 year**	**Beyond 1 to 2 years**	**Beyond 2 to 3 years**	**Beyond 3 years**	**Total**
Financial assets						
Cash in banks and cash equivalents	**₱12,128,770,423**	**₱–**	**₱–**	**₱–**	**₱–**	**₱12,128,770,423**
Receivables						
Trade						
Outside parties	**5,861,630,756**	–	–	–	–	**5,861,630,756**
Related parties	**2,626,832,184**	–	–	–	–	**2,626,832,184**
Others[1]	**83,546,483**	–	–	–	–	**83,546,483**
Environmental guarantee fund	–	–	–	–	**15,607,306**	**15,607,306**
	₱20,700,779,846	**₱–**	**₱–**	**₱–**	**₱15,607,306**	**₱20,716,387,152**
Financial liabilities						
Trade and other payables						
Trade						
Suppliers and contractors	**₱8,170,218,110**	**₱–**	**₱–**	**₱–**	**₱–**	**₱8,170,218,110**
Related parties	**188,387,367**	–	–	–	–	**188,387,367**
Accrued expenses and other payables[2]	**41,776,400**	–	–	–	–	**41,776,400**
Lease liabilities	–	**12,525,506**	**5,011,376**	**5,011,376**	**5,011,376**	**27,559,634**
Peso long-term debt at fixed rate[3]						
1,400.00 million loan	–	**264,915,019**	**250,183,136**	**235,544,101**	**56,711,835**	**807,354,091**
	₱8,400,381,877	**₱277,440,525**	**₱255,194,512**	**₱240,555,477**	**₱61,723,211**	**₱9,235,295,602**

[1]*excludes advances to officers, employees and others amounting to ₱40.60 million which are considered as nonfinancial assets*
[2]*excludes statutory liabilities amounting to ₱227.95 million*
[3]*includes future interest payable amounting to ₱79.35 million*

	2022					
	On Demand	Within 1 year	Beyond 1 to 2 years	Beyond 2 to 3 years	Beyond 3 years	Total
Financial assets						
Cash in banks and cash equivalents	₱15,530,389,652	₱–	₱–	₱–	₱–	₱15,530,389,652
Receivables						
Trade						
Outside parties	6,351,073,802	–	–	–	–	6,351,073,802
Related parties	2,621,837,844	–	–	–	–	2,621,837,844
Others[1]	137,733,103	–	–	–	–	137,733,103
Environmental guarantee fund	–	–	–	–	13,607,307	13,607,307
	₱24,641,034,401	₱–	₱–	₱–	₱13,607,307	₱24,654,641,708
Financial liabilities						
Trade and other payables						
Trade						
Suppliers and contractors	₱6,170,136,615	₱–	₱–	₱–	₱–	₱6,170,136,615
Related parties	105,102,914	–	–	–	–	105,102,914
Accrued expenses and other payables[2]	24,905,009	–	–	–	–	24,905,009
Lease liabilities	–	16,198,750	12,525,506	5,011,376	10,022,753	43,758,385
Peso long-term debt at fixed rate[3]						
1,400.00 million loan	–	279,461,205	264,915,019	250,183,136	292,255,936	1,086,815,296
	₱6,300,144,538	₱295,659,955	₱277,440,525	₱255,194,512	₱302,278,689	₱7,430,718,219

[1] *excludes advances to officers, employees and others amounting to ₱24.19 million which are considered as nonfinancial assets*
[2] *excludes statutory liabilities amounting to ₱451.86 million*
[3] *includes future interest payable amounting to ₱134.82 million*

Foreign currency risk
Majority of revenues generated in 2023 and 2022 are in US$. Substantially all of capital expenditures in 2023 and 2022 are in US$.

The Parent Company manages this risk by matching receipts and payments in the same currency and monitoring. Approximately, 55.36% and 54.82% of the Parent Company's sales in 2023 and 2022, respectively, were denominated in US$ whereas approximately 40.95% and 33.95% of the debts as of December 31, 2023 and 2022, respectively, were denominated in US$.

Information on the Parent Company's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents follow:

	December 31, 2023		December 31, 2022	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets:				
Cash and cash equivalents	**$132,257,463**	**₱7,349,547,219**	$157,222,597	₱8,823,332,144
Trade receivables	**69,163,967**	**3,843,441,646**	26,361,264	1,479,394,136
Liabilities:				
Trade payables	**(99,887,893)**	**(5,550,770,214)**	(68,422,914)	(3,839,893,934)
Net exposure	**$101,533,537**	**₱5,642,218,651**	$115,160,947	₱6,462,832,346

The exchange rates used were ₱55.57 to US$1 and ₱56.12 to US$1 in 2023 and 2022, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Parent Company's income before income tax (due to changes in the fair value of monetary assets and liabilities) in 2023 and 2022:

	Currency	Increase (decrease) in Philippine Peso/ Foreign exchange rate	Effect on profit before tax
2023	**USD**	**6.66%**	**₱6,762,134**
		(6.66%)	**(6,762,134)**
2022	USD	7.51%	₱8,648,587
		(7.51%)	(8,648,587)

There is no impact on the Parent Company's equity other than those already affecting profit or loss. The movement in sensitivity analysis is derived from current observations on fluctuations in dollar average exchange rates.

