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)

John R. Sadullo

(Contact Person)

8888-3000/3055

(Company Telephone Number)

1 2   3 1

(Fiscal Year)

1 7 - A

(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.

SEMIRARA MINING AND POWER CORPORATION

SEC FORM 17-A

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

1. For the fiscal year ended: **December 31, 2022**

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

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

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

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

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

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

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

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

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

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

Yes (✓)   No ( )

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

12. Check whether the issuer:

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

Yes (✓)   No ( )

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

Yes (✓)   No ( )

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

Name	No. Of Shares Held	% of Total	Aggregate Market Value (PHP)
PCD Nominee Corp. (Foreign)	204,630,254	4.81	6,619,788,716.90
Others	947,630,321	22.29	30,655,840,884.35
TOTAL	1,152,260,575	27.11	37,275,629,601.25

[1] Computed on the basis of closing price at P32.35/share as of March 31, 2023 as quoted by the Philippine Stock Exchange.

SEMIRARA MINING AND POWER CORPORATION
SEC FORM 17-A

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NON-FINANCIAL DISCLOSURE REQUIREMENTS

PART I- BUSINESS AND GENERAL INFORMATION

DESCRIPTION OF BUSINESS

Business Development

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

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

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

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

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

Any Bankruptcy, Receivership or Similar Proceedings
None.

Any Material Reclassification, Merger, Consolidation, or Purchase or Sale of a Significant Amount of Assets Not in the Ordinary Course of Business
None.

Business of Issuer

Principal Product or Services and their Markets
The Company generates its revenues through the production and sale of sub-bituminous coal. In 2022, total volume sold reached 14.8 million metric tons (MMT), 3% down from last year. Sales volume is mainly driven by domestic sales accounting for 52% of the shipments and consists of sales to other power plants (43%), sales to own power plants (34%), and to industrial

and cement plants (23%). The other 48% of sales was sold to the export market. SMPC was successful in diversifying its export market from China to other Asian countries such South Korea, Thailand, Cambodia, Vietnam and other nearby countries.

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

Coal-fired thermal power plants of SCPC (2x300 MW) and SLPGC (2x150 MW) are both located in Brgy. San Rafael, Calaca, Batangas. Total dependable capacity as of December 31, 2022 stood at 730 MW with SCPC at 430 MW and SLPGC at 300 MW. The two companies provide baseload power through bilateral contracts with private distribution utilities, retail electricity suppliers (RES), electric cooperatives and other large end-users. Excess capacity is sold to the Wholesale Electricity Spot Market (WESM) or spot market. Total contracted energy is at 189.15 MW as of end of 2022, of which 45.45 MW is for SCPC and 143.7 MW is for SLPGC.

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

The Company also established other subsidiaries to engage in power generation and other businesses aligned with the Company's business model and structure. These subsidiaries are still under pre-operating stages as of December 31, 2022.

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

For the years 2022, 2021 and 2020, foreign sales accounted for 59%, 69%, and 70% of consolidated coal revenues, respectively. Meanwhile, the contribution of foreign sales to net income are 27%, 22%, and 32% in 2022, 2021 and 2020, respectively. These foreign sales pertain to export sales of the coal segment. There are no foreign sales component in the power segment.

Distribution Methods of the Products or Services

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

Status of Any Publicly-Announced New Product or services

Not applicable.

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

Coal segment

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

In 2021 and 2022, the local coal industry was priced competitively against imported coal due to surging coal indices. SMPC's pricing for domestic coal is based on a three-month average monthly New Castle Index benchmark and foreign exchange rate. With the global coal supply disruptions and geo-political tensions that caused the surge in coal prices, the Company was able to maximize sales at elevated market prices and at the same time optimize the use of low-grade coal in its own power plants to keep generation costs at low levels.

Power segment

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

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

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

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

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

Coal segment

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

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

Power segment

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

Dependence on One or a Few Major Customers and Identification of Such

Coal segment

The Company is not dependent upon a single customer as it successfully diversified its market base. In 2022, export and local sales registered at 59% and 41% in terms of value and 48% and 52% in terms of volume, respectively. While in 2021, export and local sales registered at 69% and 31% in terms of value and 62% and 38% in terms of volume, respectively. The domestic sales were sold to power plants, cement plants, and other industries.

Power segment

Approximately 48% of the total electricity sold by the power segment (SCPC and SLPGC) are under bilateral contracts for the year ended December 31, 2022. The remaining 52% was sold through WESM or spot market.

Transactions With and/or Dependence on Related Parties
Please refer to Note 17 (Related Party Transactions) of Notes to Consolidated Financial Statements.

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

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

Coal segment

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

Further, SMPC is required to pay royalties to the Department of Energy (DOE) – at minimum of 3% based on FOB sales or at 30% of net proceeds (gross revenue less all expenses, excluding royalty and corporate tax) and compensation for entry and use of private lands under the provisions of PD 972, as amended by PD 1174, to land owners–Php0.50/MT for untitled land and Php1.00/MT for titled land.

Power segment

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

<u>Need for Any Governmental Approval of Principal Products or Services</u>

Coal segment

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

a) Extension of Coal Operating Contract with the DOE from 2012 to 2027
b) DENR Environmental Compliance Certificate No. 9805-009-302
c) DENR Environmental Compliance Certificate ECC-CO-1601-005 issued by the DENR for its Molave Coal Project
d) Business Permits issued by Caluya, Antique and Makati City
e) Aerodrome Registration Certificate No. AGA-R-009-2018A issued by CAAP-yearly renewable
f) Certificate of Registration of Port Facilities No. 149 until December 31, 2024
g) DENR Special Land Use Permit No. 6-1-SLUP-OLP002-03152017 until March 15, 2017.[2]
   DENR-approved Mineral Production Sharing Agreement (MPSA) No. 352-2022-VI dated March 10, 2022 for its Himalian Limestone Project covering 3,807.0571 hectares in Semirara Island, Caluya, Antique. The said MPSA has a contract period of 25 years, renewable for like period.

Power segment

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

<u>Effect of Existing or Probable Governmental Regulations on the Business</u>

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

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

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

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

[2] Renewal of permit is still pending with DENR.

Coal segment

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

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

Power segment

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

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

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

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

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

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

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

Costs and Effects of Compliance with Environmental Laws

Coal segment

SMPC has programs being implemented to comply with the conditions of ECC, which includes the Regular Monitoring by the Multi-partite Monitoring Team (MMT), Marine Assessment Studies/Surveys, and Social & Environmental Development Programs such as expanded mangrove areas, initiated and supported livelihood projects, implemented reforestation programs on the island and cultivated marine sanctuary, i.e., giant clams and abalones. SMPC has spent P1.42 billion for these activities from 1999-2022. SMPC has established an Environmental Monitoring Fund for MMT, which has an initial amount of P600,000.00 determined by the work and financial plan of the Monitoring Team. Also, an Environmental Guarantee Fund was established with a cash component of P13.61 million as of December 31, 2022. This enables the continued mining operations of SMPC.

Power segment

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

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

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

Total Number of Employees and Number of Full Time Employees

The number of employees per company, level and location as of December 31, 2022 are as follows:

Head Office	**SMPC**	**SCPC**	**SLPGC**
Executives	6	-	-
Managers	23	1	1
Supervisors	30	-	-
Rank and File	77	-	-
Total	**136**	**1**	**1**

Minesite/Power Plant	**SMPC**	**SCPC**	**SLPGC**
Executives	1	-	1
Managers	15	1	12
Supervisors	155	21	44
Rank and File	3,484	258	199

Total	3,655	280	256

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

There are no existing labor unions in SMPC and subsidiaries.

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

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

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

In 2022, our power subsidiaries mitigate its operational risks by structuring and executing the asset management plan to manage the prolonged unplanned shutdowns, and by securing industrial all risks with business interruption insurance cover for its power plants. Our coal segment has strengthened its Safety organization and has been accelerating the implementation of pit safety and ground control management to ensure safety of its workforce, and at the same time achieve the production targets.

Additionally, SMPC Group continuously focuses on the impact of the COVID-19 crises on safety culture and the management of key risks by continuously practicing COVID-19 safety protocols and integrating these to improve the current practices.

DESCRIPTION OF PROPERTY

Property

Coal segment

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

a. Building/Offices	Units		Units
Administration Building	1	Motorpool MWS	1
Analab Building	1	MS1 Building	1
Civil Works Office & Warehouse	1	MS2 Building	1
Coal Power Plant 2 x 7.5MW	1	MS3 Building	1
Coal Power Plant 1 x 15MW	1	MS4 Building	1
Coal Silo	4	MS5 Building	1
Core House	1	MS7 Building	1
Refo Office	1	Oxygen/Acetylene Building	2
Genset Shed at CPP	1	Molave Pit Offices	1
IMS Office & Library	1	Molave Pitshop	1
Lime Plant	1	Narra Pit Offices	1
Magazine Building	3	Product Offices	2
Main Workshop	1	RMO Office	1
Warehouse	1	Sandblasting & Painting	3
Coal Shed at Product	1	Shipping Mayflower Office	1
HRD Building	1	Shipping Shipyard Office	1
Diesel Power Plant	1	Tire Shop at MWS	1
Roller and Belt Repair Shop	1		

b. Housing

Altar Boys Quarter	1	Molave Housing (Laborer's Unit)	845
Group Staff House	4	Pinatubo Housing	52
Phase 7 Housing	153	Molave Phase 1 Extension	69
Kalamansig Housing	100	Waffle Crete Building	2
Laborer's Clusters 1-8	180	IS Extension	49
Bunlao Phase 5 & 6 Housing	200	Tabunan Staff House	3
Lebak Housing	150		

c. Others

Commuter Terminal	1	Messhall at Waffle Crete	1
Covered Tennis Court	1	Mix Commercial Building	3
Gantry at mayflower	1	Multi-Purpose Gym	3
Gantry at MWS	1	Multi-Purpose Hall	4
Grotto	1	Evacuation/Covered Court	5
Hangar	4	ONB ATM Machine Building	1
Material Recovery Facility	1	Oval at Pinagpala Area	1
Messhall 1	1	Indoor Swimming Pool at Pinagpala	1
Messhall at Cluster 5	1	Pall Water Filtration Plant	1
Messhall at Cluster 7	1	Pottery Building	1
Semirara Plaza	1	Semirara Biodiversity Center	1
5k Slipway	1	Semirara Airstrip	1
SMC Infirmary	1	Wind Breaker	1
Tabunan hatchery & Laboratory	1	K2 Overpass Bridge	1
Desalination Plant	1		

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

Power segment

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

SCPC

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

SLPGC

1. 8.27 ha of land in Calaca, Batangas

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

**Currently in the process of negotiated sale.*

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

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

LEGAL PROCEEDINGS

The following are the existing legal cases of the Company:

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

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

   HGL filed a letter requesting a reconsideration of the Order but the request was denied in the DENR’s letter-Order dated December 9, 2002.

   <u>The Caloocan Case</u>
   On November 17, 2003, HGL filed a complaint (Civil Case No. C-20675) against the DENR for specific performance and damages in Branch 121, Regional Trial Court of Caloocan City (RTC-Caloocan). HGL prayed that DENR should perform its obligations under the FLGLA and pay HGL for moral and exemplary damages and attorneys’ fees.

   On March 2, 2004, SMPC filed a Motion for Intervention because the Order canceling FLGLA sought to be reconsidered by HGL covers property located in the island of Semirara, Antique, which motion was granted by RTC-Caloocan. Subsequently, SMPC filed a Motion to Dismiss for lack of cause of action/jurisdiction and forum shopping. SMPC’s prayer for dismissal and its subsequent Motion for Reconsideration having been both denied, SMPC filed its Petition for

Review (G.R. No. 92238) with the Court of Appeals (CA) on November 28, 2005 on the premise that RTC-Caloocan has no jurisdiction over the case.

On January 16, 2007, the CA reversed RTC–Caloocan's decision and finding grave abuse of discretion on the part of the presiding judge for failing to dismiss the case for lack of jurisdiction. The CA ruled that the DENR Order canceling HGL's FLGLA had long been final and executory on account of its failure to appeal said Order to the Office of the President. Eventually, HGL's Motion for Reconsideration was denied and the CA accordingly dismissed the case.

Due to CA's denial of HGL's Motion for Reconsideration, a Petition for Certiorari (SC G.R. No. 177844, 2nd Division) was filed by HGL before the Supreme Court (SC) on November 14, 2007, which was denied for HGL's failure to sufficiently show any reversible error on the assailed CA decision and further denies HGL's motion for leave and first and second motions of time to file a reply to SMPC's comments on the petition. HGL's Motion for Reconsideration was denied with finality on July 2, 2008.

Meanwhile, in a case docketed as SC G.R. No. 180401, 1st Division (*DENR vs. HGL*), DENR's Petition for Certiorari was denied by the SC on February 4, 2008. DENR then filed a Motion for Reconsideration on March 25, 2009, but again denied by the SC with finality.

