COVER SHEET

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SEC Registration Number

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

C O R P O R A T I O N

(Company's Full Name)

2 n d   F l o o r   D M C I   P L A Z A

2 2 8 1   D O N   C H I N O   R O C E S   A V E N U E

M A K A T I   C I T Y

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

Carla Cristina T. Levina

(Contact Person)

8888-3055

(Company Telephone Number)

1 2   3 1

(Fiscal Year)

1 7 - Q

(Form Type)

Month *Day*

(Annual Meeting[1])

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

[1] First Monday of May of each year.

SEC Number : 91447
File Number : _________

SEMIRARA MINING AND POWER CORPORATION
Company's Full Name

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

8888-3055
Telephone Number

For the Period Ended 30 September 2023
Period Ended

QUARTERLY REPORT FORM 17-Q
Form Type

SEC FORM 17-Q

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

1. For the quarter ended **30 September 2023**

2. Commission Identification Number **91447**

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

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

   SEMIRARA MINING AND POWER CORPORATION

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

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

7. Address of issuer's principal office Postal Code

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

8. Registrants telephone Number, including area code:
   +63 2 8888-3055

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

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

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

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

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

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

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SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	September 30, 2023 Unaudited	December 31, 2022 Audited
ASSETS		
Current Assets		
Cash and cash equivalents	**₱26,815,641,915**	₱20,056,558,463
Receivables	**6,835,713,048**	10,198,812,587
Inventories	**15,931,762,099**	12,718,105,651
Other current assets	**1,143,488,769**	1,137,301,624
	50,726,605,831	44,110,778,325
Asset held-for-sale	**789,312,800**	789,312,800
Total Current Assets	**51,515,918,631**	44,900,091,125
Noncurrent Assets		
Property, plant and equipment	**38,969,826,337**	40,961,238,063
Deferred tax assets – net	**486,751,049**	486,751,049
Other noncurrent assets	**619,818,059**	754,702,787
Total Noncurrent Assets	**40,076,395,445**	42,202,691,899
	₱91,592,314,076	₱87,102,783,024
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables	**₱11,017,973,354**	₱11,944,489,786
Current portion of long-term debt	**4,187,809,312**	3,487,809,312
Current portion of lease liabilities	**4,478,959**	15,978,993
Total Current Liabilities	**15,210,261,625**	15,448,278,091
Noncurrent Liabilities		
Long-term debt – net of current portion	**3,603,154,724**	6,708,378,202
Lease liabilities – net of current portion	**52,064,982**	54,721,853
Provision for decommissioning and site rehabilitation costs	**315,050,224**	315,050,224
Deferred tax liabilities – net	**124,788,736**	124,788,736
Pension liabilities	**245,934,976**	145,574,979
Other noncurrent liabilities	**49,167,918**	53,593,031
Total Noncurrent Liabilities	**4,390,161,560**	7,402,107,025
Total Liabilities	**19,600,423,185**	22,850,385,116
Equity		
Capital stock	**4,264,609,290**	4,264,609,290
Additional paid-in capital	**6,675,527,411**	6,675,527,411
Retained earnings	**61,911,697,112**	54,172,204,129
Net remeasurement losses on pension plan	**(120,416,244)**	(120,416,244)
Treasury shares	**(739,526,678)**	(739,526,678)
Total Equity	**71,991,890,891**	64,252,397,908
	₱91,592,314,076	₱87,102,783,024

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

	For the period		For the quarter	
	Jan to Sep 2023	Jan to Sep 2022	**Jul to Sep 2023**	Jul to Sep 2022
REVENUES				
Coal	**₱36,207,208,102**	₱57,380,459,059	**₱6,267,416,183**	₱15,042,136,993
Power	**19,993,129,352**	15,787,209,795	**5,359,691,622**	6,116,643,544
	56,200,337,454	73,167,668,854	**11,627,107,805**	21,158,780,537
COSTS OF SALES				
Coal	**15,005,336,558**	15,417,430,342	**4,166,295,960**	4,735,785,955
Power	**7,372,102,256**	6,017,375,089	**2,745,759,475**	2,059,563,328
	22,377,438,814	21,434,805,431	**6,912,055,435**	6,795,349,283
GROSS PROFIT	**33,822,898,640**	51,732,863,423	**4,715,052,370**	14,363,431,254
OPERATING EXPENSES	**(10,335,257,292)**	(16,084,915,671)	**(1,775,447,374)**	(4,399,766,445)
INCOME FROM OPERATIONS	**23,487,641,348**	35,647,947,752	**2,939,604,996**	9,963,664,809
OTHER INCOME (CHARGES)				
Finance income	**885,838,851**	187,006,221	**363,162,310**	140,100,104
Finance costs	**(433,725,298)**	(653,811,278)	**(118,863,461)**	(192,502,895)
Foreign exchange gains (losses) - net	**(15,968,972)**	1,661,605,788	**248,268,389**	768,707,684
Other income - net	**585,322,805**	177,567,787	**348,378,589**	57,305,407
	1,021,467,386	1,372,368,518	**840,945,827**	773,610,300
INCOME BEFORE INCOME TAX	**24,509,108,734**	37,020,316,270	**3,780,550,823**	10,737,275,109
PROVISION FOR INCOME TAX	**1,894,052,511**	1,065,362,529	**380,094,672**	586,617,962
NET INCOME	**22,615,056,223**	35,954,953,741	**3,400,456,151**	10,150,657,147
OTHER COMPREHENSIVE INCOME	**–**	–	**–**	–
TOTAL COMPREHENSIVE INCOME	**₱22,615,056,223**	₱35,954,953,741	**₱3,400,456,151**	₱10,150,657,147
Basic/Diluted Earnings per Share	**₱5.32**	₱8.46	**₱0.80**	₱2.39

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

			Retained Earnings				
	Capital Stock	**Additional Paid-in Capital**	**Unappropriated**	**Appropriated**	**Net Remeasurement Losses on Pension Plan**	**Treasury Shares**	**Total**
			For the Period Ended September 30, 2023				
Balances as of January 1, 2023	**₱4,264,609,290**	**₱6,675,527,411**	**₱47,372,204,129**	**₱6,800,000,000**	**(₱120,416,244)**	**(₱739,526,678)**	**₱64,252,397,908**
Comprehensive income							
Net income	**–**	**–**	**22,615,056,223**	**–**	**–**	**–**	**22,615,056,223**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income	**–**	**–**	**22,615,056,223**	**–**	**–**	**–**	**22,615,056,223**
Cash dividends declared	**–**	**–**	**(14,875,563,240)**	**–**	**–**	**–**	**(14,875,563,240)**
Balances as of September 30, 2023	**₱4,264,609,290**	**₱6,675,527,411**	**₱55,111,697,112**	**₱6,800,000,000**	**(₱120,416,244)**	**(₱739,526,678)**	**₱71,991,890,891**
			For the Period Ended September 30, 2022				
Balances as of January 1, 2022	₱4,264,609,290	₱6,675,527,411	₱28,753,790,517	₱6,800,000,000	(₱144,503,733)	(₱739,526,678)	₱45,609,896,807
Comprehensive income							
Net income	–	–	35,953,953,741	–	–	–	35,953,953,741
Other comprehensive income	–	–	–	–	–	–	–
Total comprehensive income	–	–	35,953,953,741	–	–	–	35,953,953,741
Cash dividends declared	–	–	(6,375,820,541)	–	–	–	(6,375,820,541)
Balances as of September 30, 2022	₱4,264,609,290	₱6,675,527,411	₱58,331,923,717	₱6,800,000,000	(₱144,503,733)	(₱739,526,678)	₱75,188,030,007

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Periods Ended September 30	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱24,509,108,734**	₱37,020,316,270
Adjustments for:		
Depreciation and amortization	**4,437,684,383**	4,384,295,453
Finance costs	**433,725,298**	653,811,278
Net unrealized foreign exchange losses (gains)	**15,968,972**	(1,661,605,788)
Finance income	**(885,838,851)**	(187,006,221)
Operating income before changes in operating assets and liabilities	**28,510,648,536**	40,209,810,992
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	**3,363,099,539**	(1,836,914,931)
Other current assets	**(6,187,145)**	(92,465,310)
Inventories	**(3,213,656,448)**	(3,323,838,547)
Increase in trade and other payables	**246,817,992**	3,741,347,964
Cash generated from operations	**28,900,722,474**	38,697,940,168
Interest received	**885,838,851**	187,006,221
Income taxes paid	**(2,506,612,569)**	(523,985,859)
Interest paid	**(341,082,416)**	(501,638,496)
Net cash provided by operating activities	**26,938,866,340**	37,859,322,034
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(3,011,836,678)**	(3,595,260,585)
Decrease in other noncurrent assets	**134,884,728**	215,637,480
Net cash used in investing activities	**(2,876,951,950)**	(3,379,623,105)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of loans	**(2,420,185,714)**	(3,160,810,714)
Payment of dividends	**(14,875,563,240)**	(6,375,820,541)
Decrease in noncurrent liabilities	**(7,081,984)**	(9,802,756)
Net cash used in financing activities	**(17,302,830,938)**	(9,546,434,011)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**6,759,083,452**	24,933,264,918
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**20,056,558,463**	8,213,048,027
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱26,815,641,915**	₱33,146,312,945

1. Corporate Information

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

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

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

2. Summary of Significant Accounting Policies

Basis of Preparation
The interim unaudited condensed consolidated financial statements of the Group have been prepared in accordance with Philippine Accounting Standards (PAS) 34, Interim Financial Reporting. Accordingly, the unaudited condensed consolidated financial statements do not include all of the information and disclosures required in the annual audited financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at December 31, 2022.