The Parent Company recognized net foreign exchange gains (losses) amounting to (₱159.47) million and ₱1,015.44 million for the years ended December 31, 2023 and 2022, respectively, arising from the translation of the Parent Company's cash and cash equivalents, trade receivables and trade payables.

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Parent Company manages and controls credit risk by doing business with recognized, creditworthy third parties, thus, there is no requirement for collateral. It is the Parent Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Parent Company 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 to the Parent Company's approval, hence, mitigating the risk on collection. In addition, receivable balances are monitored on an ongoing basis with the result that the Parent Company's exposure to bad debts is not significant. The Parent Company 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 Parent Company'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 other financial assets of the Parent Company, which comprise cash and cash equivalents, other receivables and environmental guarantee 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 Parent Company does not hold any collateral or other credit enhancement that will mitigate credit risk exposure. The Parent Company 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.

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 Parent Company's exposure to credit risk as of December 31 and show the credit quality of the assets by indicating whether the assets are subjected to the 12-month ECL or lifetime ECL.

	2023			
	12-month ECL	**Lifetime ECL Not Credit Impaired**	**Lifetime ECL Credit Impaired**	**Total**
Cash in banks and cash equivalents	**₱12,128,770,423**	**₱–**	**₱–**	**₱12,128,770,423**
Receivables:				
Trade receivables – outside parties	**–**	**5,825,518,249**	**36,112,507**	**5,861,630,756**
Trade receivables – related parties	**–**	**2,426,785,975**	**200,046,209**	**2,626,832,184**
Others*	**–**	**77,731,124**	**5,815,359**	**83,546,483**
Environmental guarantee fund	**–**	**15,607,306**	**–**	**15,607,306**
	₱12,128,770,423	**8,345,642,654**	**₱241,974,075**	**₱20,716,387,152**

**Excludes advances to officers, employees and others amounting to ₱40.60 million which are considered as nonfinancial assets*

	2022			
	12-month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Total
Cash in banks and cash equivalents	₱15,530,389,652	₱–	₱–	₱15,530,389,652
Receivables:				
Trade receivables - outside parties	–	6,314,961,295	36,112,507	6,351,073,802
Trade receivables - related parties	–	2,421,791,635	200,046,209	2,621,837,844
Others*	–	131,917,744	5,815,359	137,733,103
Environmental guarantee fund	–	13,607,307	–	13,607,307
	₱15,530,389,652	₱8,882,277,981	₱241,974,075	₱24,654,641,708

**Excludes advances to officers, employees and others amounting to ₱24.19 million which are considered as nonfinancial assets*

Capital Management
The primary objective of the Parent Company'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 Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company 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 Parent Company manages its capital using Debt-to-Equity ratio, which is interest-bearing loans divided by equity, and EPS. The following table shows the Parent Company's capital ratios as of December 31, 2023 and 2022:

	2023	2022
Interest-bearing loans	**₱725,661,265**	₱948,056,291
Total equity	**43,963,089,667**	48,856,108,561
Debt-to-Equity ratio	**1.65%**	1.94%

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

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

The following table shows the components of the Parent Company's capital as of December 31, 2023 and 2022:

	2023	2022
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	**(172,622,225)**	(134,135,992)
Retained earnings - unappropriated	**27,135,101,869**	31,989,634,530
Retained earnings - appropriated	**6,800,000,000**	6,800,000,000
	₱43,963,089,667	₱48,856,108,561

Earnings per Share (EPS)

	2023	2022
Net income	**₱24,899,300,679**	₱36,990,557,295
Divided by the weighted average number of common shares outstanding	**4,250,547,620**	4,250,547,620
Basic/Diluted Earnings per Share	**₱5.86**	₱8.70

There have been no other transactions involving common shares or potential common shares between the reporting date and the date of authorization of the parent company financial statements.

The Parent Company is not subject to any externally imposed capital requirements.

27. **Fair Values**

Fair Value Information
The fair values of cash and cash equivalents, receivables, environmental guarantee fund, trade payables and accrued expenses and other payables approximate their respective carrying values due to short-term nature of transactions.