Citing as basis the dismissal of the Culasi Case (SMPC vs. HGL) on the ground of forum shopping, SMPC filed a Motion to Dismiss with RTC-Caloocan (Civil Case No. C-20675). However, RTC-Caloocan denied the motion on December 24, 2008 and cited SC decision on G.R. No. 180401 (DENR vs. HGL) to sustain its decision to retain jurisdiction over the case. With the denial of its Motion for Reconsideration on June 24, 2009, the SMPC filed a Petition for Certiorari with the CA on September 14, 2009 (CA-G.R. SP No. 110460). On October 3, 2013 the CA dismissed SMPC's petition to which a Motion for Reconsideration was filed on November 22, 2013, which was likewise denied by the CA.

On May 29, 2014, SMPC filed its Petition for Review on Certiorari under Rule 45 with the SC (SC G.R. No. 212018). After directives given by the SC in June 2017, SMPC filed its Reply to HGL's Comment to the Petition. On April 26, 2021, the SC directed the CA to elevate the complete records of the case. The case remains pending to date.

<u>The Culasi Case</u>

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

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

On September 16, 2004, the RTC-Culasi granted HGL's prayer for preliminary mandatory injunction, which order was affirmed by the CA-Cebu (CA-G.R. CEB-SP No. 00035). SMPC elevated the case to the SC (SC G.R. No. 166854) by way of Certiorari with prayer for Temporary Restraining Order (TRO) and/or Injunction to be issued against HGL, the CA-Cebu and RTC-Culasi. The SC initially granted the TRO on March 2, 2005, but on December 06, 2006, the SC promulgated its decision, which denied SMPC's Petition for Certiorari and lifted the TRO. On January 18, 2007, SMPC filed its Motion for Reconsideration and later on January 25, 2007 due to the ruling by the CA in the Caloocan case filed a Supplemental Motion for Reconsideration. On February 14, 2007, the SC denied with finality SMPC's Motion for Reconsideration and its supplement to the aforesaid motion for lack of merit.

Meanwhile, on July 16, 2007, the RTC-Culasi dismissed the main case, as the two (2) cases filed by HGL were a deliberate violation of the rule on forum shopping. RTC-Culasi further stated that in both cases, HGL's cause of action rests on the validity of its FLGLA. HGL filed a

Motion for Reconsideration, but on November 20, 2007, RTC-Culasi ruled against HGL. No appeal was taken by HGL.

Thereafter, on February 6, 2008, HGL filed before the SC a Petition for Indirect Contempt (SC G.R. No. 181353). HGL alleged, among others, that the dismissal of the Culasi case constitutes indirect contempt as HGL was not able to implement the SC's decision dated December 6, 2006 (affirming the earlier order of RTC-Culasi granting HGL's prayer for preliminary mandatory injunction) and resolution dated February 14, 2007, as RTC-Culasi dismissed the main case or the Culasi case on the ground of forum shopping. SMPC filed its Comments/Opposition to the Petition. Subsequently, the SC required the parties to submit their respective Memoranda.

In its Decision dated June 6, 2016, the SC stated that "[t]he Petition for Indirect Contempt is completely baseless" since SMPC was repetitively raising the issue of forum shopping through various motions and petitions and at different stages of Civil Case No. C-146, was tenacious, at worst, but not contumacious (pg.29), as Judge Penuela merely made an error of judgment when he dismissed the case based on forum shopping. Further, HGL further breached the principle of judicial hierarchy in directly filing its Petition for Certiorari before the SC (pg.31).

The Decision of RTC-Culasi in dismissing the case (Civil Case No. C-146) on the ground of forum shopping was a valid decision albeit erroneous. HGL instead of filing an appeal under Rule 41 to the Court of Appeals sought the remedy of a Petition for Indirect Contempt and in the alternative Certiorari under Rule 65. HGL likewise filed this petition two days beyond the allowed reglementary period under the Rules of Court.

Despite the defects of the Petition filed by HGL, the Court partly granted the same in the interest of substantive justice and equity. Thus, in consideration of the extraordinary circumstances and the interest of substantive justice and equity, the SC partially grants the Petition, which reinstates the case (Civil Case No. C-146) and remands it to RTC-Antique for the specific purpose of hearing and determining the damages to be awarded to HGL for the non-enforcement of the Writ of Preliminary Mandatory Injunction dated October 6, 2004. Formal offer of documentary evidence has already been filed. In an order dated August 5, 2022, the case is now submitted for decision. The case remains pending to date.

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

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

4. **Declaratory Relief with Injunction Case. –** This is a case filed by SMPC against the *BIR, Bureau of Customs & Department of Finance under Civil Case No. 13-1171, RTC Makati Br. 146*. On May 21, 2013 SMPC was granted a Certificate of Qualification for Tax Exemption under PD 972 by the DOE for its 36,000,000 liters of diesoline. SMPC made its 1st partial shipment for 6,176,367 liters. BIR assessed VAT and excise tax on said shipment in the amount of P27,341,714.00, which was paid under protest. As a result, SMPC filed a petition for Declaratory Relief with the RTC on October 3, 2013 seeking to enjoin BIR, BOC from implementing BIR Revenue Regulation No. 2-2012 (RR No. 2-2012) by imposing advance payment of VAT on SMPC importation of diesel fuel for its own use and consumption. BIR rationalizes its issuance of RR No. 2-2012 for the purpose of curtailing smuggling. While under

said regulations payment of VAT is subject to right of refund by SMPC (effectively 0% rated) being exempted from VAT under its Coal Operating Contract (COC) and PD 972, SMPC contested the application of said regulation as it effectively diminishes its exemption granted by law and impairs the rights under its COC pursuant to the non-impairment clause of the Constitution.

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

The DOF and BOC filed a petition for review on certiorari under Rule 45 of the Rules of Court (ROC) with the SC (G.R. No. 211188) on April 8, 2014 while the BIR on May 13, 2014 filed with the CA (CA-G.R. No. 135364) a petition for review under Rule 65 of ROC with prayer for TRO and/or writ of preliminary injunction. Meanwhile, SMPC filed a petition on September 2, 2015 with the CTA (CTA Case No. 9133) in view of the denial by the BIR of its claim for tax refund in the amount of Php27,341,714.00 as VAT paid under protest.

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

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

CTA Case No. 9133
This is case is a petition for review filed on September 2, 2015 by SMPC on the denial of its claim by the BIR for tax refund involving the amount of Php27,341,714.00 as VAT paid under protest for the first shipment of its diesoline importation. With the filing of BIR's comments on October 19, 2016 to SMPC's formal offer of evidence filed on October 11, 2016. On July 27, 2018, the CTA promulgated its decision granting SMPC's petition and ordering the CIR to refund the amount of Php27,341,714.00. On August 17, 2018, the CIR moved for reconsideration of the July 27, 2018 decision, which the CTA denied in its Resolution dated January 15, 2019 for lack of merit. The CIR filed a petition for review with the CTA *En Banc* (CTA EB No. 2005) on February 15, 2019. On June 30, 2020, the CTA *En Banc* promulgated its Decision denying for lack of merit the CIR's petition and affirmed the CTA's Decision dated July 27, 2018 and its Resolution dated January 15, 2019. Its motion for reconsideration was likewise denied on March 2, 2021. On April 9, 2021, the CIR filed a Petition for Review on Certiorari with the SC (G.R. No. 255900) praying for the reversal of the June 30, 2020 Decision and March 2, 2021 Resolution of CTA *En Banc*. The case remains pending to date.

5. **Illegal Dismissal Case.** – SMPC received a copy of the complaint/summons dated August 30, 2022 for the alleged illegal dismissal docketed as *"Jose Roberto C. Cabile, Complainant vs. Semirara Mining and Power Corp., Cristina C. Gotianun, and Almar G. Valdemar, Respondents, RAB Case No. VI-08-10689-22, National Labor Relations Commission, Bacolod City."* The termination from employment is based on just cause, after being involved in an accident resulting in damage to SMPC's equipment due to his gross negligence. SMPC filed its Position Paper on November 28, 2022. Case remains pending to date.

6. **In Re: Violation of Article V of ERC Resolution No. 10, Series of 2020, Sem-Calaca Power Corporation, Respondent, ERC Case Nos. 2021-063 SC & 2021-064 SC.** – Sem-Calaca Power Corporation (SCPC), a subsidiary of SMPC received on February 8, 2022 the ERC Decision imposing a penalty of Php337,200.00 for allegedly exceeding the number of allowed unplanned outages by 5.24 days for Unit 1; and Php3,975,600.00 for allegedly exceeding the number of allowed unplanned outages by 96.2 days for Unit 2. Both are in excess of the maximum allowable unplanned outage of 16.8 days pursuant to Article V of ERC Resolution No. 10, Series of 2020. On February 15, 2022, SCPC filed a Motion for Reconsideration. Case remains pending to date.

7. **In Re: Violation of Article V of ERC Resolution No. 10, Series of 2020, Southwest Luzon Power Generation Corporation, Respondent, ERC Case No. 2021-079 SC**. – Southwest Luzon Power Generation Corporation (SLPGC), a subsidiary of SMPC received on October 28, 2021 the ERC Decision imposing a penalty of Php135,400.00 for allegedly exceeding the number of allowed unplanned outages by 0.54 days for Unit 2 in excess of the maximum allowed unplanned outage of 16.9 days pursuant to Article V of ERC Resolution No. 10, Series of 2020. On November 4, 2021, SLPGC filed a Motion for Reconsideration, which remains pending to date.

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

PART II – SECURITIES OF THE REGISTRANT

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

Market Information

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

The Company stocks closed at P34.50 per share on the last trading day of 2022 with a corresponding market capitalization of P146.64 billion. As of March 31, 2023, market capitalization is P137.51 billion based on closing price of P32.35 per share.

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

In Php	High	Low
2023		
First Quarter	36.45	28.05
2022		
First Quarter	35.00	22.10
Second Quarter	37.25	26.85
Third Quarter	44.40	34.60
Fourth Quarter	42.50	28.85
2021		
First Quarter	14.22	11.40
Second Quarter	14.92	11.76
Third Quarter	21.40	14.78

Fourth Quarter	30.80	20.60
2020		
First Quarter	22.50	8.30
Second Quarter	14.70	10.90
Third Quarter	12.78	8.62
Fourth Quarter	15.30	9.61

Holders

Approximate Number of Holders of Each Class of Common Security
As of March 31, 2023, the Company has 737 shareholders with 4,250,547,620 common shares outstanding of which 4.83% or 205,135,305 shares are owned by foreign stockholders.

Nationality	Classes of Shares	Number of Shares	Percentage
Filipino	Common	4,045,412,315	95.17
Non-Filipino (Foreign)	Common	205,135,305	4.83
Total Number of Common Outstanding Shares		**4,250,547,620**	**100.00**

Names of Top 20 Shareholders of Each Class
As March 31, 2023, the following are the Top 20 (common) stockholders of the Company:

No.	Name of Stockholders	No. of Shares	Percentage
1.	DMCI Holdings, Inc.	2,407,770,396	56.65
2.	PCD Nominee Corp. (Filipino)	772,891,148	18.18
3.	Dacon Corporation	542,067,778	12.75
4.	PCD Nominee Corp. (Foreign)	204,630,254	4.81
5.	Privatization Management Office	145,609,296	3.43
6.	DFC Holdings, Inc.	82,364,916	1.94
7.	Augusta Holdings Inc.	23,243,622	0.55
8.	Freda Holdings Inc.	18,640,092	0.44
9.	Regina Capital Development Corp.	13,200,000	0.31
10.	Berit Holdings Corporation	9,290,592	0.22
11.	Daveprime Holdings Inc.	5,622,789	0.13
12.	Meru Holdings Inc.	5,348,198	0.13
13.	Great Times Holdings Corp.	4,635,704	0.11
14.	Artregard Holdings Inc.	3,390,390	0.08
15.	F. Yap Securities Inc.	2,760,000	0.06
16.	Garcia, Jaime B.	2,193,768	0.05
17.	Windermere Holdings Inc.	1,192,648	0.03
18.	San Juan, Romulo D.	800,000	0.02
19.	Vendivel, Olga P.	720,000	0.02
20.	Tashiding Holdings Inc.	326,400	0.01

A list of the Company's top 100 stockholders and beneficial ownership of securities as of March 31, 2023 posted on PSE EDGE can be accessed through this link: Click here.