The interim unaudited condensed consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVPL) that have been measured at fair value. The Parent Company's functional currency and the Group's presentation currency is the Philippine Peso (₱). All amounts are rounded off to the nearest Peso, except for earnings per share and par value information or unless otherwise indicated.

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

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

Basis of Consolidation

The interim unaudited condensed consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries (which are all incorporated in the Philippines) as of September 30, 2023 and December 31, 2022:

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

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

[2] Formerly Semirara Claystone, Inc. (SCI).

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

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

Change in Corporate Name of Semirara Claystone, Inc.

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

Incorporation of Sem-Calaca Ports Facilities, Inc.

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

Except for SCPC, SLPGC and SCRC, all other subsidiaries have not yet started commercial operations as of September 30, 2023.

The interim unaudited condensed consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intra-group assets and liabilities, equity, income, expenses, dividends and cash flows relating to transactions between components of the Group are eliminated in full on consolidation.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Control is achieved when the entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the entity controls an investee if and only if the entity has the following element:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and

- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support the presumption and when the entity has less than a majority of the voting or similar rights of an investee, the entity considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction. If the entity loses control over a subsidiary, it:

- Derecognizes the related assets (including goodwill), liabilities, non-controlling interests (NCI) and other components of equity,
- Recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are charge to expense in the consolidated statement of comprehensive income.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability are recognized in accordance with PFRS 9 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured and its subsequent settlement is accounted for within equity.

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

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognized in the consolidated statement of comprehensive income.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill or profit or loss is recognized as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

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

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

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year, except for the adoption of the following new accounting pronouncements starting January 1, 2022. 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 financial statements of the Group.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

  This amendment has no material impact to the Group.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

  This amendment has no material impact to the Group.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The Group applied this amendment to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period. This amendment has no material impact to the Group.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

This amendment has no material impact to the Group.

- Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*

  The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  This amendment has no material impact to the Group.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

  This amendment is not applicable to the Group.

<u>Standards Issued but not yet Effective</u>
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, 2023

- 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 to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed.

  The Group is currently assessing the impact of adopting these amendments.

- 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.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

The Group is currently assessing the impact of adopting these amendments.

- 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).

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

  This amendment has no material impact to the Group.

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 material impact to the Group.

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.

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.

  The Group is currently assessing the impact of adopting these amendments.

Significant Accounting Policies and Disclosures

Current and Noncurrent Classification
The Group presents assets and liabilities in consolidated statement of financial position based on current/noncurrent classification.

An asset is current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within 12 months after reporting date; or
- cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least 12 months after reporting date.

All other assets are classified as noncurrent.

A liability is current when:
- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after reporting date.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Fair Value Measurement
The Group measures financial assets designated at FVOCI and financial assets at FVPL at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

<u>Cash and Cash Equivalents</u>
Cash includes cash on hand and cash in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placement and that are subject to insignificant risk of change in value.

<u>Recognition and Measurement of Financial Instruments</u>
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.

<u>Financial assets</u>
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through OCI and FVPL.

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

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 September 30, 2023 and December 31, 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, receivables and environmental guarantee fund (included under other noncurrent assets).

Subsequent measurement - Financial asset at FVPL
Financial asset at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial asset at FVPL is carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in profit or loss.

This category includes derivatives arising from contract for differences entered with a third party.

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

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

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or,
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognized an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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

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 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.

For short-term investments, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument.

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

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

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

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

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

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

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

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the Group's consolidated statement of comprehensive income.

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

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

'Day 1' difference
For transactions other than those related to customers' guaranty and other deposits, where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the consolidated statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where the valuation technique used is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

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.

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.

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 are determined based on the information obtained from activities such as drilling, core logging or geophysical logging, coal sampling, sample database encoding, coal seam correlation and geological modelling. The Group will then estimate the recoverable reserves based upon factors such as estimates of commodity prices, future capital requirements, foreign currency exchange rates, and production costs along with geological assumptions and judgments made in estimating the size and grade of the coal body. Changes in the reserve or resource estimates may impact the amortization of mine properties included as part of 'Mine properties, mining tools and other equipment' under 'Property, plant and equipment'.

Property, Plant and Equipment
Upon completion of exploration, evaluation and development of the mine, the capitalized assets are transferred into property, plant and equipment. Items of property, plant and equipment except land, equipment in transit and construction in progress are carried at cost less accumulated depreciation and any impairment in value.

The initial cost of property, plant and equipment also comprises its purchase price or construction cost, including non-refundable import duties, taxes, borrowing costs and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to operations in the year when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, and the costs of these items can be measured reliably, the expenditures are capitalized as an additional cost of the property, plant and equipment. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Equipment in transit and construction in progress, included in property, plant and equipment, are stated at cost. Construction in progress includes the cost of the construction of property, plant and equipment and, for qualifying assets, borrowing cost. Equipment in transit includes the acquisition cost of mining equipment and other direct costs.

Mine properties consist of stripping activity asset and expenditures transferred from 'Exploration and evaluation asset' once the work completed supports the future development of the property.

Mine properties are depreciated or amortized on a units-of-production basis over the economically mineable reserves of the mine concerned. Mine properties are included as part of 'Mine properties, mining tools and other equipment' under 'Property, plant and equipment' in the consolidated statement of financial position.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation of property, plant and equipment commences once the assets are put into operational use.

Depreciation of property, plant and equipment are computed on a straight-line basis over the estimated useful lives (EUL) of the respective assets or over the remaining life of the mine, whichever is shorter, as follows:

	Years
Mining tools and other equipment	2 to 3
Power plant and buildings	10 to 25
Roads and bridges	17

The EUL and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Land is stated at historical cost less any accumulated impairment losses. Historical cost includes the purchase price and directly attributable costs.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. When assets are retired, or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the year the item is derecognized.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the consolidated statement of comprehensive income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting date. Changes in the life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of comprehensive income as the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of comprehensive income when the asset is derecognized.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development
- The ability to use the intangible asset generated

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales of the consolidated statement of comprehensive income. During the period of development, the asset is tested for impairment annually.

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. 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.

<u>Other Assets</u>
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.

<u>Impairment of Nonfinancial Assets</u>
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 statement of comprehensive income, unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Revenue and Income Recognition

Revenue from Contracts with Customers

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

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

Sale of coal

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

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

Contract energy sales

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

Spot electricity sales

Revenue from spot electricity sales are derived from the sale to the spot market of excess generated electricity over the contracted energy using price determined by the spot market, also known as Wholesale Electricity Spot Market (WESM), the market where electricity is traded, as mandated by Republic Act (RA) No. 9136 of the Department of Energy (DOE). Revenue from spot electricity sales is recognized over time using an output method measured principally on actual excess generation delivered to WESM.

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

Finance income
Finance income is recognized as it accrues (using the EIR method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial assets). 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.

<u>Cost of Sales</u>
Cost of coal
Cost of coal includes directly related production costs such as materials and supplies, fuel and lubricants, outside services, depreciation and amortization, provision for decommissioning and site rehabilitation, direct labor and other related production overhead. These costs are recognized when incurred.

Cost of power
Cost of power includes costs directly related to the production and sale of electricity such as cost of coal, coal handling expenses, bunker, lube, diesel, depreciation and other related production overhead costs. Cost of power are recognized at the time the related coal, bunker, lube and diesel inventories are consumed for the production of electricity. Cost of power also includes electricity purchased from the spot market and its related market fees. These costs are recognized when the Group receives the electricity and simultaneously sells to its customers.

<u>Operating Expenses</u>
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.

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

Contract fulfillment costs
The Group incurs shiploading costs for each coal delivery made under its contracts with customers.

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

<u>Borrowing Costs</u>
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 an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

<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 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 lessor
Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

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.

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

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

<u>Provisions</u>
Provisions are recognized only when the Group has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the

liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Provision for decommissioning and site rehabilitation
The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes closure of plants, dismantling and removing of structures, backfilling, reforestation, rehabilitation activities on marine and rainwater conservation and maintenance of rehabilitated area.

The obligation generally arises when the asset is installed, or the ground environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets and restoration of power plant sites. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated 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.

<u>Equity</u>
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.

<u>Earnings per Share (EPS)</u>
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.

<u>Treasury Shares</u>
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 BOD is the chief operating decision maker. Segment assets and liabilities reported are those assets and liabilities included in measures that are used by the BOD. The Group generally accounts for intersegment revenues and expenses at agreed transfer prices. Income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of income after taxes.

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

Events after Reporting Date
Post year-end events up to the date of the auditors' report that provides additional information about the Group's position at reporting date (adjusting events) are reflected in the consolidated financial statements. Any post year-end event that is not an adjusting event is disclosed when material to the consolidated financial statements.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the unaudited condensed consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The judgments, estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

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

Judgment
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations which have the most significant effect on the amounts recognized in the consolidated financial statements:

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

The Group concluded that revenue from coal sales is to be recognized at a point in time as the control transfers to customers at the date of shipment.