Long-term debt and lease liabilities
Estimated fair values are based on the discounted value of future cash flows using the applicable rates for similar types of debt.

In 2023 and 2022, interest rates for long-term debt and lease liabilities ranges from 3.20% to 4.97%, respectively.

Fair Value Hierarchy
The Parent Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As of December 31, 2023 and 2022, the Parent Company does not have financial instruments measured at fair value.

28. **Notes to Parent Company Statements of Cash Flows**

Changes in liabilities arising from financing activities are as follows:

	For the year ended December 31, 2023			
	January 1, 2023	**Net cash flows**	**Others**	**December 31, 2023**
Long-term debt (Note 12)	**₱948,056,291**	**(₱224,000,000)**	**₱1,604,974**	**₱725,661,265**
Lease liabilities (Note 22)	**35,342,338**	**(13,360,536)**	**2,492,513**	**24,474,315**
Dividends payable (Note 11)	**3,334,682**	**(29,754,052,759)**	**29,753,833,340**	**3,115,263**
	₱986,733,311	**(₱29,991,413,295)**	**₱29,757,930,827**	**₱753,250,843**

	For the year ended December 31, 2022			
	January 1, 2022	Net cash flows	Others	December 31, 2022
Long-term debt (Note 12)	₱3,363,603,264	(₱2,424,000,000)	₱8,453,027	₱948,056,291
Lease liabilities (Note 22)	50,755,445	(18,926,848)	3,513,741	35,342,338
Dividends payable (Note 11)	3,100,694	(21,252,510,224)	21,252,744,212	3,334,682
	₱3,417,459,403	(₱23,695,437,072)	₱21,264,710,980	₱986,733,311

Others include noncash changes pertaining to amortization of deferred financing cost (see Note 12), cash dividend declaration by the Parent Company (see Note 15), additions to lease liabilities and accretion of related interest (see Note 22).

29. **Operating Segments**

Segment Information
The Parent Company is engaged in surface open cut mining of thermal coal and is managed by the Chief Operating Officer (COO) as a single business unit. The COO monitors the operating results of the Parent Company for the purpose of making decisions about resource allocation and performance assessment. The Parent Company performance is evaluated based on revenue and net income before tax which are measured similarly as in the parent company financial statements.

The following information presents the operating assets and liabilities of the Parent Company as of December 31, 2023 and 2022:

	2023			
	Mining	**Power Generation**	**Others**	**Total**
Segment assets	**₱40,355,683,590**	**₱–**	**₱–**	**₱40,355,683,590**
Deferred tax asset - net	**250,318,622**	**–**	**–**	**250,318,622**
Investments in subsidiaries	**–**	**16,876,250,000**	**36,875,000**	**16,913,125,000**
	₱40,606,002,212	**₱16,876,250,000**	**₱36,875,000**	**₱57,519,127,212**
Segment liabilities	**₱12,830,376,280**	**₱–**	**₱–**	**₱12,830,376,280**
Long-term debt	**725,661,265**	**–**	**–**	**725,661,265**
	₱13,556,037,545	**₱–**	**₱–**	**₱13,556,037,545**
Cash flows arising from (used in):				
Operating activities	**₱26,602,825,845**	**₱–**	**₱–**	**₱26,602,825,845**
Investing activities	**29,571,906**	**–**	**–**	**29,571,906**
Financing activities	**(29,991,413,295)**	**–**	**–**	**(29,991,413,295)**
Other disclosures				
Capital expenditures	**₱2,967,054,582**	**₱–**	**₱–**	**₱2,967,054,582**

	2022			
	Mining	Power Generation	Others	Total
Segment assets	₱43,253,537,579	₱–	₱–	₱43,253,537,579
Investments in subsidiaries	–	16,876,250,000	36,875,000	16,913,125,000
	₱43,253,537,579	₱16,876,250,000	₱36,875,000	₱60,166,662,579
Segment liabilities	₱10,237,708,991	₱–	₱–	₱10,237,708,991
Deferred tax liability - net	124,788,736	–	–	124,788,736
Long-term debt	948,056,291	–	–	948,056,291
	₱11,310,554,018	₱–	₱–	₱11,310,554,018
Cash flows arising from (used in):				
Operating activities	₱34,857,906,289	₱–	₱–	₱34,857,906,289
Investing activities	(1,521,801,319)	–	–	(1,521,801,319)
Financing activities	(23,695,437,072)	–	–	(23,695,437,072)
Other disclosures				
Capital expenditures	₱2,521,116,118	₱–	₱–	₱2,521,116,118

1. Capital expenditures consist of additions of property, plant and equipment.
2. All noncurrent assets other than financial instruments are located in the Philippines.
3. Others pertain to SMRI and SCIPDI which are engaged in manufacturing and economic zone development, respectively.