More than Five (5) Percent Beneficial Owner of Registrant's Common Equity
The table sets forth the record or beneficial owners of more than 5% of the outstanding common shares of the Corporation, which are entitled to vote and the amount of such record or beneficial ownership as of March 31, 2023:

Title of Class	Names	No. of Shares	% of Total
Common	DMCI Holdings, Inc.	2,407,770,396	56.65
Common	PCD Nominee Corp. (Filipino)	772,891,148	18.18
Common	Dacon Corporation	542,067,778	12.75

Each Director and Nominee

Office	Names
Director, Chairman & CEO	Isidro A. Consunji

Lead Independent Director	Rogelio M. Murga
Independent Director	Honorio O. Reyes-Lao
Independent Director	Antonio Jose U. Periquet, Jr.
Independent Director	Ferdinand M. dela Cruz
Director	Jorge A. Consunji
Director	Cesar A. Buenaventura
Director	Herbert M. Consunji
Director, President & COO	Maria Cristina C. Gotianun
Director	Ma. Edwina C. Laperal
Director	Josefa Consuelo C. Reyes

All Directors and Officers as a Group

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

Title of class	Name of beneficial owner	Amount and nature of beneficial ownership			Citizenship	%
		Direct	Indirect[3]	Total		
Common	Isidro A. Consunji	24,144	29,279,914	29,303,914	Filipino	0.69
Common	Jorge A. Consunji	500,144	5,175,704	5,675,848	Filipino	0.13
Common	Herbert M. Consunji	29,920	-	29,920	Filipino	0.00
Common	Cesar A. Buenaventura	192,120	-	192,120	Filipino	0.00
Common	Maria Cristina C. Gotianun	1,428	24,380,145	24,381,573	Filipino	0.57
Common	Ma. Edwina C. Laperal	4,188	15,180,283	15,184,471	Filipino	0.36
Common	Josefa Consuelo C. Reyes	412,400	8,763,998	9,176,398	Filipino	0.22
Common	Rogelio M. Murga	40,040	-	40,040	Filipino	0.00
Common	Honorio O. Reyes-Lao	1,328,040	682,480	2,010,520	Filipino	0.05
Common	Antonio Jose U. Periquet, Jr.	-	4,333,000	4,333,000	Filipino	0.10
Common	Ferdinand M. dela Cruz	53,900	-	53,900	Filipino	0.00
Common	Junalina S. Tabor	-	-	-	Filipino	0.00
Common	John R. Sadullo	-	-	-	Filipino	0.00
Common	Jose Anthony T. Villanueva	3,000	55,560	58,560	Filipino	0.00
Common	Andreo O. Estrellado	-	-	-	Filipino	0.00
Common	Ruben P. Lozada	475,200	-	475,200	Filipino	0.00
Common	Carla Cristina T. Levina	-	-	-	Filipino	0.00
Common	Christopher Thomas C. Gotianun	1,000	76,000	77,000	Filipino	0.00
Common	Edgar C. Mariano	-	-	-	Filipino	0.00
Aggregate Ownership of all directors and officers as a group		**3,065,524**	**87,926,940**	**90,992,464**		**2.14**

Dividends

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

Year	Board Approval	Nature	Dividend per Share (Php)	Total Amount of Dividend (Php)	Record Date	Payment Date
2020	2/28/20	Regular Cash	1.25	5,313,184,525	3/13/20	3/27/20
2021	3/25/21	Regular Cash	1.25	5,313,184,525	4/13/21	4/23/21
2021	10/11/21	Special Cash	1.75	7,438,458,335	10/25/21	11/9/21
2022	3/31/22	Regular Cash	1.50	6,375,821,430	4/18/22	4/28/22
2022	10/17/22	Special Cash	3.50	14,876,916,670	10/31/22	11/15/22
2023	3/27/23	Regular Cash	1.80	7,650,985,716	4/13/23	4/25/23
2023	3/27/23	Special Cash	1.70	7,225,930,954	4/13/23	4/25/23

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

Recent Sales of Unregistered Securities
No unregistered securities were sold in 2022, 2021 and 2020.

PART III - FINANCIAL INFORMATION

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

FULL YEARS 2021-2022

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

I. RESULTS OF OPERATIONS

The table below summarizes the performance of Semirara Mining and Power Corporation (SMPC), its operating subsidiaries SEM-Calaca Power Corporation (SCPC) and Southwest Luzon Power Generation Corporation (SLPGC), and other non-operating subsidiaries, collectively referred to as "the Group" for the periods ended December 31, 2022 and 2021.

- SMPC is the only vertically-integrated power generator in the country that runs on its own fuel. The largest domestic coal producer, it supplies affordable fuel to power plants, cement factories and other industrial facilities across the Philippines. It also exports coal to China, South Korea, Thailand, Cambodia, Vietnam and other nearby markets.

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

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

FY 2022 vs FY 2021 Consolidated Highlights

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

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

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

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

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

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

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

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

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

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

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

FY 2022 vs FY 2021 Segment Performance

Coal

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

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

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

The above results are due to the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

The segment also reported the following operational highlights:

- **All-time high production.** Production rose by 12% from 14.3 MMT to 16 MMT, which is the maximum allowable volume under the company's Environmental Compliance Certificate. Good weather conditions, sustained water seepage management and better-than-expected strip ratio led to the record high production.

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

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

Power

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

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

The above results are due to the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SCPC also reported the following operational highlights:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In Php billions	2022	2021	Change
Coal	2.5	2.5	0%
SCPC	1.2	0.8	50%
SLPGC	0.6	0.6	0%
Total	**4.3**	**3.9**	**10%**

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

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

SEMIRARA MINING & POWER CORPORATION

Market Review and Outlook

Coal

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

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

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

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

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

Power

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

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

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

II. Explanation on movements of accounts

A. Consolidated Statement of Income

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

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

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

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

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

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

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

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

B. Consolidated Statement of Financial Position

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

III. Performance Indicators

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

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

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

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

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

FULL YEARS 2020-2021

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

I. RESULTS OF OPERATIONS

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

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

Reported Net Income	16,200	3,286	393%
EPS (reported)	3.81	0.77	393%

FY 2021 vs FY 2020 Consolidated Highlights

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

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

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

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

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

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

FY 2021 vs FY 2020 Segment Performance

<u>Coal</u>

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

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

- **Improved production.** Aggregate (actual) strip ratio declined from 13.9 to 11.0 as both the weather and water seepage conditions significantly improved. Consequently, total production grew by 8% from 13.2 million metric tons (MMT) to 14.3 MMT.
- **High beginning inventory.** At the end of 2020, coal stockpile stood at 2.0 MMT, around 45% of which was high grade (820,000 MT).
- **Double-digit sales volume growth.** Higher production and inventory levels allowed the company to ramp-up shipments during the year. Total shipments expanded by 16% from 13.1 MMT to 15.2 MMT, mainly driven by external sales. Export sales grew by 24% from 7.6 MMT to 9.4 MMT, and accounted for 62% of total shipments. Bulk of the exports went to China (95%), followed by South Korea (3%), India (1%) and Cambodia (1%). Excluding sales to own plants, domestic sales grew faster (35%) than exports from 2.6 MMT to 3.5 MMT. Sales to own plants declined by 21% from 2.9 MMT to 2.3 MMT because of the prolonged outage of SCPC Unit 2.

- **Record-high prices.** Semirara coal average selling prices (ASP) soared by 71% from P1,577 to P2,695, tempered by contracts from December 2020 that were delivered in Q1 and domestic ceiling prices (9M). Faster-than-expected economic recovery and supply disruptions led to a global energy crunch, which pushed index prices to more than double. Average Newcastle coal prices (NEWC) swelled by 127% from $60.45 to $127.28 while Average Indonesian Coal Index 4 (ICI4) picked up by 122% from $29.40 to $65.30.
- **Wider profit margins.** Standalone net profit margin grew from 15.7% to 35.3% as revenues nearly doubled (98%) from P20.63 billion to P40.86 billion, while COS grew by roughly 33% from P11.76 billion to P15.67 billion.

Power

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

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

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

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

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

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

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

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

- **Improved plant availability.** Overall plant availability grew by 23% from 62% to 76% following a 37percent drop in total outage days from 280 to 177 days.

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

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

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

CAPEX

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

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

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

Market Review and Outlook

Coal

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

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

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

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

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

SMPC anticipates coal prices to remain elevated in 2022 owing to continued demand recovery from the pandemic and geopolitical tensions between Russia and Western countries because of Ukraine.

However, the company also sees some price volatility with China and Indonesia possibly issuing policy interventions to secure their fuel supply.

Power

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

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

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

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

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

II. Explanation on movements of accounts

C. Consolidated Statement of Income

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

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

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

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

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

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

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

Provision for Income Tax
Income tax provision for 2021 stood at P345 million which includes P133 million nonrecurring adjustment of 2020 income tax and remeasurement loss of deferred tax asset upon effectivity

of CREATE bill. Excluding this nonrecurring adjustment, income tax rose by 60% due to higher taxable income during the year.

D. Consolidated Statement of Financial Position

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other noncurrent liabilities pertain to deferred rent income of SLPGC.

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

III. Performance Indicators

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

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

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

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

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

FULL YEARS 2019-2020

PRODUCTION REPORT

Coal

As the mining operation expanded its capacity, overburden stripping increased by 4% to 192.2 from 185.5 million bank cubic meters (BCM) against same period last year amidst the COVID19 pandemic. However, with a higher strip ratio of 13.9:1 (1 BCM overburden: 1 metric ton coal (MT), coal production decreased by 13% to 13.2 million MT from 15.2 million MT year-on-year. Quarter-on-Quarter, overburden stripping decreased by 3% to 39.1 million BCM from 40.3, coal production dropped by 29% to 2.3 from 3.2 million due to higher strip ratio of 16.6:1.

The table below shows the comparative production data for the years ended December 2020 and 2019:

	Q1	Q2	Q3	Q4	2020	Q1	Q2	Q3	Q4	2019	VARIANCE
Materials Moved	60.0	48.6	44.4	39.1	192.2	53.7	53.3	38.2	40.3	185.5	4%
Deferred stripping	19.1	(8.7)		11.5	21.9	2.6				2.6	
Production Stripping	40.9	57.3	44.4	27.6	170.3	51.1	53.3	38.2	40.3	182.9	-7%
Coal Production	3.2	4.4	3.3	2.3	13.2	4.1	4.4	3.5	3.2	15.2	-13%
Strip Ratio (Aggregate)*	18.2	10.2	12.7	16.6	13.9	12.5	11.3	10.2	11.9	11.5	-20%
Strip Ratio (Effective)	12.2	12.2	12.7	11.5	12.2	11.9	11.3	10.2	11.9	11.3	-8%

Power

Sem-Calaca Power Generation Corporation (SCPC)

The table below illustrates SCPC's comparative performance data for the years ended December 2020 and 2019:

	Q1	Q2	Q3	Q4	2020	Q1	Q2	Q3	Q4	2019	% Inc (Dec)
Gross Generation, Gwh											
Unit 1	491	463	489	331	1,774	22	-	45	390	456	*289%*
Unit 2	-	392	644	312	1,349	181	393	383	106	1,062	*27%*
Total Plant	**492**	**855**	**1,133**	**644**	**3,123**	**203**	**393**	**428**	**495**	**1,519**	***106%***
% Availability											
Unit 1	99%	100%	96%	67%	91%	5%	0%	12%	77%	24%	*283%*
Unit 2	0%	75%	100%	53%	57%	35%	89%	87%	24%	59%	*-4%*
Total Plant	**50%**	**87%**	**98%**	**60%**	**74%**	**20%**	**45%**	**50%**	**51%**	**41%**	***78%***
Capacity Factor											
Unit 1	75%	70%	74%	51%	67%	3%	0%	7%	59%	17%	*288%*
Unit 2	0%	59%	97%	48%	51%	28%	59%	58%	16%	40%	*27%*
Total Plant	**38%**	**65%**	**86%**	**49%**	**59%**	**16%**	**30%**	**32%**	**38%**	**29%**	***105%***

Unit 1

Gross Generation	
Q4 2020 vs Q4 2019	The unit run 67% for the 4th quarter of 2020 due to a planned outage. It ran at an average load of 226MW during the quarter due to improvement of the unit after Life Extension Program (LEP).
FY 2020 vs FY 2019	Higher capacity factor this year of 67% versus 17% last year. In 2019, the unit was under its LEP and started commissioning during the latter part of the 3rd quarter.
Availability	
Q4 2020 vs Q4 2019	The unit ran at 67% during the quarter. Last year, unit was on a shutdown for the LEP and started commissioning during the latter part of the quarter.
FY 2020 vs FY 2019	The unit ran 91% in 2020. The unit has better availability due to improvement after the LEP. Last year, unit is on a shutdown for LEP starting December 30, 2018 and started commissioning during the latter part of the 3rd quarter

Unit 2

Gross Generation	
Q4 2020 vs Q4 2019	The unit run 67% during Q4 2020 at 269MW. This is due to improvement after LEP and its commercial operation on May 2, 2020. Last year, capacity factor is at 16% with a derated capacity at 200MW with 69 days of outages during the quarter.
FY 2020 vs FY 2019	The unit was on its LEP which started Oct. 17, 2019. Started commissioning and achieved synchronization on March 25, 2020. Started commercial operation date on May 2, 2020. Last year, the unit had incidents of tube leaks and had been running consistently on half condenser with a derated load of 200MW.
Availability	
Q4 2020 vs Q4 2019	The unit ran 53% during Q4 2020. The unit run 1,163 hours during the quarter versus 528 hours last year.
FY 2020 vs FY 2019	The unit was on its LEP activities since Oct. 2019 until first quarter of 2020 and commercial operation on May 2, 2020. Last year, the unit had incidents emergency outages due to tube leaks.

Significant event(s):

Units 1 performed very well during the year with 91% availability. Unit 1 ran at 223MW average load. Unit 2 first synchronization was achieved on March 25, 2020 and commercial operation was declared on May 2, 2020. Unit 2 availability improved with 100% availability during the 3rd quarter of 2020. The unit run at 300MW for the full month of September 2020. It was during the 4th quarter when the unit encountered boiler tube leaks and generator breakdown in December 2020.