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

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

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

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

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

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

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

d. *Contingencies*
The Group is currently involved in various legal proceedings and other claims. The estimate of the probable costs for the resolution of these claims has been developed in consultation with internal and outside counsels handling the Group's defense in these matters and is based upon an analysis of potential results. The Group currently believes that these claims will not have a material adverse effect on its current financial position and results of operations. It is possible, however, that future results of operations and financial position could be materially affected by changes in the assessment or in the effectiveness of the strategies relating to these proceedings.

e. *Determination of lease term of contracts with renewal and termination options - Group as a lessee*
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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

The Group did not include the renewal and termination period of several lease contracts since the renewal and termination options is based on mutual agreement, thus not enforceable.

Management's Use of Estimates and Assumptions
The key assumptions concerning the future and other sources of estimation uncertainty at reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a. *Estimating mineable ore reserves*
The Group uses the mineable ore reserve in the determination of the amount of amortization of mine properties using units-of-production method. The Group estimates its mineable ore reserves based on the assessment performed by the external and internal specialist engaged by the Group, who are professionally qualified mining engineers and geologists (specialists). These estimates on the mineable ore resource and reserves are determined based on the information obtained from activities such as drilling, core logging or geophysical logging, coal sampling, sample database encoding, coal seam correlation and geological modelling.

The carrying values of mine properties included as part of 'Mine properties, mining tools and other equipment' under 'Property, plant and equipment' amounted to ₱3,550.94 million and ₱4,196.98 million as of September 30, 2023 and December 31, 2022, respectively.

b. *Estimating provision for expected credit losses of trade and other receivables*
The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information such as inflation and foreign exchange rates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

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

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

c. *Estimating stockpile inventory quantities*
The Group estimates the stockpile inventory of clean and unwashed coal by conducting a topographic survey which is performed by in-house and third-party surveyors. The survey is conducted by in-house surveyors on a monthly basis with a confirmatory survey by third party surveyors at year end. The process of estimation involves a predefined formula which considers an acceptable margin of error of plus or minus five percent (5%). Thus, an increase or decrease in the estimation threshold for any period would differ if the Group utilized different estimates and this would either increase or decrease the profit for the year.

The coal inventory as of September 30, 2023 and December 31, 2022 amounted to ₱4,362.88 million and ₱2,557.12 million, respectively.

d. Estimating allowance for obsolescence in spare parts and supplies
The Group provides 100% allowance for obsolescence on items that are specifically identified as obsolete. The amount of recorded inventory obsolescence for any period would differ if the Group made different judgments or utilized different estimates. An increase in the allowance for inventory obsolescence would increase the Group's recorded operating expenses and decrease its current assets.

e. Estimating recoverability of capitalized development costs
Initial capitalization of costs is based on management's judgment that technological and economic feasibility is confirmed. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits.

f. Estimating provision for decommissioning and site rehabilitation costs
The Group is legally required to fulfill certain obligations under its Department of Environment and Natural Resources (DENR) issued Environmental Compliance Certificate when its activities have ended in the depleted mine pits. The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for decommissioning and mine site rehabilitation costs as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities given the approved decommissioning and mine site rehabilitation plan, (e.g., cost of backfilling, reforestation, rehabilitation activities on marine and rainwater conservation and maintenance of the rehabilitated area), technological changes, regulatory changes, cost increases, and changes in inflation rates and discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

An increase in decommissioning and site rehabilitation costs would increase the carrying amount of the related assets and increase noncurrent liabilities. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Assumptions used to compute the decommissioning and site rehabilitation costs are reviewed and updated annually.

g. Impairment assessment of nonfinancial assets
The Group reviews its nonfinancial assets for impairment. This includes considering certain indicators of impairment such as the following:
- Significant or prolonged decline in the fair value of the asset;
- Increase in market interest rates or other market rates of return on investments have

increased during the period, and those increases are likely to affect the discount rate used in calculating the asset's value-in-use and decrease the asset's recoverable amount materially;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business;
- Significant negative industry or economic trends; or
- Significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment where the Group operates.

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

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

h. *Estimating useful lives of depreciable property, plant and equipment*
The Group estimated the useful lives of its property, plant and equipment (except land, equipment in transit and construction in progress) based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets.

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

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

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

Net deferred tax assets as of September 30, 2023 and December 31, 2022 amounted to ₱486.75 million.

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

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

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF CONSOLIDATED RESULTS OF OPERATIONS AND FINANCIAL CONDITION
AS OF AND FOR THE PERIODS ENDED SEPTEMBER 30, 2023 AND 2022**

September 30, 2023 (Unaudited) vs September 30, 2022 (Unaudited)

I. RESULTS OF OPERATIONS

The table below summarizes the performance of Semirara Mining and Power Corporation (SMPC), its operating subsidiaries SEM-Calaca Power Corporation (SCPC) and Southwest Luzon Power Generation Corporation (SLPGC), and other non-operating subsidiaries, collectively referred to as "the Group" for the periods ended September 30, 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 Luzon-Visayas grid. Both supply electricity through bilateral contract quantity (BCQ) and the wholesale electricity spot market (WESM).

In Php Millions	**July to September (Q3)**			**January to September (9M)**		
except EPS	**2023**	**2022**	**Change**	**2023**	**2022**	**Change**
SMPC	1,799	7,368	-76%	13,966	29,367	-52%
SCPC	1,577	2,188	-28%	6,954	4,941	41%
SLPGC	13	585	-98%	1,656	1,634	1%
Others	12	9	33%	39	12	225%

Core Net Income	**3,401**	**10,150**	**-66%**	**22,615**	**35,954**	**-37%**
Nonrecurring Items	-	-	0%	-	-	0%
Reported Net Income	**3,401**	**10,150**	**-66%**	**22,615**	**35,954**	**-37%**
EPS (reported)	**0.80**	**2.39**	**-66%**	**5.32**	**8.46**	**-37%**

Q3 2023 vs Q3 2022 Consolidated Highlights

- The SMPC Group recognized a net income of P3.40 billion, down by 66% from its period record of P10.15 billion. The sharp decline was chiefly due to high base effect coupled with weaker selling prices, fewer shipments and lower foreign exchange gains. These were partly offset by higher power sales and finance income, together with lower royalty expense and income taxes. In effect, earnings per share dropped from P2.39 to P0.80.

- Core EBITDA margin narrowed from 54% to 37% on lower revenues and a more gradual decrease in cash costs.

- Revenues contracted by 45% from P21.16 billion to P11.63 billion on slower coal sales and weaker selling prices (coal and power).

- Cash costs fell by 25% from P9.77 billion to P7.33 billion mainly due to the 77-percent decline in royalty expenses (government share) from P3.60 billion to P824 million on weaker coal revenues.

- Noncash items slightly declined (-5%) from P1.43 billion to P1.36 billion due to intragroup eliminating accounting entries. Higher noncash component of COS per MT (coal) amid higher ending inventory of coal (power) raised eliminations in depreciation expense in accordance with PFRS 10.

- Other Income retreated by 28% from P828 million to P596 million mainly due to reduced net foreign exchange gain associated with foreign currency transactions, (i.e. export sales and equipment importations) and strengthening of the local currency.

  To elaborate, net foreign exchange gain plunged by 68% from P769 million to P248 million. Quarter-over-quarter (QoQ), PhP:US$ forex rate depreciated by 3% from P55.36:US$1 (as of June 30, 2023) to P56.96:US$1 (as of September 30, 2023). This, in comparison to the 7-percent uptrend last year from P55.02:US$1 (June 30, 2022) to P58.91:US$1 (September 30, 2022).

  Providing some relief from the forex volatility were the refund of wharfage fees by the Philippine Ports Authority (P206 million), insurance claim for the SLPGC 2x25MW gas turbines (P31 million) and sale of fly-ash (P108 million).

- Net finance costs of P52 million jumped to P244 million in finance income, owing to prudent cash management and continuous debt amortization.

- Income Taxes dropped by 35% from P587 million to P381 million on lower taxable profits of the power segment.

- No nonrecurring item was booked during the period.

- Net of intercompany eliminations, contributions from the coal segment and SLPGC plunged by 76% and 98%, respectively. SCPC contribution dropped by 28%.

- Power segment contribution grew to 47% of group net income, a remarkable improvement from 27% (Q3 2022) and 32% (Q2 2023). Coal segment accounted for 53% of group net income, followed by SCPC (46%) and SLPGC (1%).

9M 2023 vs 9M 2022 Consolidated Highlights

- Net income retraced by 37% from P35.95 billion to P22.62 billion largely due to high base effect and stabilizing global coal market. Improved operating performance of the power segment amid elevated electricity prices cushioned the impact of lower coal prices and shipments.

  Consequently, earnings per share fell from P8.46 to P5.32. Despite the reduced profitability, return on equity reached 33% over the nine-month period.

  - Coal contribution slipped by 52% from P29.37 billion to P13.97 billion, while power contribution jumped by 31% from P6.58 billion to P8.61 billion. SCPC accounted for the marked improvement, accelerating by 41% from P4.94 billion to P6.95 billion. SLPGC contribution was flattish (1%) at P1.63 billion versus P1.66 billion.