Disaggregation of Revenue Information
Set out below is the disaggregation of revenue from contracts with customers and results of operations of the Parent Company for the years ended December 31, 2023 and 2022:

	2023	2022
Local coal sales	**₱26,755,254,468**	₱34,487,499,200
Export coal sales	**33,180,669,967**	41,854,016,190
	₱59,935,924,435	₱76,341,515,390

Substantially all revenues from external customers are from open cut mining and sales of thermal coal. Local and export classification above is based on the geographic location of the customer.

All the Parent Company's sales of coal are revenue from contracts with customers and are recognized at point in time.

30. Other Matters

Provisions and Contingent Liabilities

The Parent Company is contingently liable with respect to certain taxation matters, lawsuits and other claims which are being contested by management, the outcome of which are not presently determinable. Management believes that the final resolution of these claims will not have a material effect on the parent company financial statements. The information usually required by PAS 37 is not disclosed as it will prejudice the outcome of the lawsuits and claims.

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**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

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

We have audited in accordance with Philippine Standards on Auditing, the parent company financial statements of Semirara Mining and Power Corporation as at and for the years ended December 31, 2023 and 2022, and have issued our report thereon dated February 27, 2024, which contained an unqualified opinion on those parent company financial statements. Our audits were conducted for the purpose of forming an opinion on the basic parent company financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic parent company financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic parent company financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic parent company financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticlao

Jennifer D. Ticlao
Partner
CPA Certificate No. 109616
Tax Identification No. 245-571-753
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-110-2023, September 12, 2023, valid until September 11, 2026
PTR No. 10082023, January 6, 2024, Makati City

February 27, 2024

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**INDEPENDENT AUDITOR'S REPORT
ON THE SCHEDULE OF RECONCILIATION
OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION**

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

We have audited in accordance with Philippine Standards on Auditing, the parent company financial statements of Semirara Mining and Power Corporation (the Company) as at December 31, 2023 and 2022 and for the years then ended, and have issued our report thereon dated February 27, 2024, which contained an unqualified opinion on those basic parent company financial statements. Our audits were made for the purpose of forming an opinion on the basic parent company financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not part of the basic parent financial statements. This has been subjected to the auditing procedures applied in the audit of the basic parent financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic parent financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticlao

Jennifer D. Ticlao
Partner
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PTR No. 10082023, January 6, 2024, Makati City

February 27, 2024

SEMIRARA MINING AND POWER CORPORATION

SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023

Unappropriated Retained Earnings, beginning of reporting period		**₱31,140,441,789**
Add: Category A: Items that are directly credited to Unappropriated Retained Earnings	₱–	
Reversal of Retained Earnings Appropriation/s	–	
Effect of restatements or prior-period adjustments	–	
Less: Category B: Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the reporting period	29,753,833,340	
Retained Earnings appropriated during the reporting period	–	
Effect of restatements or prior-period adjustments	–	**29,753,833,340**
Unappropriated Retained Earnings, as adjusted		**1,386,608,449**
Add/Less: Net Income for the current year		**24,899,300,679**
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared	–	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	–	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
Unrealized fair value gain of Investment Property	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
Sub-total		–
Add: <u>Category C.2:</u> Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)		
Realized foreign exchange gain, except those attributable to Cash and cash equivalents	–	
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
Realized fair value gain of Investment Property	–	
Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
Sub-total		–

Add: <u>Category C.3</u>: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)		
Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	–	
Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
Reversal of previously recorded fair value gain of Investment Property	–	
Reversal of other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS, previously recorded	–	
Sub-total		–
Adjusted Net Income/Loss		**24,899,300,679**
Add: <u>Category D:</u> Non-actual losses recognized in profit or loss during the reporting period (net of tax)		
Depreciation on revaluation increment (after tax)		
Sub-total		
Add/Less: <u>Category E</u>: Adjustments related to relief granted by the SEC and BSP		
Amortization of the effect of reporting relief		
Total amount of reporting relief granted during the year	–	
Sub-total		–
Add/Less: <u>Category F:</u> Other items that should be excluded from the determination of the amount of available for dividends distribution		
Net movement of treasury shares (except for reacquisition of redeemable shares)	–	
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	(72,300,065)	
Net movement in deferred tax asset and deferred tax liabilities related to same transaction	–	
Adjustment due to deviation from PFRS/GAAP - gain (loss)	–	
Sub-total		**(72,300,065)**
Total Retained Earnings, end of the reporting period available for dividend declaration		**₱26,213,609,063**