Southwest Luzon Power Generation Corporation (SLPGC)

The table below illustrates SLPGC's comparative performance data for the years ended December 2020 and 2019:

	Q1	Q2	Q3	Q4	2020	Q1	Q2	Q3	Q4	2019	% Inc (Dec)
Gross Generation, GWh											
Unit 3	139	198	204	254	795	203	329	326	268	1,126	-29%
Unit 4	162	45	230	322	759	100	261	294	288	944	-20%
Total Plant	**301**	**243**	**434**	**576**	**1,554**	**304**	**589**	**621**	**557**	**2,070**	**-25%**
% Availability											
Unit 3	44%	61%	64%	82%	63%	68%	100%	100%	86%	88%	-29%
Unit 4	57%	15%	70%	100%	61%	41%	84%	91%	89%	77%	-21%
Total Plant	**51%**	**38%**	**67%**	**91%**	**62%**	**55%**	**92%**	**95%**	**87%**	**83%**	**-25%**
Capacity Factor											
Unit 3	42%	60%	61%	78%	60%	63%	99%	99%	82%	86%	-30%
Unit 4	50%	14%	69%	98%	58%	31%	79%	89%	88%	72%	-20%
Total Plant	**46%**	**37%**	**65%**	**88%**	**59%**	**47%**	**89%**	**94%**	**85%**	**79%**	**-25%**

Unit 1

Gross Generation	
Q4 2020 vs Q4 2019	Slightly lower generation vs Q4 LY due to more outage for Q4 (16 vs 13 days)
FY 2020 vs FY 2019	Lower total year because of extended shutdown brought about by the eruption of Mt Taal, repair of boiler tube leak was also delayed due to imposition of ECQ due to Covid-19 in Q2 and tube leak in Q3
Availability	
Q4 2020 vs Q4 2019	Slightly lower generation vs Q4 LY due to more outage for Q4 (16 vs 13 days)
FY 2020 vs FY 2019	Lower total year because of extended shutdown brought about by the eruption of Mt Taal, repair of boiler tube leak was also delayed due to imposition of ECQ due to Covid-19 in Q2 and another tube leak in Q3

Unit 2

Gross Generation	
Q4 2020 vs Q4 2019	Higher generation is due to no outage for the quarter vs LY
FY 2020 vs FY 2019	Scheduled lockdown lasted from Feb 19 to Jun 11, greatly affected by the ECQ lockdown. Manpower was scarce as workers are unable to go to Calaca plant. Boiler tube leak increased the unplanned outage to total 94 days
Availability	
Q4 2020 vs Q4 2019	Higher availability for the quarter due to no outage vs LY
FY 2020 vs FY 2019	The prolonged planned shutdown is due to the imposition of ECQ lockdown because of Covid-19 and another case of boiler tube leak in Q3.

MARKETING REPORT

Coal

The table below shows the comparative sales volume for the years ended December 2020 and 2019:

Customer	Q1	Q2	Q3	Q4	2020	%	Q1	Q2	Q3	Q4	2019	%	Diff	%Inc/ (Dec)
Power Plants	1,344	1,190	1,079	975	4,587	35%	1,123	946	691	1,056	3,816	24%	771	20%
Cement	116	31	149	146	441	3%	253	203	178	218	852	5%	(410)	-48%
Others Plants	141	74	144	127	487	4%	142	175	133	114	564	4%	(78)	-14%
Local	1,602	1,294	1,372	1,248	5,515		1,518	1,324	1,002	1,387	5,232		283	5%
Export	1,615	1,238	1,317	3,388	7,558	58%	2,034	2,982	3,209	2,154	10,379	66%	(2,821)	-27%
TOTAL (M MT)	3,216	2,532	2,689	4,636	13,073	100%	3,552	4,306	4,211	3,541	15,611	100%	(2,538)	-16%

Power Plants	
Q4 2020 vs Q4 2019	Lower offtake power plant customer including our power generation units
FY 2020 vs FY 2019	Higher offtake power plant customer including our power generation units
Cement Plants	
Q4 2020 vs Q4 2019	Slowdown of cement plants customers because of the economic impact of Covid 19 pandemic
FY 2020 vs FY 2019	Slowdown of cement plants customers because of the economic impact of Covid 19 pandemic
Other Industrial Plants	
Q4 2020 vs Q4 2019	Higher offtake because of new customers
FY 2020 vs FY 2019	Lower offtake because of the economic impact of Covid 19
Export	
Q4 2020 vs Q4 2019	Higher due to the lifting of export restrictions
FY 2020 vs FY 2019	Lower volume due to export restrictions and limitations
Average Selling Price (ASP)	
Q4 2020 vs Q4 2019	Lower NewCastle Index and spot prices
FY 2020 vs FY 2019	Lower NewCastle Index and spot prices

Power

SCPC

The table below shows the comparative marketing data of SCPC for the years ended December 2020 and 2019 (In GWh, except ASP):

CUSTOMER	Q1	Q2	Q3	Q4	2020	Q1	Q2	Q3	Q4	2019	% Inc (Dec)
GWh											
Bilateral Contracts	337	247	317	226	1,127	346	532	428	318	1,624	-31%
Spot Sales	108	403	735	319	1,565	16	4	53	150	224	600%
GRAND TOTAL	446	649	1,052	545	2,692	362	536	481	468	1,848	46%
Average ASP	3.36	2.78	2.51	2.41	2.70	4.46	3.79	3.26	3.78	3.78	-29%

Bilateral Contracts	
Q4 2020 vs Q4 2019	Bilateral contract capacity at 170MW in Q4 2020 with no generation in December for 2 units. Last year's BCQ delivered averages to 200MW.
FY 2020 vs FY 2019	The decrease is due to lower Bilateral contract capacity at 170MW while last year BCQ delivered averages to 200MW. Last year, the

	company availed outage allowance and procure energy from the market when the unit incurred forced outages during said period.
Spot Sales	
Q4 2020 vs Q4 2019	Higher spot sales in Q4 2020 due to higher availability and average capacity and lower contracted capacity versus Q4 2019.
FY 2020 vs FY 2019	Higher spot sales in 2020 due to higher availability and average capacity and lower contracted capacity versus 2019.

Other information:

Of the total energy sold, 99.5% was sourced from own generation

SLPGC

The table below shows the comparative marketing data of SLPGC for the years ended December 2020 and 2019 (In GWh, except ASP):

	Q1	Q2	Q3	Q4	2020	Q1	Q2	Q3	Q4	2019	% Inc (Dec)
GWh											
Bilateral Contracts	8	88	304	259	660	90	252	89	9	439	50%
Spot Sales	238	154	208	265	866	187	327	412	488	1,415	-39%
GRAND TOTAL	**246**	**243**	**512**	**525**	**1,526**	**277**	**579**	**501**	**497**	**1,854**	**-18%**
Average ASP	**2.74**	**3.11**	**2.89**	**2.82**	**2.88**	**4.10**	**5.03**	**3.17**	**4.89**	**4.35**	**-34%**

Bilateral Contracts	
Q4 2020 vs Q4 2019	Higher BCQ due to an additional 150MW starting August 24, 2020
FY 2020 vs FY 2019	BCQ YTD is higher vs LY due to addition of 50MW starting March 26, 2020 and 150MW starting August 24, 2020

Spot sales	
Q4 2020 vs Q4 2019	Lower spot sales due to higher contracted energy and lower WESM prices vs 2019 due to Covid-19 pandemic
FY 2020 vs FY 2019	The trend of lower spot prices continued in Q4 vs last year

Other information:

Of the total energy sold, 90.64% was sourced from own generation, while 9.36% was purchased from the spot market. SLPGC procured power from the spot market during hour intervals where power units were down, or when the plants were running at a de-rated capacity, in order to be able to supply committed capacity to some of its customers.

FINANCIAL REPORT

Sales and Profitability

Revenues *(In million PhP)*

Before Eliminations

	Q4 2020	Q4 2019	Variance	Remarks	FY 2020	FY 2019	Variance	Remarks
Coal	6,213	6,537	-5%	Lower ASP by 27% respectively offset by 31% increase in sales volume	20,631	32,282	-36%	Lower sales volume by 16%; lower ASP by 23% respectively
SCPC	1,312	2,443	-46%	36% decrease in ASP due to lower NewCastle price index and lower WESM prices partially offset by 16% increase in sales volume	7,259	6,985	4%	29% decrease in ASP due to lower NewCastle price index and lower WESM prices partially offset by 46% increase in sales volume
SLPGC	1,478	2,443	-40%	Lowe ASP by 42% offset by slight 6% increase in sales volume	4,389	8,081	-46%	Lower ASP 34% and volume 18%
Others	186	101	100%	SC Res revenue from electricity trading	215	101	100%	SC Res revenue from electricity trading

After Eliminations

	Q4 2020	Q4 2019	Variance	Remarks	FY 2020	FY 2019	Variance	Remarks
Coal	5,500	5,806	-5%	Lower ASP by 33% respectively offset by 42% increase in sales volume atributable to exposrt shipment	16,489	29,085	-43%	Lower sales volume by 23% due to 27% decline in export shipment; ASP decreased by 25% driven by the 28% decline in export prices as the global coal prices drops
SCPC	1,312	1,767	-26%	36% decrease in ASP due to lower NewCastle price index and lower WESM prices partially offset by 16% increase in sales volume	7,259	6,985	4%	29% decrease in ASP due to lower NewCastle price index and lower WESM prices partially offset by 46% increase in sales volume
SLPGC	1,377	2,443	-44%	Lowe ASP by 42% offset by slight 6% increase in sales volume	4,288	8,081	-47%	Lower ASP 34% and volume 18%
Others	186	100	100%		215	100	100%	
Total	8,375	10,116	-17%		28,250	44,250	-36%	

Cost of Sales *(In million PhP)*

Before Eliminations

	Q4 2020	Q4 2019	Variance	Remarks	FY 2020	FY 2019	Variance	Remarks
Coal	5,472	4,736	16%	Higher volume sold by 31% offset by lower fuel cost on production	14,996	19,761	-24%	Lower sales volume by 16% and lower fuel costs on production
SCPC	907	1,015	-11%	Decrease due to volume of generation and lower fuel prices and minimal replacement power purchases	5,552	6,129	-9%	Lower fuel prices and minimal replacement power purchases
SLPGC	946	1,047	-10%	Higher cost due to replacement power cost and higher depreciation of utility assets	3,336	4,015	-17%	Lower volume sold by 18% and lower Coal cost per MT
Others	166	100	100%		192	100	100%	
Total	7,325	6,798	8%		23,884	29,904	-20%	

After Eliminations

	Q4 2020	Q4 2019	Variance	Remarks	FY 2020	FY 2019	Variance	Remarks
Coal	4,946	4,159	19%	Higher volume sold by 42% offset by lower fuel cost on production	12,280	17,784	-31%	Lower volume sold by 23% and lower fuel cost on production
SCPC	764	955	-20%	Decrease due to volume of generation and lower fuel prices and minimal replacement power purchases	4,273	5,429	-21%	Lower fuel prices and minimal replacement power purchases
SLPGC	752	794	-5%	Higher cost due to replacement power cost and higher depreciation of utility assets	3,026	3,335	-9%	Lower volume sold by 18% and lower Coal cost per MT
Others	94	100	100%		120	100	100%	Costs of electricity traded
Total	6,556	6,007	9%		19,699	26,647	-26%	

Consolidated Gross Profit *(In million PhP)*

	Q4 2020	Q4 2019	Variance	Remarks	FY 2020	FY 2019	Variance	Remarks
Coal	554	1,647	-66%	Lower ASP by 33% offset by higher volume sold	4,208	11,302	-63%	Lower sales volume and ASP by 23% and 25% respectively
SCPC	548	812	-33%	Due to lower ASP by 36% despite higher sales volume	2,986	1,555	92%	Despite lower ASP, profitability driven by higher sales volume and minimal replacement power purchases
SLPGC	625	1,650	-62%	Lower profitability attributed to purchase of replacement power for the quarter, lower ASP by 42% and higher depreciation	1,262	4,746	-73%	Lower profitability attributed to decline in sales volume and WESM prices and the purchase of replacement power
Others	92	-	100%		95	2	100%	GP on electricity trading operations
Total	1,727	4,109	-58%		8,456	17,603	-52%	
GP %	21%	41%	-49%		30%	40%	-25%	

Consolidated OPEX *(In million PhP)*

	Q4 2020	Q4 2019	Variance	Remarks	FY 2020	FY 2019	Variance	Remarks
Coal	554	1,229	-55%	Lower government royalty due to decline in profitability	2,243	4,623	-51%	Lower government royalty due to decline in profitability
SCPC	451	416	9%	Opex normalized, last year includes accelerated depreciation for unit 2 amounting to PhP55 million.	1,237	1,780	-31%	Opex normalized, last year includes accelerated depreciation for unit 2 amounting to PhP550 million.
SLPGC	388	307	27%	Lower Ins/Taxes, and lower other cash opex	1,081	947	14%	Due to the recognzed impairment of the gas turbine generator
Others	1	6	100%	Pre-operating expenses of subsidiaries	8	16	100%	Pre-operating expenses of subsidiaries
Total	1,394	1,957	-29%		4,569	7,366	-38%	