- Coal remained as the biggest contributor, accounting for 62% of the group net income, followed by SCPC (31%) and SLPGC (7%).

- Core EBITDA margin thinned from 55% to 50% on lower revenues and steeper decline in royalty expenses.

- Revenues receded by 23% from P73.17 billion to P56.20 billion on weaker coal shipments and selling price, partially offset by higher electricity sales (volume and price).

- Cash cost fell by 15% from P33.14 billion to P28.27 billion as government share declined by 46% from P13.69 billion to P7.36 billion. Meanwhile, cash component of COS and opex went up by 7% from P19.45 billion to P20.92 billion mainly on higher production/generation costs, insurance premium, plant maintenance expenses and taxes.

- Noncash items were flat (1%) at P4.38 billion versus P4.44 billion on higher accounting eliminating entries due to the combined effect of higher noncash production costs (coal) and coal ending inventories (power).

- Other income contracted by 69% from P1.84 billion to P569 million mostly on the absence of net forex gain. From P1.66 billion last year, the group recorded a net forex loss of P16 million this year.

  Excluding net forex gains and losses, Other income includes PPA wharfage export fee refund, SLPGC gas turbines insurance claim and fly ash sale.

  Year to date, the PhP:US$ forex rate was flat as the peso depreciated by 1% from P56.12:US$1 (as of December 29, 2022) to P56.96:US$1 (as of September 30, 2023).

- Net finance income stood at P453 million versus a net finance cost of P467 million last year as a result of prudent cash management and regular loan amortization.

- Income Taxes jumped by 78% from P1.07 billion to P1.90 billion on higher taxable earnings from the power segment, mostly from SCPC.

- No nonrecurring item was booked during the period.

- Total cash balance surged by 34% from P20.06 billion (end of 2022) to P26.82 billion. Loans payable declined by 24% from P10.20 billion to P7.79 billion due to sustained amortization.

- Declared P14.88 billion or P3.50 per share in special cash dividends last October 9 scheduled for payment on November 8. With this, total payout for the year will reach P29.75 billion, the highest ever for the company.

- Group financial position remained robust as current ratio improved from 2.91 to 3.39, while debt ratio went down from 0.36 to 0.27. Both SMPC and SLPGC reported net cash positions as of the end of the period.

- Even after spending P20.3 billion on cash dividends (P14.88 billion in April 2023), capital expenditures (P3.01 billion) and debt payment (P2.42 billion), group balance sheet remained strong, with book value per share growing by double digits (12%) from P15.12 to P16.94.

Q3 2023 vs Q3 2022 Segment Performance

<u>Coal</u>

At the standalone level, coal revenues sank by 51% from P16.58 billion to P8.13 billion on weaker selling prices and lower sales. Net income contracted by 71% from P8.36 billion to P2.44 billion following weaker topline, lower forex gain and higher depreciation, cushioned by higher finance income and one-off wharfage export fee refund from the PPA. There was no nonrecurring item booked during the period.

Net of intercompany eliminations, net income fell by 76% from P7.37 billion to P1.80 billion. Eliminating entries dropped by 36% from P995 million to P638 million as lower coal selling prices narrowed gross margins.

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

The segment's financial results can be attributed to the following:

- **Stabilizing prices.** Semirara coal average selling price (ASP) decelerated by 36% from P5,173 per metric ton (MT) to P3,315 per MT on stabilizing market indices and lower shipments of commercial grade coal.

  Sale of commercial grade coal fell by 30% from 2.7 million metric tons (MMT) to 1.9 MMT on weaker take-up from foreign and domestic buyers.

  Average Newcastle prices plunged by 65% from US$420.7 (record high) to US$147.8, while average Indonesian Coal Index 4 (ICI4) pulled back at a slower pace (36%) from US$81.7 to US$52.0.

- **Lower shipments.** Total shipments decreased by 22% from 3.2 MMT to 2.5 MMT amid sluggish exports and limited beginning commercial grade inventory (1.6 MMT).

  Foreign shipments plummeted by 55% from 1.1 MMT to 0.5 MMT on insufficient high-grade coal supply to meet demand from South Korea. Consequently, South Korea sales declined by 60% from 0.8 MMT to 0.3 MMT. Despite this, it remained the company's top foreign buyer, accounting for 57% of total shipments, followed by China (34%) and Brunei (9%).

  Domestic shipments slightly declined (5%) from 2.1 MMT to 2.0 MMT due to anemic demand from cement manufacturers . Sale to own plants propped up domestic sales as shipments to Calaca surged by 43% from 0.7 MMT to 1.0 MMT, following improved SCPC plant availability. External domestic sales fell by 29% from 1.4 MMT to 1.0 MMT on lower demand from other power and industrial plants.

- **Thinner margins.** Core EBITDA margin narrowed from 51% to 32%, while net income margin tapered from 50% to 30%. While total revenues declined by 51% (from P16.58 billion to P8.13 billion), total cash costs fell at a slower rate (33%) from P8.21 billion to P5.50 billion.

  Cash component of COS marginally grew (2%) from P4.47 billion to P4.54 billion as lower production led to fixed costs driving up the expense per MMT.

  Moderating the impact of higher production costs was the dramatic decline in royalty expense (-77%) from P3.60 billion to P824 million and the 10-percent reduction in operating expenses. Opex fell by 10% from P147 million to P132 million due to lower commission fees, ICT expenses, and office repairs.

- **Slightly higher noncash items.** Depreciation and amortization grew by 4% from P820 million to P850 million, in line with continuous capital investments amid lower shipments.

- **Lower net forex gain.** Net forex gain dropped by 68% from P768 million to P246 million on lower export sales and less favorable foreign exchange rates. As of September 30, 2023, 43% of net forex gain remained unrealized.

- **Other income.** Other income expanded 205x from P1 million to P206 million following receipt of the PPA wharfage export fee refund in September 2023.

  Under Executive Order No. 226 (Omnibus Investments Code), a BOI-registered enterprise is exempt from paying wharfage dues. SMPC became a BOI-registered enterprise on September 26, 2008.

  On January 31, 2020, the Commission on Audit granted SMPC's petition to claim a refund of the wharfage export dues it erroneously paid to the PPA from September 26, 2008 up to December 31, 2014.

- **Higher net finance income.** Finance income (net of finance costs) expanded fourfold (308%) from P60 million to P245 million on higher cash base and prudent treasury management.

The segment also reported the following operational highlights:

- **Double-digit production decline.** Total production declined by 20% from 3.5 MMT to 2.8 MMT due to the heavier rainfall (454 mm vs 625 mm) from July to August, ongoing stripping activities in Molave South Block 6 and Narra North Block 1, and the commencement of stripping activities in Molave East Block 5.

  Following the depletion of Molave East Block 6 in early August, Narra mine accounted for bulk (81%) of total production. With this, Molave and Narra mines registered strip ratios of 50.6 and 10.7, respectively.

  Total materials moved surged by 37% from 37.8 million bank cubic meters (MBCM) to 51.7 MBCM due to simultaneous stripping activities in new and ongoing blocks within Molave and Narra mines. Coupled with the heavy rainfalls, the strip ratio rose significantly (81%) from 10.0 to 18.1. As a result, the full-year average strip ratio guidance has been adjusted from 12.09 (previous quarter guidance) to 12.83.

  Average rainfall level climbed by 16% from 445.3 to 516.9 millimeter due to strong typhoons during the period.

- **Ample inventory.** Total coal inventory grew by 11% from 2.7 MMT to 3.0 MMT on sufficient quarter beginning inventory (2.8 MMT), stable production and weaker sales. Commercial grade coal inventory rose by 14% year-on-year from 1.7 MMT to 1.9 MMT and by 19% from 1.6 MMT at the beginning of the quarter.

  Year-to-date, total coal inventory expanded by 50% from 2.0 MMT to 3.0 MMT, while higher-grade coal surged by 73% from 1.1 MMT to 1.9 MMT.

Power

Standalone power revenues fell by 13% from P6.05 billion to P5.29 billion mainly due to lower spot prices. Net income dropped by 35% from P1.54 billion to P994 million on thinner margins following higher cash costs, softened by lower replacement power purchases and income tax provisions.

Net of intercompany eliminations, power segment net income plunged by 43% from P2.77 billion to P1.59 billion.

The segment's results are attributable to the following:

- **Better plant availability.** Overall plant availability improved by 22% from 65% to 79% because of the commercial operation of SCPC Unit 2 last October 9, 2022, tempered by lower SLPGC plant availability.

  SCPC and SLPGC delivered mixed operating results. SCPC plant availability improved from 51% to 99% as its outage days decreased from 90 days to 2 days. SLPGC plant availability declined from 78% to 59% on increased outage days (76 days vs 40 days in 2022).

  Total average capacity fell by 12% from 697 MW to 613 MW owing to the occasional deration of SCPC and SLPGC plants.

- **Higher generation and dispatch.** Total gross generation climbed by 15% from 1,011 gigawatt hours (GWh) to 1,167 GWh as higher SCPC output offset the weaker performance of SLPGC. Consequently, total power sales grew by 13% from 970 GWh to 1,099 GWh, driven by spot sales which accounted for 68% of total power sales.

- **Heavy spot exposure.** Total spot sales jumped by 44% from 517 GWh to 746 GWh on higher gross generation and more (64%) uncontracted capacity (net of station service which varies from time to time).