Consolidated Finance Income *(In million PhP)*

	Q4 2020	Q4 2019	Variance	Remarks	FY 2020	FY 2019	Variance	Remarks
Coal	3	10	-66%	Lower temporary cash placements as a result of lower revenue	21	24	-12%	Lower temporary cash placements as a result of lower revenue
SCPC	1	21	-97%	Lower temporary cash placements as a result of lower revenue	2	203	-99%	Lower temporary cash placements this year. One-time Interest income on receivable from PSALM last year
SLPGC	1	21	-96%	Lower temporary cash placements as a result of lower revenue	22	55	-61%	Lower temporary cash placements as a result of lower revenue
Total	6	52	-89%		46	282	-84%	

Consolidated Finance Charges *(In million PhP)*

	Q4 2020	Q4 2019	Variance	Remarks	FY 2020	FY 2019	Variance	Remarks
Coal	74	96	-23%	Lower debt level; lower borrowing rates	358	535	-33%	Lower debt level; lower borrowing rates
SCPC	142	122	16%	Higher debt level;no significant increase in borrowing rates.	539	393	37%	Higher debt level;no significant increase in borrowing rates.
SLPGC	55	84	-35%	Lower interest rates and declining balance	198	389	-49%	Decrease in interest rates and lower principal due to declining balance
Total	270	303	-11%		1,095	1,317	-17%	

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

	Q4 2020	Q4 2019	Variance	Remarks	FY 2020	FY 2019	Variance	Remarks
Coal	52	(59)	-189%	Unrealized and realized Fx gain due to PhP depreciation; year-end 2019 FX- PhP50.64:USD1, 2020 end FX- PhP48.02: USD1	158	(7)	-2382%	Unrealized and realized Fx gain due to PhP depreciation; year-end 2019 FX- PhP50.64:USD1, 2020 end FX- PhP48.02: USD1
SCPC	(0)	1	-125%	Realized loss on its foreign currency denominated transactions	1	(1)	-166%	Realized gain on its foreign currency denominated transactions
SLPGC	3	(2)	-232%	Realized loss on its foreign currency denominated transactions	(4)	(0)	1506%	Realized loss on its foreign currency denominated transactions
Total	55	(59)	-192%		155	(9)	-1883%	

Consolidated Other Income *(In million PhP)*

	Q4 2020	Q4 2019	Variance	Remarks	FY 2020	FY 2019	Variance	Remarks
Coal	72	(119)	-160%	Gain on sale/disposal of support equipment	72	(8)	-997%	Gain on sale/disposal of support equipment
SCPC	36	(9)	-520%	Higher fly ash sold during the quarter	136	82	64%	Higher fly ash sold during the year
SLPGC	19	(296)	-107%	Other income incidendtal to financial contract (CFD)	116	109	7%	Other income incidendtal to financial contract (CFD)
Others	8	(3)	100%	Incidental income by pre-operating subsidiaries	8	(3)	100%	Incidental income by pre-operating subsidiaries
Total	135	(423)	-132%		331	183	81%	

Consolidated NIBT *(In million PhP)*

	Q4 2020	Q4 2019	Variance	Remarks	FY 2020	FY 2019	Variance	Remarks
Coal	54	155	-65%	Weaker performance and lower ASP due to declining Global coal prices	1,858	6,154	-70%	Weaker performance and lower ASP due to declining Global coal prices
SCPC	(8)	288	-103%	Lower plant availability	1,349	(333)	-504%	Higher plant availability after commercial operation (post LEP)
SLPGC	205	982	-79%	Due to lower ASP	117	3,573	-97%	Lower energy generation and ASP
Others	100	0	58030%	Pre-operating expenses of Southeast Luzon and Claystone Inc	95	(10)	-1048%	Mainly on SC Res earnings on trade of electricity
Total	351	1,425	-75%		3,419	9,384	-64%	

Consolidated Income Tax Provision *(In million PhP)*

	Q4 2020	Q4 2019	Variance	Remarks	FY 2020	FY 2019	Variance	Remarks
Coal	57	(62)	-192%	Deferred taxes and final tax on interest income from placements; With Income Tax Holiday on BOI-registered activity	60	(59)	-202%	Deferred taxes and final tax on interest income from placements; With Income Tax Holiday on BOI-registered activity
SCPC	(10)	100	-110%	Due to lower profitability	37	(278)	-113%	Due to lower profitability
SLPGC	2	(45)	-105%	Due to lower profitability	30	41	-26%	Due to lower profitability
Others	5	1	421%	Tax on incidental income of pre-operating subsidiaries	5	1	423%	Final Tax and tax on incidental income of pre-operating subsidiaries
Total	49	(7)	-807%		128	(296)	-143%	

NIAT (In million PhP)

Before Eliminations (Core Income)

	Q4 2020	Q4 2019	Variance	Remarks	FY 2020	FY 2019	Variance	Remarks
Coal	199	369	-46%	Higher sales volume	3,239	7,432	-56%	Lower sales volume and ASP
SCPC	(142)	129	-210%	Negative profitability due to plant outages	32	(754)	-104%	Improved plant performance.
SLPGC	109	773	-86%	Higher income because of better plant performance for the quarter	(123)	2,851	-104%	Net loss results due to lower revenue brought about by lower generation plus lower ASP for WESM and replacement power
Others	23	(1)	-100%	Pre-operating expenses of Semirara Claystone Inc partially offet by minimal income on Sem-Calaca Res electricity trading	18	(11)	-100%	Pre-operating expenses of Semirara Claystone Inc partially offet by minimal income on Sem-Calaca Res electricity trading

After Eliminations (Consolidated)

	Q4 2020	Q4 2019	Variance	Remarks	FY 2020	FY 2019	Variance	Remarks
Coal	(3)	216	-101%	Higher sales volume	1,798	6,213	-71%	Lower sales volume and ASP
SCPC	2	189	-99%	Stronger plants' performance, lower replacement power this quarter.	1,311	(55)	-2478%	Higher total plant generation. There were lower replacement power this year.
SLPGC	202	1,027	-80%	Lowe income because of lower margin due to replacement power cost	87	3,532	-98%	Net loss results due to lower revenue brought about by lower generation plus lower ASP for WESM and replacement power
Others	95	(1)	-100%	Pre-operating expenses of Semirara Claystone Inc partially offet by minimal income on Sem-Calaca Res electricity trading	91	(11)	-100%	Pre-operating expenses of Semirara Claystone Inc partially offet by minimal income on Sem-Calaca Res electricity trading
Total	**297**	**1,431**	**-79%**		**3,287**	**9,679**	**-66%**	

Solvency and Liquidity

The company's earnings before interest, taxes depreciation and amortization (EBITDA) reached Ph10.50 billion 39% lower than last year. After changes in working capital, cash provided by operation netted to PhP9.69 billion. With the consolidated loan availments amounting to PHP4.98 billion, representing Coal and SCPC bridge financing for working capital requirement. The company also realized PhP546.59 on sale of support equipment. Combined with the beginning Cash of PHP6.46 billion, total consolidated Cash available during the period stood at PHP21.68 billion.

Of the available cash, PHP5.44 billion was used to fund major CAPEX and stripping and mine development. The Company paid cash dividend and serviced debts amounting to PhP5.31 billion and PHP3.66 billion respectively. Ending cash closed at PHP4.48 billion, a 25% increase from the beginning cash.

Coal, SCPC, and SLPGC recorded ending cash of PHP5.67 billion, PHP951.59 million, and PHP1.12 billion, respectively. Other pre-operating businesses closed with a total cash balance of PHP257.13 million.

Consolidated Current ratio slightly declined to 1.41 from 1.54x at the start of the year.

Financial Condition

ASSETS

Cash

	12/31/2020	12/31/2019	Variance	Remarks
Coal	5,663	3,244	75%	Timing of cash proceeds from short term borrowings for operations and, payments to suppliers and collections from receivables.
SCPC	952	269	253%	Timing of cash proceeds from short term borrowings for operations and, payments to suppliers and collections from receivables.
SLPGC	1,213	2,855	-58%	Lower cash due to payment of Trade Payables and 2 Billion cash dividend to Parent
Others	257	89	190%	Cash generation from electricity trading operations
Total	**8,085**	**6,457**	**25%**	

Consolidated Receivables

	12/31/2020	12/31/2019	Variance	Remarks
Coal	1,610	945	70%	Mainly due to the timing of collection of receivables
SCPC	960	1,365	-30%	Generation is lower towards end of year resulting to lower receivables.
SLPGC	1,052	1,309	-20%	Lower revenue in Dec 2020 vs Dec LY
Others	47	22	112%	SCRes receivable on electricity sold
Total	**3,669**	**3,642**	**1%**	

Consolidated Inventories

	12/31/2020	12/31/2019	Variance	Remarks
Coal	6,856	6,385	7%	Increase mainly due to higher cost of materials, spare parts, major equipment components, fuel and lubricants of PhP5.29 billion and 1.7M MT coal valued at 1.56 billion
SCPC	2,444	2,322	5%	Mainly increase in spares parts inventory for preventive and predictive maintenance program amounting to PhP2.27 billion. Coal Inventory costs PhP173.59 million.
SLPGC	1,440	1,513	-5%	Decrease mainly due Coal at PhP 375 million and insurance spares; comprised of spare parts inventory for corrective, preventive and predictive maintenance program and other supplies amounting to PhP 949 million; Diesel and Lubes at PhP17 million, Chemicals and Others at PhP144 milllion
Total	**10,740**	**10,220**	**5%**	

Consolidated Other Current Assets

	12/31/2020	12/31/2019	Variance	Remarks
Coal	407	863	-53%	Mainly comprised of prepaid income taxes and advances to contractors and suppliers of spare parts and equipment amounting to Php338 million and Php68.85 million, respectively
SCPC	340	172	97%	Mainly comprised of advances to suppliers, prepaid tax & input vat and other prepaid expenses PhP1.96, PhP324.25 million and PhP13.79 million, respectively.
SLPGC	13	246	-95%	Mainly due to decrease in advances & prepayment to suppliers of PhP 120.37 million and prepaid taxes of PhP24.00million
Total	**805**	**1,285**	**-37%**	

Consolidated Total Current Assets

	12/31/2020	12/31/2019	Variance	Remarks
Coal	14,536	11,436	17%	
SCPC	5,374	4,129	-17%	
SLPGC	3,719	5,923	-31%	Please refer to above explanation
Others	349	115	496%	
Total	**23,978**	**21,603**	**-1%**	

Consolidated PPE

	12/31/2020	12/31/2019	Variance	Remarks
Coal	9,238	10,725	-14%	PhP1.5 billion mining equipment and deferred stripping asset of PhP1.3 billion offset by the depreciation of PhP3.27 billion
SCPC	21,604	21,060	3%	Capex of PhP1.94 billion, offset by depreciation of PhP1.51 billion
SLPGC	14,700	15,828	-7%	Capex of PhP539 million, offset by depreciation of PhP1.50 billion and impairment of GT 0.2B
Others	251	17	1357%	Miscellaneous asset of pre-operating subsidiaries
Total	**45,793**	**47,631**	**-4%**	

Investment in JV

	12/31/2020	12/31/2019	Variance	Remarks
Coal		45	-100%	Acquired 100% control on the JV (SRPGC)
Total	**-**	**45**	**-100%**	

Consolidated Other Non-Current Assets

	12/31/2020	12/31/2019	Variance	Remarks
Coal	139	321	-57%	Comprised of VAT receivable from BIR, Software cost and right of use assets; The decrease pertain to the applied advance payment made to equipment orders
SCPC	914	1,461	-37%	Mainly consists of right of use assets, advance payment for equipment acquisition and input vat amounting to PhP91.76 million, PhP144 million and 678.24 million respectively ; The input tax was applied/offset against output tax.
SLPGC	118	254	-54%	Mainly consists of the unrealized input VAT. Advances to suppliers was already liquidated upon delivery and completion of services
Others	28	5	439%	Deposit for distribution wheeling service
Total	**1,199**	**2,042**	**-41%**	

Consolidated Deferred Tax Assets

	12/31/2020	12/31/2019	Variance	Remarks
Coal	151	197	-23%	Mainly related to remeasurement losses on Pension Plan
SCPC	679	679	0%	Mainly related to provision for doubtful account and NOLCO.
SLPGC	22	13	76%	Mainly related to pension plan
Others	2	0	1724%	Nolco on pre-operating subsidiaries
Total	**855**	**888**	**-4%**	

Consolidated Total Assets

	12/31/2020	12/31/2019	Variance	Remarks
Coal	24,067	22,725	6%	Please refer to above explanation
SCPC	27,892	27,329	2%	
SLPGC	18,559	22,006	-16%	
Others	628	137	358%	
Total	**71,146**	**72,197**	**-1%**	

LIABILITIES

Accounts and Other Payables

	12/31/2020	12/31/2019	Variance	Remarks
Coal	6,224	5,073	23%	Merely in the timing of payment of payables
SCPC	1,366	2,358	-42%	Decrease due to payment trade suppliers
SLPGC	476	1,012	-53%	Decrease due to the timing of payment of payables
Others	243	8	2914%	Pertain to SRPG Payable and SCRES electricity customer deposit
Total	**8,308**	**8,451**	**-2%**	

Short-term Loans

	12/31/2020	12/31/2019	Variance	Remarks
Coal	2,000	-	100%	Temporary short-term financing for working capital
SCPC	3,425	2,070	65%	Availment of bridge financing for LEP and other operational needs.
Total	**5,425**	**2,070**	**100%**	

Current Portion of Long-term Debt

	12/31/2020	12/31/2019	Variance	Remarks
Coal	660	2,425	-73%	Payment of maturing LTD during the year but refinance with another long term loan (refer to non-current loans)
SCPC	1,448	385	276%	Comprised of maturing LTD within a year
SLPGC	667	649	3%	Comprised of maturing LTD within a year
Total	**2,775**	**3,459**	**-20%**	

Current Portion of Lease Liability

	12/31/2020	12/31/2019	Variance	Remarks
Coal	12	11	12%	Lease liabilty due within a year
SCPC	2	4	-54%	Lease liabilty due within a year
Total	**13**	**14**	**-5%**	

Total Current Liabilities

	12/31/2020	12/31/2019	Variance	Remarks
Coal	8,896	7,509	18%	Please refer to above explanation
SCPC	6,240	4,817	30%	
SLPGC	1,143	1,661	-31%	
Others	243	8	2914%	
Total	**16,522**	**13,995**	**18%**	

Long-Term Debt - Net of Current Portion

	12/31/2020	12/31/2019	Variance	Remarks
Coal	3,193	2,475	29%	Loans maturing this period were refinance with a long term loan
SCPC	5,826	7,271	-20%	Payment of quarterly amortization
SLPGC	2,655	3,322	-20%	Payment of quarterly amortization
Total	**11,674**	**13,068**	**-11%**	Decrease due to debt repayments

Pension Liability

	12/31/2020	12/31/2019	Variance	Remarks
Coal	329	272	21%	Accrual of pension obligation
SCPC	18	9	103%	Accrual of pension obligation
SLPGC	51	14	262%	Accrual of pension obligation
Total	**398**	**295**	**35%**	

Provision for Site Rehabilitation

	12/31/2020	12/31/2019	Variance	Remarks
Coal	255	500	-49%	Provision for mine rehabilitation and plant decommissioning
SCPC	19	18	9%	Provision for plant decommissioning
SLPGC	5	5	8%	Provision for plant decommissioning
Total	**279**	**523**	**-47%**	

Other *Long-Term Liabilities*

	12/31/2020	12/31/2019	Variance	Remarks
Coal	51	62	-49%	Lease liabilities non-current portion
SCPC	31	31	9%	Lease liabilities non-current portion
SLPGC	7	-	8%	Retention payable for 2x25 MW gas turbines
Total	**89**	**93**	**-47%**	

Total Non-Current Liabilities

	12/31/2020	12/31/2019	Variance	Remarks
Coal	3,827	3,309	16%	
SCPC	69	58	19%	
SLPGC	5,889	7,290	-19%	Please refer to above explanation
Others	2,655	3,322	-20%	
Total	**12,440**	**13,979**	**-11%**	

Total Liabilities

	12/31/2020	12/31/2019	Variance	Remarks
Coal	12,723	10,818	18%	
SCPC	6,309	4,875	29%	
SLPGC	7,031	8,951	-21%	Please refer to above explanation
Others	2,898	3,330	-13%	
Total	**28,961**	**27,973**	**4%**	

EQUITY

Capital Stock

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

Additional Paid-in Capital

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

Treasury Shares

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

Remeasurement Gain / (Losses) on Pension Plan

	12/31/2020	12/31/2019	Variance	Remarks
Coal	(95)	(96)	-1%	Actuarial valuation adjustment on pension plan
SCPC	(1)	4	-124%	Actuarial valuation adjustment on pension plan
SLPGC	(27)	(6)	312%	Actuarial valuation adjustment on pension plan
Total	**(123)**	**(98)**	**25%**	

Retained Earnings / (Losses)

	12/31/2020	12/31/2019	Variance	Remarks
Coal	16,616	18,749	-11%	Cash dividend payment offset by net income earned during the period
SCPC	7,375	6,765	9%	Loss incurred during the period
SLPGC	8,233	8,827	-7%	Loss incurred during the period and payment of cash dividend
Others	(118)	(208)	-43%	Expenses of pre-operating subsidiaries
Total	**32,107**	**34,134**	**-6%**	

PERFORMANCE INDICATORS:

1. **Current Ratio** – Cash position remains healthy despite cash dividend payment. The Company's internal current ratio threshold is at least 1.00, end-of-the-period current ratio is 1.41:1.

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

3. **Debt-to-Equity Ratio** –DE is at 0.67x at the end of the year after cash dividend payment.

4. **EBITDA Margin** –Remained robust despite the significant decline in coal and power prices.

5. **Net Income After Tax –** Strong operating performance cushioned the decline in consolidated net income by 66% as coal and power ASP went down by 23% and 30% respectively.

OTHER DISCLOSURES:

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

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

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

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

INFORMATION ON INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

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

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

External Audit Fees and Services

Audit & Audit Related Fees

Below are the External Audit Fees of the Company and its subsidiaries for two fiscal years:

In Million Pesos with VAT	
2022	7.97[4]
2021	7.47[5]
Total	**15.44**[6]

Tax Fees
There are no fees billed in each of the last fiscal years for professional services rendered by the SGV for tax accounting, compliance, advice, planning and any other form of tax services.

All Other Fees
In 2022, non-audit fees paid to SGV amounted to P6,782,160.00 for an engagement in performing as an independent party to count and/or validate the votes at the Annual Stockholders' Meeting, for its services as a technical consultant for GHG emission baselining project and for being the training facilitator and provider in the Company's Sustainability Summit. All other services were reviewed and approved by the Audit Committee to ensure that these will not impair the independence of the external auditor.

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

Audit Committee
The Company's Audit Committee oversees the external audit function on behalf of the Board of Directors (Board). It recommends the appointment, reappointment, or replacement of external auditor to the Board. It is charged with the evaluation of the audit work engagements, its scope, fees and terms for approval of the Board. The Audit Committee also reviews non-audit services and taxation advice, if any, by the external auditor. At the conclusion of the annual audit, it discusses with Management and the external auditor significant reporting issues. Lastly, the Audit Committee reviews external audit findings in respect of any significant deficiencies or weaknesses in controls and ensure that Management responds appropriately with timely corrective actions, including audit adjusting entries noted or proposed but passed as immaterial or otherwise. Mr. Jose Antonio U. Periquet, Jr. is the Chairman of the Audit Committee while Rogelio M. Murga, Honorio O. Reyes-Lao, and Ferdinand M. dela Cruz are members.

PART IV – MANAGEMENT AND CERTAIN SECURITY HOLDERS

DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

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

Directors

1. **ISIDRO A. CONSUNJI, 74**
   Filipino, Director since May 2001 and Chairman of the Board since November 2014, and a nominee for Regular Director at the Annual Stockholders' Meeting on May 2, 2023
   Chief Executive Officer
   Risk Committee, Member
   Strategy and Sustainability Committee, Member

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

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

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

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

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

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

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

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

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

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

3. **CESAR A. BUENAVENTURA, 93**
   Filipino, Director since May 2001, and a nominee for Regular Director at the Annual Stockholders' Meeting on May 2, 2023
   Strategy and Sustainability Committee, Member

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

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

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

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

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

4. **HERBERT M. CONSUNJI, 70**
   Filipino, Director since May 2001, and a nominee for Regular Director at the Annual Stockholders' Meeting on May 2, 2023

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

Directorship in Listed Companies:
None.

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

Other Affiliations:
Philippine Institute of Certified Public Accountants, Member
Financial Executives Institute of the Philippines, Member
Shareholder's Association of the Philippines, Member
Management Association of the Philippines, Member

5. **MARIA CRISTINA C. GOTIANUN, 68**
Filipino, Director since May 2006, and a nominee for Regular Director
President & Chief Operating Officer
Risk Committee, Member
Strategy and Sustainability Committee, Member

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

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

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

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

6. **MA. EDWINA C. LAPERAL, 61**
Filipino, Director since May 2007, and a nominee for Regular Director at the Annual Stockholders' Meeting on May 2, 2023

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

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

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

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

7. **JOSEFA CONSUELO C. REYES, 75**
Filipino, Director since March 2015, and a nominee for Regular Director at the Annual Stockholders' Meeting on May 2, 2023

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

Directorship in Listed Companies:
None.

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

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

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

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

Directorship in Listed Companies:
None.

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

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

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

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

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

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

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

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

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

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

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

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

11. **FERDINAND M. DELA CRUZ, 56**
Filipino, Independent Director since May 2021, and a nominee for Regular Director at the Annual Stockholders' Meeting on May 2, 2023
Audit Committee, Member
Corporate Governance Committee, Member
Risk Committee, Member
Strategy and Sustainability Committee, Member

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

10th Placer at the 1987 Mechanical Engineering Exams

Directorship in Listed Companies:
None.

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

Former Affiliations:
U.P. Engineering R&D Foundation, Inc., President & Trustee
Manila Water Company, Inc., President, Chief Executive Officer and Chief Sustainability Officer
Manila Water Operations, COO
Manila Total Solutions, Inc., President & CEO
Manila Water Foundation, President
Manila Water Company, Group Director, East Zone Business Operations
Globe Telecom, Head-Consumer Sales and After Sales Group
Globe Telecom, Head-Consumer Wireless Business Group
Kraft Food (Philippines) Inc., President & General Manager
Kraft Food (Philippines) Inc., Country General Manager
Kraft Foods International Services Inc. – Indonesian Representative Office, Chief Representative
PT Kraft Ultrajaya Indonesia, President & Director
Ayala land Inc./Laguna Properties Holdings Inc., SVP-Marketing & Sales Division
San Miguel Brewing Philippines, VP-National Sales
San Miguel Brewing Philippines, Executive Asst. to EVP for Philippine Operations
Inbisco Philippines Inc. (Kopiko), Country Manager
Unilever Philippines, Marketing/Sales Operations Manager
Unilever Philippines, National Distribution Manager
Unilever Philippines, Brand Manager, Asst. Brand Manager, Management Trainee
DCCD Engineering Corporation, Junior Engineer

<u>Nominee for Independent Director</u>

1. **ROBERTO L. PANLILIO, 68**
Filipino, and a nominee for Independent Director at the Annual Stockholders' Meeting on May 2, 2023

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

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

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

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

2. **FRANCISCO A. DIZON, 73**
   Filipino, and a nominee for Independent Director at the Annual Stockholders' Meeting on May 2, 2023

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

   Directorship in Listed Companies:
   None.

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

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

Point Technologies Corporation, Chairman/Vice-Chairman
AB Capital and Investment Corporation, Senior Vice-President

Executive Officers

1. **ISIDRO A. CONSUNJI**, Chief Executive Officer*
2. **MARIA CRISTINA C. GOTIANUN**, President & COO*

   **Member of the Board (please see above)*

3. **JUNALINA S. TABOR, 59**

   Filipino, SVP-Chief Risk, Compliance & Performance Officer since March 2021

   Education:

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

   Directorship in Listed Companies:

   None.

   Other Directorships/Positions:

   Sem-Calca Power Corporation, Chief Risk, Compliance & Performance Officer
   Southwest Luzon Power Generation Corporation, Chief Risk, Compliance & Performance Officer

   Former Affiliations:

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

4. **JOHN R. SADULLO, 52**

   Filipino, VP-Legal since November 2013
   Corporate Secretary & Corporate Information Officer since May 2005

   Education:

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

   Directorship in Listed Companies:

   None.

   Other Directorships/Positions:

   Sem-Calca Power Corporation, VP-Legal & Corporate Secretary
   Southwest Luzon Power Generation Corporation, VP-Legal & Corporate Secretary
   Semirara Energy Utilities Inc., Corporate Secretary
   Southeast Luzon Power Generation Corporation, Corporate Secretary
   Semirara Energy Utilities Inc., Corporate Secretary
   Semirara Materials and Resources Inc., Corporate Secretary
   Sem-Cal Industrial Park Developers Inc., Corporate Secretary
   St. Raphael Power Generation Corporation, Corporate Secretary
   Sem-Calaca Port Facilities Inc., Corporate Secretary

Divine Word School of Semirara Island, Inc., Corporate Secretary
Semirara Training Center, Inc., Corporate Secretary
Semirara Cement Corporation, Corporate Secretary

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

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

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

Education:
Bachelor of Science in Mechanical Engineering, De La Salle University
Master in Business Administration, De La Salle University
Master in Public Management, University of the Philippines
Undergone intensive training in financial modeling in Singapore
Completed the Petroleum Energy Policy and Management Program in Norway as full scholar of the Norwegian Petroleum Directorate

Directorship in Listed Companies:
None.

Other Directorships/Positions:
None.

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

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

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

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

Directorship in Listed Companies:
None.

Other Directorships/Positions:
None.

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

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

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

   Directorship in Listed Companies:
   None.

   Other Directorships/Positions:
   None.

   Former Affiliations:
   Semirara Mining and Power Corporation, Resident Manager

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

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

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

   Directorship in Listed Companies
   None.