  Combined uncontracted capacity stood at 462.6 MW (by end-June 2023) compared to 282.85 MW (by end-June 2022).

  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.

  BCQ sales receded by 22% from 453 GWh to 353 GWh because of a 10-percent decline in contracted capacity at the beginning of the periods from 210.35 MW (June 2022) to 188.70 MW (June 2023).

- **Lower selling prices.** Overall average selling price (ASP) went down by 23% from P6.23/ kilowatt hour (kWh) to P4.81/kWh due to lower spot market prices.

  ASP from spot sales plunged by 38% from P8.24/KWh to P5.14/KWh, while BCQ ASP improved by 4% from P3.96/KWh to P4.13/KWh. The latter was due to better contract prices and inclusion of pass-through provisions in signed contracts in H2 2022, tempered by the expiration of a 20MW Emergency Power Supply Contract last August 25.

  Despite sharp WESM correction, Spot ASP (P5.14/KWh) remained higher by 24% than BCQ ASP (P4.13/KWh).

- **Ample uncontracted capacity.** As of September 30 2023, only 23% (166.2 MW) of the 710MW dependable capacity has been contracted. Bulk of which is under SLPGC (73% or 121.2 MW).

  Net of station service (58.7MW), which varies from time to time, the segment has 483.7MW available for sale to the spot market.

- **Less spot purchases.** Total spot purchases declined by 42% from P496 million to P289 million on the back of lower contracted capacity (around 21.65 MW) and purchase price (-27%). SLPGC bought bulk (98%) of the replacement power.

  SLPGC Unit 1 had a total of 62 emergency outage days during the period following high axial displacement and coking in furnace, while SLPGC Unit 2 was placed on a 28-day (14 days in Q3 2023) forced outage starting September 16 due to coking in furnace and silo blockage.

  The power segment was a net seller to the spot market by 699 GWh (vs 458 GWh in Q3 2022).

SCPC standalone revenues stood at P4.00 billion, a 2-percent uptick from P3.93 billion as a result of improved operating performance and weaker selling prices.

Core EBITDA margin narrowed from 63% to 45% owing to a steeper rise in cash costs, while net income margin condensed from 38% to 28% as lower net finance costs and provision for income taxes cushioned the effect of lower topline.

Net of intercompany eliminations, SCPC net income contribution decreased by 28% from P2.19 billion to P1.58 billion. Intercompany eliminations subsided by 34% from P700 million to P460 million on lower coal prices and gross margins. To elaborate:

- **Weaker ASP.** Overall ASP dropped by 36% from P8.01/KWh to P5.10/KWh largely due to lower spot prices and fuel costs.

  Spot ASP fell by 37% from P8.26/KWh to P5.22/KWh, while BCQ ASP also dropped by 37% from P6.84/KWh to P4.28/KWh. The steep declines were mainly attributable to higher supply margin and stabilizing fuel prices.

- **Improved plant performance.** Plant availability rallied by 94% from 51% to 99% following the resumption of Unit 2's operations last October 9, 2022 and nearly uninterrupted operations of both plants.

  Availability of Unit 1 rose from 99% to 100% while Unit 2 surged from 2% to 98%. Unit 2 had only two outage days compared to 90 days in Q3 2022.

  Total average capacity declined by 6% from 414 MW to 391 MW owing to the occasional deration of both plants. Unit 1 capacity slightly declined (-4%) from 234 MW to 224 MW, while generator vibration issues led to a 7-percent drop in Unit 2 capacity from 180 MW to 167 MW.

- **Higher generation and dispatch.** Gross generation soared by 64% from 522 GWh to 856 GWh because of rebounding plant operations. In turn, total power sales accelerated by 59% from 491 GWh to 783 GWh. Bulk (88%) of total sales went to the spot market.

  With higher uncontracted capacity and plant availability, spot sales surged by 69% from 406 GWh to 686 GWh. At the start of Q3 2023, SCPC had 336.30MW in spot exposure versus 182.75 MW during the same period last year.

Sale via bilateral contracts rose by 14% from 85 GWh to 97 GWh following an 11-percent hike in contracted capacity at the start of the period, from 40.45MW (June 2022) to 45.00MW (June 2023).

- **Negligible spot buy.** Replacement power purchases plunged from P90 million to P6 million on 99-percent plant availability. Spot buys were mainly WESM adjustments from transactions in previous period.

  SCPC was a net seller to the spot market in both years (686 GWh in 2023 vs 395 GWh)

- **Cash cost surge.** Total cash costs accelerated by 49% from P1.46 billion to P2.20 billion, driven by a 57-percent rise in COS from P1.14 billion to P1.79 billion because of higher generation. Operating expenses increased by double digits (24%) from P332 million to P411 million due to higher taxes and insurance premium.

- **Higher other income.** Other income more than tripled (224%) from P29 million to P94 million on higher fly ash sales from increased power generation.

- **Lower net finance cost.** Net interest cost decreased by 72% from P97 million to P27 million as loans payable at the beginning of the period fell by 19% from P8.40 billion (June 2022) to P6.77 billion (June 2023).

  Cash balance more than doubled (160%) from P2.00 billion (September 2022) to P5.14 billion (September 2023). This, coupled with efficient cash management, led to a sixfold (588%) upturn in gross finance income from P8 million to P55 million.

- **Lower income taxes.** Provisions for income taxes declined by 32% from P544 million to P369 million because of lower taxable earnings.

- **Ample uncontracted capacity.** As of September 30, 2023, SCPC had 45 MW or 11% capacity (out of 410 MW dependable capacity) set to expire in 2030 and beyond. 56% of contracted capacity has fuel passthrough provision.

  Net of station service (28.7MW), which varies from time to time, it has 336.3 MW capacity available for spot sale as of the end of the period.

SLPGC standalone revenues declined by 39% from P2.12 billion to P1.30 billion mainly due to lower power sales and selling prices. From a net income of P53 million, the company recognized a net loss of P123 million due to higher operating expenses and marginal decline in depreciation.

Net of intercompany eliminations, net income stood at P13 million, a 98-percent plunge from P585 million. Intercompany eliminations dropped by 74% from P532 million to P136 million on lower coal prices and consumption.

To further elaborate:

- **Reduced plant availability.** Overall plant availability sank by 24% from 78% to 59% due to increased outage days (76days vs 40 days in Q3 2022).

  Unit 1 availability more than halved from 69% to 33% as excessive turbine movement, high axial displacement, coking in furnace and coal silo blockage incidents resulted in 62 outage days (vs 29 days in Q3 2022).

  Unit 2 availability slightly declined from 88% to 85% following a 14-day outage starting on September 16 due to coal coking and silo blockage incidents. The plant returned online on

October 15 (total of 28 days in outage) as plant management performed partial planned maintenance activities during the downtime.

Average capacity decreased by 22% from 283 MW to 222 MW, largely due to high axial displacement in Unit 1 and occasional deration of Unit 2 prior and following the coking incidents.

- **Lower generation and dispatch.** With lower availability and average capacity, gross generation retreated by 36% from 489 GWh to 311 GWh.

  In line with total output, power sales dropped by 34% from 479 GWh to 316 GWh. Bulk (81%) of the sales went to bilateral contracts. Spot market sales plunged by 46% from 111 GWh to 60 GWh as the company prioritized BCQ commitments.

  Sale to bilateral contracts shrank by 30% from 368 GWh to 256 GWh on reduced contracted capacity. Contracted capacity at the beginning of the period slipped by 15% from 169.90 MW (June 2022) to 143.70 MW (June 2023).

- **Weaker selling prices.** Overall ASP dipped by 7% from P4.42/KWh to P4.10/KWh on lower spot prices.

  ASP for spot and BCQ approached parity because of increased energy supply and new contracts. Spot ASP declined by 48% from P8.16/KWh to P4.23/KWh as supply rose faster than demand. Meanwhile, BCQ ASP climbed by 24% from P3.29/KWh to P4.07/KWh due to new contracts signed in H2 2022.

- **Lower spot buys.** Replacement power purchases tumbled by 30% from P406 million to P283 million. The supply was mainly used during simultaneous outages of Units 1 and 2 from September 16 to 30. Contracted capacity at the beginning of the period dipped by 15% from 169.90 to 143.70 MW.

  SLPGC was a net seller to the spot market at 13 GWh (from 63 GWh in Q3 2022).

- **Strong cash position.** From a net interest cost of P16 million, the company recorded a net interest income of P25 million due to lower debt levels and higher cash balance.

  At the start of the comparable periods, loan payable decreased by 40% from P2.08 billion (June 2022) to P1.25 billion (June 2023), while cash balance trended higher (27%) from P2.72 billion (September 2022) to P3.46 billion (September 2023). SLPGC remained in net cash position.

- **Other income and tax benefit.** SLPGC other income expanded by 67% from P30 million to P50 million following the collection of P31 million insurance claim from the gas turbines' forced outage in Q1 2022. The rest of Other Income came from fly ash sale.

The segment also reported the following financial and operational highlights:

- **Gas Turbine Sale.** Accounts and other payables accelerated by 114% from P594 million to P1.27 billion following receipt of partial payment on the sale of the 2x25MW gas turbines amounting to P406 million. The partial payment pertained to 57% of total sale price of US$12.6 million, which the company expects to complete by Q4 2023.