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

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

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

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

   Directorship in Listed Companies:
   None.

   Other Directorships/Positions:
   None.

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

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

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

Directorship in Listed Companies:
None.

Other Directorships/Positions:
None.

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

Board and Annual Stockholders' Meeting Attendance
At the beginning of the year, the Board is advised of the schedule of meetings for the calendar year without prejudice to call a special board meeting when required by the Company's operation and other exigency. In the conduct of meeting, the quorum requirement under the law is simple majority of the members of the Board while approval of corporate acts and resolutions requires majority of the Board present. Below is the record of attendance of Directors to board meetings for the year 2022:

Board	Name	Date of Election	Number of Meetings Held during the Year	Meetings Attended	% of Attendance
Chairman	Isidro A. Consunji	May 2, 2022	9	9	100
Member	Jorge A. Consunji	May 2, 2022	9	9	100
Member	Hebert M. Consunji	May 2, 2022	9	9	100
Member	Cesar A. Buenaventura	May 2, 2022	9	9	100
Member	Maria Cristina C. Gotianun	May 2, 2022	9	9	100
Member	Ma. Edwina C. Laperal	May 2, 2022	9	9	100
Member	Josefa Consuelo A. Consunji	May 2, 2022	9	9	100
Independent	Rogelio M. Murga	May 2, 2022	9	9	100
Independent	Honorio O. Reyes-Lao	May 2, 2022	9	9	100
Independent	Antonio Jose U. Periquet, Jr.	May 2, 2022	9	9	100
Independent	Ferdinand M. dela Cruz*	May 2, 2022	9	9	100

None of the directors has absented himself for more than 50% from all meetings of the Board for year 2022.

Our non-executive directors held a meeting on October 28, 2022, without the presence of our executive directors. The discussion focused on corporate sustainability, green energy towards zero carbon, and cleaner energy production.

Board Committee Meeting Attendance
Below is the record of attendance of board committees for year 2022:

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

Trainings and Continuing Education Attended by Directors and Executive Officers
The Company recognizes the value of providing relevant trainings to its directors and executive officers and has set aside an annual budget to allow them to attend continuing professional development programs, applicable courses, conferences, and seminars. In 2021-2022, the directors and executive officers of the Company joined online seminars on corporate governance for at least four (4) hours, as follows:

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

	Reporting, conducted by Center for Global Best Practices	
August 26, 2022	ICD Masterclass: Sustainability and ESG: The What, Why, and How for Corporate Boards, conducted by Institute of Corporate Directors	Ma. Edwina C. Laperal Rogelio M. Murga Honorio O. Reyes-Lao
October 25, 2022	Corporate Governance, conducted by SGV & Co.	Maria Cristina C. Gotianun Jorge A. Consunji Josefa Consuelo C. Reyes Rogelio M. Murga Honorio O. Reyes-Lao Ferdinand M. dela Cruz Junalina S. Tabor John R. Sadullo Carla Cristina T. Levina Jose Anthony T. Villanueva Andreo O. Estrellado
November 25, 2022	Pilipinas: Aspire, Rise and Sustain Series Accelerating the Energy Transition and Inclusive Development Episode 3: Towards a Prosperity Agenda, conducted by Institute of Corporate Directors	Herbert M. Consunji

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

In 2022, the Company's Corporate Governance and Compliance Manager facilitated our full Board, Committee and individual director performance assessments in compliance with the SEC's Corporate Governance Guidelines for PLCs.

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

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

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

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

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

Other Directorship Held in Reporting Companies:

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

Significant Employees/Executive Officers of the Issuer

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

Family Relationship

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

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

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

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

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

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

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

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

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

Other Information Pursuant to Section 49, Revised Corporation Code
At the annual stockholders’ meeting held last May 2, 2022, SMPC adopted the electronic voting *in absentia*, which allows stockholders, after successful registration, to cast their votes electronically using the voting platform. The votes were then validated by the Board of

Canvasser appointed by the Board while SGV provided an independent tabulation service. After the validation, SGV certified and issued the final votes cast, which results were then reported by the Corporate Secretary during the meeting and reflected in the minutes of meeting.

The stockholders were given the opportunity to ask questions by sending the same through email at corporatesecretary@semirarampc.com. The instruction was incorporated in ***Schedule 4*** of last year's definitive information statement, and on the notice to stockholders published in the newspaper of general circulation, in print on online, for two consecutive days. The record of such questions and answers were reflected in the minutes of annual stockholders' meeting which is available at SMPC's website through this link: Click Here, and which is reproduced below:

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

Question	***Answer***
Question No. 1 from Mr. Gabby Tan, Maybank Securities: *What's your coal production outlook until 2027? Do you have enough reserves to last till the end of your coal operating contract?*	*At an annual coal production rate of 13 to 16 MMT, the company has enough coal reserves until the expiration of its coal operating contract (COC) in 2027.*
Question No. 2 from Mr. Ronald Chua of Campos Lanuza Securities: *When do you expect to complete the technical investigation for Unit 2, and what steps are you taking to make sure that the plant will run more reliably post-Q3?*	*The OEM committed to provide results of the technical investigation at the end of the unit repair in Q3 2022, subject to supplier induced delays.* *Currently, the plant's technical team is reviewing the inspection and test plan of the OEM so that more stringent acceptance criteria can be agreed, and any additional reliability tests needed can already be identified. During the repair, independent 3rd party tests will also be conducted with our technical advisor to comprehensively test the repaired unit.*
Question No. 3 from Mr. Jonathan Lao: *China coal consumption is expected to slow down because of the lockdowns. Can the local and other foreign markets pick up the slack left by China?*	*Yes, we were able to establish and supply Semirara coal to new local buyers in the power and cement plants namely San Miguel's Power plants (Masinloc, Limay, Malita, and Petron), Aboitiz Power (Therma Luzon Inc. and Therma South Inc.), Northern Cement and Good Found Cement.* *We were also able to develop new export markets namely Korea, Cambodia and Brunei.*
Question No. 4 from Mr. Ronald Chua of Campos Lanuza Securities: *What do you intend to do with the rehabilitated Panian mine? Can it be converted into a solar or wind farm?*	*We continue to focus on restoration beyond compliance activities in Panian mine that involves re-establishing biodiversity values, ecosystem services and habitat types.* *As this remains a coal reservation area, the possibility of converting it into a specific project would largely depend on the direction of our main regulator and concerned stakeholders.*

Question No. 5 from Mr. Gabby Tan, Maybank Securities: *Will the company start selling limestone to offset the decline in coal demand because of China's economic slowdown?*	*We currently have no plan to sell limestone commercially as we mainly intend to use limestone as an input to our cement project in line with our vertical integration model. Further, it could not offset the decline in coal demand due to low commercial value.*

Stockholders representing 3,302,599,133 or 77.70% of SMPC's issued and outstanding capital stock have registered and participated remotely or by proxies, as follows:

	Stockholder	Shares Held
1.	Cesar A. Buenaventura	120
2.	Herbert M. Consunji	120
3.	Honorio O. Reyes-Lao	4,000
4.	Isidro A. Consunji (for himself and 26 proxies)	3,300,140,225
5.	Jorge A. Consunji	120
6.	Josefa Consuelo C. Reyes	120,000
7.	Ma. Edwina C. Laperal	1,212
8.	Maria Cristina C. Gotianun	1,428
9.	Rogelio M. Murga	40
10.	Antonio Jose U. Periquet, Jr.	100
11.	Ferdinand M. dela Cruz	1,000
12.	Jaime B. Garcia	2,193,768
13.	Christopher A. Bernardo	137,000
	Total	**3,302,599,133**

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

Agenda	For		Abstain		Against	
Agenda 4 – Approval of Minutes of Previous Stockholders' Meeting Held on May 3, 2021	3,302,335,114	99.99%	0	0.00%	0	0.00%
Agenda 5 – Presentation and Approval of President's Report	3,302,335,114	99.99%	0	0.00%	0	0.00%
Agenda 6 – Presentation and Approval of the Audited Financial Statements for 2021	3,302,335,114	99.99%	0	0.00%	0	0.00%
Agenda 7 – Ratification of the Acts of the Board of Directors and Management from the Date of the Last Annual Stockholders' Meeting up to the Date of this Meeting	3,302,058,094	99.98%	0	0.00%	277,020	0.01%
Agenda 8 – Election of Directors for 2022-2023:						

Director	Votes Cast and Percentage of Shares Represented at the ASM					
	For	%	Abstain	%	Against	%
Regular Directors						
1. Isidro A. Consunji	3,297,814,661	99.86%	10,874,032	0.33%	1,584,100	0.05%
2. Jorge A. Consunji	3,301,239,423	99.96%	1,401,922	0.04%	0	0.00%
3. Cesar A. Buenaventura	3,286,739,063	99.52%	12,059,502	0.37%	4,842,780	0.15%
4. Herbert M. Consunji	3,300,241,525	99.93%	1,399,820	0.04%	0	0.00%
5. Maria Cristina C. Gotianun	3,299,060,725	99.89%	1,080,620	0.03%	0	0.00%
6. Ma. Edwina C. Laperal	3,299,741,525	99.91%	1,399,820	0.04%	0	0.00%
7. Josefa Consuelo C. Reyes	3,299,741,525	99.91%	1,399,820	0.04%	0	0.00%
Independent Directors						
8. Rogelio M. Murga	3,295,049,305	99.77%	6,092,040	0.18%	0	0.00%
9. Honorio O. Reyes-Lao	3,294,641,803	99.76%	6,424,142	0.19%	575,400	0.02%
10. Antonio Jose U. Periquet, Jr.	3,292,721,851	99.70%	4,576,714	0.14%	4,842,780	0.15%
11. Ferdinand M. dela Cruz	3,300,141,345	99.93%	0	0.00%	0	0.00%

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

The following directors, officers and stockholders of SMPC attended the annual stockholders' meeting in 2022:

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

Key Officers:
1. John R. Sadullo, VP-Legal & Corporate Secretary
2. Junalina S. Tabor, SVP-Chief Risk, Compliance & Performance Officer
3. Carla Cristina T. Levina, VP-CFO
4. Jose Anthony T. Villanueva, VP-Marketing for Coal
5. Karmine Andrea S.J. Ching, AVP-Corporate Planning

Others:
1. Dhonabee B. Seneres, Assurance Partner, SGV & Co.
2. Cherubim O. Mojica, Investor Relations

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

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

Name and Principal Position	Years	Salary	Bonus	Other Annual Compensation
Isidro A. Consunji CEO				
Maria Cristina C. Gotianun President & COO				
Jose Anthony T. Villanueva VP-Marketing for Coal				
Ruben P. Lozada VP-Mining Operations & Resident Manager				
Carla Cristina T. Levina VP & Chief Finance Officer				
	2021	22,947,297	40,568,778	5,929,097
	2022	22,999,123	85,283,937	5,906,785
	2023*	22,999,123	85,283,937	5,906,785
	Total	**P68,945,543**	**P211,136,652**	**P17,742,667**
All other directors and executive officers as a group	2021	13,580,277	6,382,353	20,200,793
	2022	10,264,410	4,366,830	18,672,359
	2023*	10,264,410	4,366,830	18,672,359
	Total	**P34,109,097**	**P15,116,013**	**P57,545,511**

**Approximate amounts*

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

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

In accordance with the preceding paragraph, below is the amount received by executive, non-executive and independent directors of the Board as fixed annual retainer fee and per diem remuneration for the Board and Board Committee meetings in 2021 and 2022. In the same calendar years, executive directors received bonuses in accordance with the by-laws:

Directors	**Total Gross Remuneration (in Php)**	
	CY2022	**CY2021**
Isidro A. Consunji *Executive Director*	1,798,462	280,000
Maria Cristina C. Gotianun *Executive Director*	1,818,462	300,000
Cesar A. Buenaventura *Non-executive Director*	1,800,000	1,800,000
Herbert M. Consunji *Non-executive Director*	1,800,000	1,840,000
Jorge A. Consunji *Non-executive Director*	1,800,000	1,800,000
Luz A. Consunji* *Non-executive Director*	-	600,000
Ma. Edwina C. Laperal *Non-executive Director*	1,800,000	1,800,000
Honorio Reyes-Lao *Independent Director*	2,000,000	1,980,000
Rogelio M. Murga *Independent Director*	1,880,000	1,940,000
Antonio Jose U. Periquet Jr. *Independent Director*	1,920,000	1,900,000
Josefa Consuelo C. Reyes *Non-executive Director*	1,800,000	1,800,000
Ferdinand M. dela Cruz** *Independent Director*	2,000,000	1,320,000
Total	**20,416,924**	**P17,360,000**

**BOD Member until May 2, 2021*
*** New BOD Member effective May 3, 2021*

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

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

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

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Record and Beneficial Owners of More Than 5%

The following table sets forth as of March 31, 2023, the record or beneficial owners of more than 5% of the outstanding common shares of the Company and the amount of such record or beneficial ownership.