- **Balanced capacity distribution.** As of September 30, 121.20 MW of the 300 MW dependable capacity is contracted, 8% and 83% of which are set to expire in Q4 2023 and Q4 2024, respectively. All contracts have no fuel passthrough provision in place.

Net of capacity allocated for station service (30MW), which varies from time to time, SLPGC has 148.8MW of capacity exposed to the spot market.

CAPEX

Year-on-year, Q3 group capex was flat at P1.0 billion as higher coal segment spending offset reductions in SCPC expenditures.

Coal spending grew by 50% to P800 million on refleeting activities and material handling capacity enhancement while SCPC expenditures declined by 75% to P100 million after the company completed its planned maintenance of Unit 1 in Q4 2022. SLPGC was flat at P100 million.

In Php billions	Q3 2023	Q3 2022	Change
Coal	0.8	0.5	60%
SCPC	0.1	0.4	-75%
SLPGC	0.1	0.1	0%
Total	**1.0**	**1.0**	**0%**

In Php billions	9M 2023	9M 2022	Change	2023F	2022A	Change
Coal	2.4	2.2	9%	3.3	2.5	32%
SCPC	0.4	0.9	-56%	0.8	1.2	-33%
SLPGC	0.2	0.5	-60%	0.6	0.6	0%
Total	**3.0**	**3.6**	**-17%**	**4.8**	**4.3**	**12%**

2023 full-year capex estimate has been adjusted downward from the previous guidance of P6.1 billion to P4.8 billion due to the deferment of capital investments in the coal and power segments.

The purchase of other mining support equipment will be deferred to 2024 while the rewinding and swapping costs for SCPC Unit 2 will be rescheduled to early-2024.

Depending on the outcome of ongoing discussions with the insurers, spending on SLPGC Unit 1's planned replacement of the high-pressure/intermediate-pressure (HIP) turbine rotor (P200 million) has also been put on hold.

Rewinding activities for SCPC Unit 2's old generator is ongoing and is expected to be completed by Q1 2024, as scheduled. The rewound equipment will replace the defective GE generator in the said plant. With the replacement, dependable capacity is expected to return to 300MW around the first half of 2024.

Consequently, nine-month capex stayed below the previous-year spending. A significant portion (35%) of the full-year capex estimate has been scheduled for Q4.

The coal segment's refleeting activities are ongoing and is intended to account for 69% of the group's full-year capex. The rest was used for the power segment's routine planned maintenance activities.

Market Review and Outlook

<u>Coal</u>

In 2023, the global energy market shifted its focus towards stabilizing the supply chain, following disruptions caused by geopolitical and regulatory events in the previous year. These scenarios underscored the significance of coal in driving the energy transition, fulfilling baseload energy requirements, and addressing industrial demand.

The market's stabilization is mirrored in the movement of global indices. In the third quarter of 2023, the Newcastle Price (NEWC) posted a substantial decline of 65%, plummeting from a historic high of US$420.7 to US$147.8. Concurrently, the Indonesian Coal Index 4 (ICI4) registered a slower decline of 36%, decreasing from US$81.7 to US$52.0.

Although there has been a notable decline in these indices compared to the previous year, the prices remain significantly elevated compared to the pre-pandemic levels. To recall, NEWC and ICI4 in the third quarter of 2019 stood at US$57.9 and US$33.1, respectively.

As the market steadies, Argus Media has documented a slowdown in coal production in Indonesia and China, with demand pivoting towards the Indian market to meet its industrial requirements.

Coal prices are anticipated to register an uptick in the short term, driven by heightened demand during China's winter season and a strategic shift of Indonesian coal supply to India.

In line with these market dynamics, SMPC has resumed shipment to a power plant in India, marking a strategic move to diversify its foreign market portfolio. Moreover, domestic demand is expected to rise in the short term due to the persistence of the El Niño climate phenomenon, which may potentially impact hydro power plants, accounting for 14% of the nation's dependable power generation capacity.

For the full year of 2023, the estimated average NEWC is projected to be around US$171.0, marking a 53% decrease from the 2022 average of US$362.8. The average NEWC for 2024 is anticipated to hover around US$154, reflecting the ongoing normalization in the market amidst escalating heating and industrial demand.

<u>Power</u>

Q3 average supply in the Luzon-Visayas grid increased by 11% from 12,342 MW to 13,756, following reintegration of a 1,200 MW baseload power generator and better availability from hydro power plants.

Average demand grew at a more modest pace (6%) from 10,804 MW to 11,499 MW, widening average supply margin by 47% from 1,538 MW to 2,652 MW. Consequently, ASP plunged by 37% from P8.02/KWh to P5.07/KWh.

For FY2023, Management expects average spot prices to hover around P6.27/KWh, which is likely to carry over to 2024 despite El Nino forecasts.

El Nino is seen to persist and extend till the middle of 2024, possibly affecting the availability of hydro power plant capacity by around 50%. However, with additional capacity of 150MW in 2023 and 1,200MW in 2024, demand-supply margins are likely to remain stable resulting in flat spot prices.

II. Explanation on movements of accounts

A. Consolidated Statement of Income

<u>Revenue</u>
Consolidated revenue for the first nine months contracted by 23% from a record-high of P73.2 billion in 2022 to P56.2 billion in 2023 as the coal segment was hit by softer market prices and

lower export and domestic sales. This was cushioned by the all-time high revenue from the power segment following improved plant output and elevated electricity prices.

Cost of Sales

Cost of sales jumped by 4% to P22.4 billion due to the combined effect of higher fuel consumption and depreciation amid lower production of the coal segment and higher generation of the power segment.

Operating Expenses

Operating expenses decelerated by 36% to P10.3 billion in 2023 as government royalties stood at P7.4 billion, 46% down from P13.7 billion due to exceptional profits from the coal segment during the first-nine months of last year. Excluding government royalties, operating expenses grew by 24% to P3.0 billion on higher taxes, repairs and maintenance, insurance and personnel-related costs.

Finance Cost

Consolidated finance costs slipped by 34% to P434 million following the repayment of bank loans.

Finance Income

Consolidated finance income swelled more than 4x (374%) to P886 million due to higher cash placements and interest rates.

Forex Gains (Losses) - Net

For the first-nine months of 2023, the Group recognized net forex losses of P16 million from a net forex gain of P1.7 billion last year as forex loss on import payments offset forex gains from dollar-denominated export collections.

Other Income

Other income surged by 230% due to PPA wharfage export fee refund, higher fly ash sales and insurance claim from SLPGC gas turbines.

Provision for Income Tax

Income taxes accelerated 78% from P1.1 billion to P1.9 billion owing to higher taxable income following the record-high earnings of the power segment.

B. Consolidated Statement of Financial Position

The Company’s financial condition for the period improved as consolidated total assets and equity as of September 30, 2023 amounted to P91.6 billion and P72.0 billion, respectively. This is a 5% and 12% upturn from last year’s closing balances.

Consolidated cash and cash equivalents grew by 34% from P20.1 billion on December 31, 2022 to P26.8 billion on September 30, 2023 after generation of P26.9 billion cash from operations coupled with P14.9 billion payment of cash dividends and lower cash outflows for capex and loan repayments.

Receivables dipped by 33% from P10.2 billion to P6.8 billion due mainly to lower coal sales and prices.

Consolidated inventories increased by 25% to P15.9 billion owing to higher coal inventory and spare parts at the close of September 2023.

Other current assets slightly grew (1%) to P1.1 billion due to short-term placements (more than 3 months but less than one year) and higher advances to suppliers in coal segment were partially offset by application of income tax credits in power segment.

Asset held-for-sale pertains to the 2x25 MW gas turbine which was decommissioned during Q4 of last year and the sale is expected to be consummated within Q4 2023. This is carried at its estimated fair value less costs to sell of P789 million.

Property, plant and equipment stood at P39.0 billion, 5% down from P41.0 billion last year as depreciation and amortization more than offset capital expenditures for the nine month period of 2023.

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

Accounts and other payables dropped by 8% due mainly to lower government royalties.

Long-term debts contracted by 24% to P7.8 billion following bank loan repayments.

Lease liabilities (current and noncurrent) fell by 20% following rental payments.

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

Pension liabilities jumped by 69% 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 P61.9 billion at end of September 2023, 14% up from P54.2 billion at the close of 2022 after generation of P22.6 billion net income and declaration of P14.9 billion SMPC Parent dividends.

III. Performance Indicators

1. Net income after tax – declined by 37% following a high-base effect from its record-high performance last year. Coal segment contribution dropped by 52% but were moderated by the 31% growth in earnings from the power segment.

2. Dividend payout – the Parent Company declared on October 9, 2023 a P3.50 per share special dividends amounting to P14.9 billion which is payable on November 8, 2023. This, together with the March 2023 declared dividends, brought the total payout to a record-level of P29.8 billion.

3. Debt to equity ratio (interest bearing loans) - DE ratio improved from 0.16 as of end of December 2022 to 0.11 as of end of September 2023 owing to lower debt balance.

4. Core EBITDA margin – narrowed from 55% in 9M 2022 to 50% in 9M 2023 owing to lower coal sales and prices coupled with higher production costs. This was cushioned by the remarkable performance of the power segment.

5. Current ratio – double-digit increase (16%) from 2.91x as of end of 2022 to 3.39x as of September 30, 2023 as operating results and cash position remained strong despite continuous capex, loan and dividend payments.

PART II – OTHER INFORMATION

1. The Company’s operation is a continuous process. It is not dependent on any cycle or season.

2. Coal prices are generally hinge on the commodities market. Sales to WESM of power generation segment depends on the supply-demand of electricity.

3. There were no undisclosed material subsequent events and transferring of assets not in the normal course of business that have not been disclosed for the period that the company have knowledge of;

4. There are no material contingencies during the interim period; events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation has been disclosed in the notes to financial statements.

5. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period

6. Any known trends or any known demands, commitments, events or uncertainties that will result in or that will have a material impact on the registrant’s liquidity. – None

7. The Group does not have any offering of rights, granting of stock options and corresponding plans thereof.

8. All necessary disclosures were made under SEC Form 17-C.

PART III SIGNATURES

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

Issuer: **SEMIRARA MINING AND POWER CORPORATION**

Signature and Title:

MARIA CRISTINA C. GOTIANUN
Principal Executive and Operating Officer

Date: October 27, 2023

CARLA CRISTINA T. LEVINA
Chief Finance Officer

Date: October 27, 2023

VINELLO. PESTAÑO
Controller

Date: October 27, 2023

PART IV
ANNEX A

AGING OF ACCOUNTS RECEIVABLE
AS OF SEPTEMBER 30, 2023

	Neither past due nor impaired	Past due but not impaired				Impaired	Total
		<30 days	30-60 days	61-90 days	>90 days		
TRADE RECEIVABLES							
COAL	₱1,817,296	₱197,431	₱1,552	₱-	₱72,216	₱36,113	₱2,124,608
POWER	2,246,079	135,455	60,574	42,974	652,469	1,558,045	4,695,596
TOTALS	**₱4,063,375**	**₱332,886**	**₱62,126**	**₱42,974**	**₱724,685**	**₱1,594,158**	**6,820,204**
						ALLOWANCE FOR DOUBTFUL ACCOUNTS	**1,594,158**
							₱5,226,046
NON-TRADE RECEIVABLES							
COAL	₱172,534	₱-	₱-	₱-	₱-	₱5,815	₱178,349
POWER	59,771	72,220	2	-	1,686	-	133,679
TOTALS	**₱232,305**	**₱72,220**	**₱2**	**₱-**	**₱1,686**	**₱5,815**	**312,028**
						ALLOWANCE FOR DOUBTFUL ACCOUNTS	**5,815**
							₱306,213
DUE FROM RELATED PARTIES							**₱1,303,454**
NET RECEIVABLES (in thousands)							**₱6,835,713**

ANNEX B

SEMIRARA MINING AND POWER CORPORATION
FINANCIAL RISK MANAGEMENT DISCLOSURES
As of September 30, 2023

The Group has various financial assets such as cash and cash equivalents, receivables, and environmental guarantee fund, which arise directly from operations.

The Group's financial liabilities comprise trade and other payables, short-term loans, long-term debt and other noncurrent liabilities. The main purpose of these financial liabilities is to raise finance for the Group's operations. The main risks arising from the Group's financial instruments are price risk, interest rate risk, liquidity risk, foreign currency risk and credit risk.

The BOD reviews and approves policies for managing each of these risks which are summarized below.

The sensitivity analyses have been prepared on the following basis:

- Price risk - movement in one-year historical coal prices and movement of WESM price power
- Interest rate risk - market interest rate on loans
- Foreign currency risk - yearly movement in the foreign exchange rates

The assumption used in calculating the sensitivity analyses of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at September 30, 2023 and December 31, 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):

	09/30/2023	12/31/2022
Domestic Market	**41.00%**	41.76%
Export Market	**59.00%**	58.24%

as a percentage of total coal sales volume

The following table shows the effect on income before income tax should the change in the prices of coal occur based on the inventory of the Group as of September 30, 2023 and December 31, 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 1-year historical price movements in 2023 and 2022.

	Effect on income before income tax	
Change in coal prices	**September 30, 2023**	December 31, 2022
Based on coal ending inventory		
Increase by 83% in 2023 and 19% in 2022	**₱1,990,489,201**	₱1,088,406,914
Decrease by 83% in 2023 and 19% in 2022	**(1,990,489,201)**	(1,088,406,914)
Based on coal sales volume		
Increase by 20% in 2023 and 18% in 2022	**7,944,876,594**	9,880,537,599
Decrease by 20% in 2023 and 18% in 2022	**(7,944,876,594)**	(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 term debts with floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

The following table shows the information about the Group's financial instruments that are exposed to cash flow (floating rate instrument) and fair value (fixed rate instrument) interest rate risks presented by maturity profile:

		September 30, 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	0.01% to 7.500%	₱26,813,708,406	₱–	₱–	₱–	₱–	₱26,813,708,406
Peso (PHP) long-term debt*							
a) 1,400.00 million loan	Fixed rate of 4.974%	259,406,036	248,016,683	236,720,176	114,135,504	–	858,278,399
b) 3,000.00 million loan	Fixed rate of 4.9%	782,194,007	189,790,582	–	–	–	971,984,589
c) 2,000.00 million loan	Fixed rate of 4.876% to be repriced after 5 years	326,444,365	312,213,024	370,406,738	–	–	1,009,064,127
d) 2,700.00 million loan	Fixed rate of 4.877% to be repriced after 5 years	493,596,510	472,074,309	560,059,101	–	–	1,525,729,920
e) 3,500.00 million loan	Fixed rate of 4.6258%	1,757,934,057	1,074,351,985	–	–	–	2,832,286,042
f) 2,000.00 million loan	Fixed rate of 5.1253%	418,001,739	101,291,856	–	–	–	519,293,595
g) 1,000.00 million loan	Fixed rate of 5.1337%	245,970,502	59,976,672	–	–	–	305,947,174
h) 1,000.00 million loan	Fixed rate of 5%	208,760,274	50,623,288	–	–	–	259,383,562
		₱4,492,307,490	₱2,508,338,399	₱1,167,186,015	₱114,135,504	₱-	₱8,281,967,408

****Includes future interest***

	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	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) 3,000.00 million loan	Fixed interest rate of 4.9% per annum	847,770,313	810,509,896	773,377,083	–	–	2,431,657,292
b) 4,000.00 million loan	Fixed interest rate of 5.00% - 5.13% per annum	947,378,234	914,620,829	862,386,243	–	–	2,724,385,306
c) 1,400.00 million loan	Fixed interest rate of 4.974% per annum	279,461,205	264,915,019	250,183,136	235,544,101	56,711,835	1,086,815,296
d) 2,700.00 million loan	Fixed interest rate of 4.88% per annum	527,515,978	506,447,338	485,391,157	464,310,058	443,241,418	2,426,905,949
e) 2,000.00 million loan	Fixed interest rate of 4.88% per annum	348,071,742	334,140,313	320,219,313	306,277,456	292,346,027	1,601,054,851
f) 3,500.00 million loan	Fixed interest rate of 4.63% per annum	328,785,672	1,098,897,733	1,641,668,550	707,939,901	–	3,777,291,856
		₱3,278,983,144	₱3,929,531,128	₱4,333,225,482	₱1,714,071,516	₱792,299,280	₱14,048,110,550

**Includes future interest*

The following table demonstrates the sensitivity of the Group's income before tax to a reasonably possible change in interest rates on September 30, 2023 and December 31, 2022, with all variables held constant, through the impact on floating rate borrowings.

	Effect on income before income tax Increase (decrease)	
Basis points (in thousands)	**September 30, 2023**	December 31, 2022
+100	**(₱82,820)**	(₱102,312)
-100	**82,820**	102,312

The assumed movement in basis points for interest rate sensitivity analysis is based on the Group's historical changes in market interest rates on bank loans.

There was no effect on the equity other than those affecting the income before tax.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group's policy is to maintain a level of cash that is sufficient to fund its monthly cash requirements, at least for the next four to six months. Capital expenditures are funded through a mix of suppliers' credit, letters of credit, trust receipts and long-term debt, while operating expenses and working capital requirements are funded through cash collections. A significant part of the Group's financial assets that are held to meet the cash outflows include cash equivalents and trade receivables. Although trade receivables are contractually collectible on a short-term basis, the Group expects continuous cash inflows through continuous production and sale of coal and power generation. In addition, although the Group's short-term deposits are collectible at a short notice, the deposit base is stable over the long term as deposit rollovers and new deposits can offset cash outflows.

Moreover, the Group considers the following as mitigating factors for liquidity risk:

- It has available lines of credit that it can access to answer anticipated shortfall in sales and collection of receivables resulting from timing differences in programmed inflows and outflows.
- It has diverse funding sources.
- It has internal control processes and contingency plans for managing liquidity risk. Cash flow reports and forecasts are reviewed on a weekly basis in order to quickly address liquidity concerns. Outstanding trade receivables are closely monitored.

As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. Fund raising activities may include obtaining bank loans.

The tables below summarize the maturity profile of the Group's financial assets and liabilities as of September 30, 2023 and December 31, 2022 based on undiscounted contractual payments:

	September 30, 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	**₱26,813,708,406**	**₱–**	**₱–**	**₱–**	**₱–**	**₱26,813,708,406**
Receivables						
Trade:						
Outside parties	**5,226,045,456**	**–**	**–**	**–**	**1,594,157,978**	**6,820,203,434**
Related parties	**1,303,454,254**	**–**	**–**	**–**	**–**	**1,303,454,254**
Others*	**306,211,334**	**–**	**–**	**–**	**5,815,000**	**312,026,334**
Environmental guarantee fund	**–**	**–**	**–**	**–**	**15,637,143**	**15,637,143**
	33,649,419,450	**–**	**–**	**–**	**1,615,610,121**	**35,265,029,571**
Financial Liabilities						
Trade and other payables						
Trade:						
Payable to suppliers and contractors	**7,853,367,979**	**–**	**–**	**–**	**–**	**7,853,367,979**
Related parties	**235,900,375**	**–**	**–**	**–**	**–**	**235,900,375**
Accrued expenses and other payables**	**2,643,962,538**	**–**	**–**	**–**	**–**	**2,643,962,538**
Lease liabilities	**–**	**20,852,091**	**20,827,207**	**14,864,643**	**–**	**56,543,941**
Peso long-term debt with interest payable in arrears***						
1,400.00 million loan	**–**	**259,406,036**	**248,016,683**	**236,720,176**	**114,135,504**	**858,278,399**
3,000.00 million loan	**–**	**782,194,007**	**189,790,582**	**–**	**–**	**971,984,589**
2,000.00 million loan	**–**	**326,444,365**	**312,213,024**	**370,406,738**	**–**	**1,009,064,127**
2,700.00 million loan	**–**	**493,596,510**	**472,074,309**	**560,059,101**	**–**	**1,525,729,920**
3,500.00 million loan	**–**	**1,757,934,057**	**1,074,351,985**	**–**	**–**	**2,832,286,042**
2,000.00 million loan	**–**	**418,001,739**	**101,291,856**	**–**	**–**	**519,293,595**
1,000.00 million loan	**–**	**245,970,502**	**59,976,672**	**–**	**–**	**305,947,174**
1,000.00 million loan	**–**	**208,760,274**	**50,623,288**	**–**	**–**	**259,383,562**
	₱10,733,230,892	**₱4,513,159,581**	**₱2,529,165,606**	**₱1,182,050,658**	**₱114,135,504**	**₱19,071,742,241**

**excludes nonfinancial assets*
***excludes statutory liabilities*
****includes future interest*

	December 31, 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*	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	7,100,380,727	–	–	–	–	7,100,380,727
Related parties	217,158,369	–	–	–	–	217,158,369
Accrued expenses and other payables**	303,111,193	–	–	–	–	303,111,193
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***						
3,000.00 million loan	–	847,770,313	810,509,896	773,377,083	–	2,431,657,292
4,000.00 million loan	–	947,378,234	914,620,829	862,386,243	–	2,724,385,306
1,400.00 million loan	–	279,461,205	264,915,019	250,183,136	292,255,936	1,086,815,296
2,700.00 million loan	–	527,515,978	506,447,338	485,391,157	907,551,476	2,426,905,949
2,000.00 million loan	–	348,071,742	334,140,313	320,219,313	598,623,483	1,601,054,851
3,500.00 million loan	–	328,785,672	1,098,897,733	1,641,668,550	707,939,901	3,777,291,856
	₱7,620,650,289	₱3,299,810,351	₱3,946,685,091	₱4,342,865,315	₱2,554,839,915	₱21,764,850,961

**excludes nonfinancial assets*
***excludes statutory liabilities*
****includes future interest*

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, 37.50% and 45.93% of the Group's sales as of September 30, 2023 and December 31, 2022, respectively, were denominated in US$ whereas approximately 1.47% and 16.80% of payables as of September 30, 2023 and December 31, 2022, respectively, were denominated in US$.

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

	September 30, 2023		December 31, 2022	
	U.S. Dollar	**PHP Equivalent**	U.S. Dollar	PHP Equivalent
Assets				
Cash and cash equivalents	**$176,092,824**	**₱10,030,423,324**	$172,349,869	₱9,672,274,648
Trade receivables	**723,263**	**41,197,765**	26,361,264	1,479,394,136
Liabilities				
Trade payables	**(5,056,211)**	**(288,006,823)**	(68,422,914)	(3,839,893,934)
Net exposure	**$171,759,876**	**₱9,783,614,266**	$130,288,219	₱7,311,774,850

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's income before tax (due to changes in the fair value of monetary assets and liabilities) on September 30, 2023 and December 31, 2022.

	Currency	Increase (decrease) in Philippine Peso/ Foreign exchange rate	Effect on profit before tax
2023	**USD**	**1.00%**	**₱97,836,143**
		(1.00%)	**(97,836,143)**
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.

Credit Risk
Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

The Group manages and controls credit risk by doing business with recognized, creditworthy third parties, thus, there is no requirement for collateral. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group evaluates the financial condition of the local customers before deliveries are made to them.

On the other hand, export sales are covered by sight letters of credit issued by foreign banks subject for the Group's approval, hence, mitigating the risk on collection. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to doubtful accounts is not significant. The Group generally bills 80% of coal delivered payable within 30 days upon receipt of billing and the remaining 20% payable within 5 days after receipt of final billing based on final analysis of coal delivered. The Group's exposure to credit risk from trade receivables arise from the default of the counterparty with a maximum exposure equal to their carrying amounts.

With respect to the credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, other receivables, environmental guarantee fund and investment in sinking fund, the exposure to credit risk arises from default of the counterparty with a maximum exposure to credit risk equal to the carrying amount of the financial assets as of reporting date. The Group does not hold any collateral or other credit enhancement that will mitigate credit risk exposure. The Group transacts only with institutions or banks and third parties that have proven track record in financial soundness. The management does not expect any of these institutions to fail in meeting their obligations, however, due to the regulated environment that the Group operates in, collectability of financial assets is impacted by government regulations or actions.

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

The tables below present the summary of the Group's exposure to credit risk as of September 30, 2023 and December 31, 2022 and show the credit quality of the assets by indicating whether the assets are subjected to the 12-month ECL or lifetime ECL.

	September 30, 2023			
	12-month ECL	**Lifetime ECL Not Credit Impaired**	**Lifetime ECL Credit Impaired**	**Total**
Cash in banks and cash equivalents	**₱26,813,708,406**	**₱–**	**₱–**	**₱26,813,708,406**
Receivables:				
Trade receivables – related parties	**–**	**1,303,454,254**	**–**	**1,303,454,254**
Trade receivables – outside parties	**–**	**5,226,045,456**	**1,594,157,978**	**6,820,203,434**
Others*	**–**	**306,211,334**	**5,815,000**	**312,026,334**
Environmental guarantee fund	**–**	**15,637,143**	**–**	**15,637,143**
	₱26,813,708,406	**₱6,851,348,187**	**₱1,599,972,978**	**₱35,265,029,571**

**Excludes nonfinancial assets*

	December 31, 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	–	13,607,307	–	13,607,307
	₱20,052,471,393	₱10,117,377,028	₱1,599,973,053	₱31,769,821,474

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 (DE) ratio and earnings per share (EPS). The Group tests its solvency and leverage exposure through the DE ratio which indicates the degree to which a company is financing its operations through debt versus wholly-owned funds. Meanwhile, EPS pertains to the company's income allocated to each outstanding share of common stock. It serves an indicator of the company's profitability.

The following table shows the Group's capital ratios:

	September 30, 2023	December 31, 2022
Debt to Equity Ratio (interest bearing loans)	**0.11**	0.16
Debt to Equity Ratio (total liabilities)	**0.27**	0.36
Earnings per share	**5.32**	9.38

The following table shows the component of the Group's capital as of September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
Total paid-up capital	**₱10,940,136,701**	₱10,940,136,701
Remeasurement losses on pension plan	**(120,416,244)**	(120,416,244)
Retained earnings - unappropriated	**55,111,697,112**	47,372,204,129
Retained earnings - appropriated	**6,800,000,000**	6,800,000,000
Treasury shares	**(739,526,678)**	(739,526,678)
	₱71,991,890,891	₱64,252,397,908

Fair Values

Fair Value Information

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

Long-term debt

The carrying values approximated the fair value because of recent and regular repricing of interest rates (e.g. monthly, quarterly, semi-annual or annual basis) based on current market conditions. In 2023 and 2022, interest rate ranges from 4.50% to 5.13%.

Asset held-for-sale

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

Fair Value Hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data. There has been no reclassification from Level 1 to Level 2 or 3 category in 2023 and 2022.

ANNEX C
COMPARATIVE FINANCIAL SOUNDNESS INDICATORS

	September 30, 2023	December 31, 2022
Current ratio	**3.39**	2.91
Quick ratio	**2.21**	1.96
Debt to equity ratio (total liabilities)	**0.27**	0.36
Debt to equity ratio (interest bearing loans)	**0.11**	0.16
Net debt to equity ratio (interest bearing loans)	**(0.26)**	(0.15)
Asset to equity ratio	**1.27**	1.36

	September 30, 2023	September 30, 2022
Return on assets	**25%**	42%
Return on equity	**33%**	60%
Interest coverage ratio	**84 times**	83 times
Gross profit margin	**60%**	71%
Net profit margin	**40%**	49%