Title of Class	Name, Address of record owner and relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizen-ship	Amount/ Nature of Record/ Beneficial Ownership	% of Class
Common	DMCI Holdings, Inc., 3/F DACON Building, 2281 Don Chino Roces Avenue, Makati City, Stockholder of record	1.Dacon Corporation, stockholder of 6,621,561,069 shares or 49.87% 2.PCD Nominee Corporation (Filipino), stockholder of 2,905,156,157 shares or 21.88% 3.DFC Holdings, Inc., stockholder of 2,379,799,910 or 17.92% 4.PCD Nominee Corp. (Foreign), stockholder of 905,827,110 shares or 6.82%	Filipino	2,407,770,396	56.65
Common	PCD Nominee Corp. stockholder of record	No stockholder owning 5% or more under PCD Nominee Corp. (Filipino)	Filipino	772,891,148	18.18
Common	Dacon Corporation, Dacon Bldg., 2281 Don Chino Roces Avenue, Makati City, stockholder of record	Inglebrook Holdings, Inc. holds 4,090,695 shares or 12.46%[7]	Filipino	542,067,778	12.75

Security Ownership Management

The table sets forth as of March 31, 2023 the beneficial stock ownership of each Director of the Company and all Officers and Directors as a group.

Title of class	Name of beneficial owner	Amount and nature of beneficial ownership			Citizenship	%
		Direct	Indirect[8]	Total		
Common	Isidro A. Consunji	24,144	29,279,914	29,303,914	Filipino	0.69
Common	Jorge A. Consunji	500,144	5,175,704	5,675,848	Filipino	0.13
Common	Herbert M. Consunji	29,920	-	29,920	Filipino	0.00
Common	Cesar A. Buenaventura	192,120	-	192,120	Filipino	0.00
Common	Maria Cristina C. Gotianun	1,428	24,380,145	24,381,573	Filipino	0.57
Common	Ma. Edwina C. Laperal	4,188	15,180,283	15,184,471	Filipino	0.36
Common	Josefa Consuelo C. Reyes	412,400	8,763,998	9,176,398	Filipino	0.22
Common	Rogelio M. Murga	40,040	-	40,040	Filipino	0.00

[7] Other beneficial owners of Dacon Corporation with the same number of shares are Eastheights Holdings, Inc., Gulfshore Inc., Chrismon Investment Inc., Jagjit Holdings, Inc., La Lumiere Holdings, Inc., Rice Creek Holdings, Inc. while Valemont Corporation holds 4,090,694 or 12.46% and Double Spring Investments Corporation holds 114,429 shares or .35% of Dacon's issued and outstanding shares.

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

Common	Honorio O. Reyes-Lao	1,328,040	682,480	2,010,520	Filipino	0.05
Common	Antonio Jose U. Periquet, Jr.	-	4,333,000	4,333,000	Filipino	0.10
Common	Ferdinand M. dela Cruz	53,900	-	53,900	Filipino	0.00
Common	Junalina S. Tabor	-	-	-	Filipino	0.00
Common	John R. Sadullo	-	-	-	Filipino	0.00
Common	Jose Anthony T. Villanueva	3,000	55,560	58,560	Filipino	0.00
Common	Andreo O. Estrellado	-	-	-	Filipino	0.00
Common	Ruben P. Lozada	475,200	-	475,200	Filipino	0.00
Common	Carla Cristina T. Levina	-	-	-	Filipino	0.00
Common	Christopher Thomas C. Gotianun	1,000	76,000	77,000	Filipino	0.00
Common	Edgar C. Mariano	-	-	-	Filipino	0.00
Aggregate Ownership of all directors and officers as a group		**3,065,524**	**87,926,940**	**90,992,464**		**2.14**

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

CERTAIN RELATIONSHIP AND RELATED TRANSACTIONS

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

Note 17 of the attached Audited Consolidated Financial Statements for the period ended December 31, 2022 indicate the Company's significant transactions with related parties.

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

None of the Company's directors or executive officers have entered into self-dealing and related party transactions with or involving the Company in 2022. Actual related party transactions during the year were conducted in arms-length terms.

In addition, the Company's Insider Trading Policy requires all Directors and Executive Officers to report their trades within three (3) business days for eventual reporting to the PSE and SEC. Our disclosures include purchase of shares from market, changes in beneficial ownership of securities among others. In 2022, SCC trades by Directors are disclosed promptly.

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

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

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

SUSTAINABLE GOVERNANCE

In 2022, SMPC was recognized as an Asset Class awardee by the ASEAN Capital Market Forum (ACMF), together with the Asian Development Bank (ADB) and Institute of Corporate Directors (ICD) Philippines for its corporate governance practices along with other top-ranking Philippine publicly listed companies. Also, in the recent ASEAN Corporate Governance Scorecard (ACGS) Awards, SMPC received the three Golden Arrow recognition. We continue to be among PLCs which achieved a score of 97 points and higher in the country and the region, which shows how we stand by the values and pillars embedded in our corporate governance framework.

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

In 2022, the Company fully complied with the provisions of its Manual on Corporate Governance.

RIGHTS OF SHAREHOLDERS

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

EQUITABLE TREATMENT OF SHAREHOLDERS

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

- Insider Trading Policy - explicitly prohibits insider trading to prevent conflict of interest and benefiting from insider information or knowledge not available to the general public. It prescribes trading block off periods and requires Directors and officers to inform or report to SMPC their trading transactions of SMPC shares within three (3) business days. In 2022, there was no insider trading violation case reported.
- Related Party Transaction (RPT) Policy – provides that RPTs be arms-length and at terms available to an unaffiliated third party under the same or similar business circumstances. It also sets threshold levels requiring approval of the Board or shareholders, and that RPTs be arms-length and at terms generally available to an unaffiliated third party under the same or similar circumstances, among others. All Independent Directors through SMPC's Audit Committee regularly review material significant RPTs that meet the threshold levels stipulated by regulatory rules and requirements on RPTs and materiality guidelines per RPT Policy. In 2022, all actual RTPs were conducted in arms-length terms.
- Material Related Party Transaction (RPT) Policy - requires at least two-thirds (2/3) approval vote of the Board of Directors, with at least a majority of the Independent Directors, of all transactions of SMPC and subsidiaries meeting the materiality threshold of RPTs amounting to ten percent (10%) or higher of SMPC's Total Consolidated Assets based on its latest audited consolidated financial statements. The policy provisions are compliant with SEC's Rules on Material RPTs for PLCs. These include guidelines in ensuring arm's length terms, maintaining a Related Party Registry and audit, risk and compliance

system, among others. In 2022, there was no material RPT that breached the prescribed SEC materiality threshold.

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

In 2022, the Company continues to be an institutional member of the Shareholders' Association of the Philippines Inc. (SharePHIL), which promotes investor education and shareholder activism, and advocates the protection of shareholders' rights.

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

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

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

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

Our Investor Relations (IR) unit was centralized under our Parent, DMCI Holdings, Inc.'s (DMCI) group-wide IR function to enhance alignment of the group's investor relations strategy and engagement. Our IR team attended the Annual Shareholders' Meeting on May 2, 2022 to address possible shareholder queries.

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

RESPONSIBILITIES OF THE BOARD
SMPC's Good Governance Guidelines for Board Directors serve as the Board's charter with policies regarding directorship tenure, service in other company boards, conflict of interest, among others. It aims to protect non-controlling shareholders from inequitable conduct of its Directors, officers and employees. Its Code of Conduct and Business Ethics (Code) embodies the Board's commitment to conduct business with the highest ethical standards and in accordance with applicable laws, rules and regulations. The Code, which is aligned with SMPC's Manual on Corporate Governance,

includes provisions on conflict of interest, gifts, corporate giving, insider trading, corporate opportunities, accounting and financial reporting, influencing external auditor, political activities, fair dealings, confidentiality, protection and proper use of company assets, among others. Annually, SMPC requires all Directors and Officers to certify their compliance with the Code.

ENTERPRISE RISK MANAGEMENT

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

Risk Governance

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

Our Risk Appetite

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

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

Business Continuity Management

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

Risks

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

PART VI – EXHIBITS AND SCHEDULES

EXHIBITS AND REPORTS ON SEC FORM 17-C

Exhibits

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

Reports on SEC Form 17-C

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

Date Reported	Subject/Disclosure
July 12, 2022	Analysts briefing on August 4, 2022 on 22Q2 financial and operating results.
July 19, 2022	SMPC won four awards in the 12th Institutional Investor Corporate Awards 2022 of Hong Kong-based Alpha Southeast Asia magazine.
August 2, 2022	Board approval of the 22Q2 unaudited consolidated financial statements for the period ended June 30, 2022.
August 2, 2022	Press Release: SMPC nets P10.8B in Q2, up 171%; H1 earnings surge to record high.

Date Reported	Subject/Disclosure
August 5, 2022	Results of Audit Committee Self-Assessment for year 2022 in compliance with SEC Memo Cir. No. 4-2012.
August 8, 2022	SMPC participation in PSE STAR (strengthening access and reach): Investor Day on August 16, 2022.
August 22, 2022	Clarification on the news article entitled "Semirara studies going into renewable energy and gold mining as part of long-term business strategy" posted in manilastandard.net on August 21, 2022.
August 26, 2022	Receipt of DENR order dated August 25, 2022 directing SMPC to settle the fine of P1.4 million for the alleged violation of its ECC's terms and conditions.
August 30, 2022	Clarification on the news article entitled "SMPC studies solar, LNG as energy sources" posted in BusinessWorld (Online Edition) on August 29, 2022.
September 6, 2022	Participation in corporate governance training and continuing education of SMPC directors on ICD Masterclass: Sustainability and ESG: The What, Why, and How for Corporate Boards conducted by ICD on August 26, 2022.
October 10, 2022	Analysts Briefing October 31, 2022 on 22Q3 financial and operating results.
October 17, 2022	Declaration of cash dividends at P3.50 per outstanding share with record date on October 31, 2022 and payable on November 15, 2022.
October 17, 2022	Press Release: SMPC declares record high special cash dividends.
October 24, 2022	Amendment of disclosure dated October 10, 2022, moving the date of the analysts briefing to November 2, 2022 considering that October 31, 2022 was declared special non-working holiday.
October 28, 2022	Board approval of the 22Q3 unaudited consolidated financial statements for the period ended September 30, 2022.
November 2, 2022	Press Release: SMPC sets new profit record; 9M 2022 net income up 250% to 36B exceeding FY2021.
November 21, 2022	Receipt of complaint/summons in the alleged illegal dismissal in Cabile vs. SMPC, et. al., RAB Case No. VI-08-10689-22, NLRC, Bacolod City.
December 6, 2022	Participation in corporate governance training and continuing education of SMPC director on Pilipinas: Asire, Rise and Sustain Series Accelerating the Energy Transition and Inclusive Development Episode 3: Towards a Prosperity Agenda conducted by ICD on November 25, 2022.
December 6, 2022	Clarification on the news article entitled "Semirara sets aside Pts5.6B for capital spending plan" posted in BusinessMirror (Online Edition) on December 6, 2022.
December 9, 2022	Participation in corporate governance training and continuing education of SMPC directors/officers on Corporate Governance conducted by SGV on October 25, 2022.
December 9, 2022	Clarification on the news article entitled "Semirara expects over P30-billion profit this year" posted in manilastandard.net on December 7, 2022.
December 15, 2022	Press Release: SMPC corporate governance recognized anew.
January 23, 2023	Press Release: DMCI Holdings, SMPC among best governed PLCs.
February 1, 2023	Press Release: DMCI Holdings, SMPC named to Bloomberg Gender-Equality Index for third straight year.
February 13, 2023	Analysts Briefing February 28, 2023 on 22Q4 financial and operating results.
February 21, 2023	Setting the deadline for submission of Nomination Form for nominees to the Board at the Annual Stockholders' Meeting on May 2, 2023.
February 27, 2023	Press Release: SMPC tops prior-year profit record; nets P39.9B in 2022.
February 27, 2023	Appointment of Christopher Thomas C. Gotianun as VP-Business Development and Edgar C. Mariano as VP-Supply Chain Management effective March 1, 2023.
February 27, 2023	Setting date, time and venue of the virtual Annual Stockholders' Meeting on May 2, 2023 at 10:00 a.m. with Record Date on March 14, 2023.

Date Reported	Subject/Disclosure
February 27, 2023	Approval of the consolidated audited financial statements for period ended December 31, 2022 and re-appointment of SGV as Independent External Auditor for 2023 subject to stockholders' approval.
February 28, 2023	Amendment of disclosure dated February 27, 2023 on "Press Release: SMPC tops prior-year profit record; nets P39.9B in 2022."
March 2, 2023	Amendment of disclosure dated February 27, 2023 on the "Appointment of Christopher Thomas C. Gotianun as VP-Business Development and Edgar C. Mariano as VP-Supply Chain Management effective March 1, 2023" to include their qualification and business experience.
March 3, 2023	Receipt of Entry of Judgement in the case of "DOF and BOC vs. RTC Makati, Branch 146, et. al., SC G.R. No. 211188" on declaratory relief with injunction case filed by SMPC to enjoin BIR and BOC from implementing RR 2-2022.
March 14, 2023	Determination of final list of nominees to the board as approved by the Corporate Governance Committee of SMPC.
March 22, 2023	Approval of amended final list of nominees to the board.
March 27, 2023	Declaration of a regular cash dividend of P1.80 per common share and a special cash dividend of P1.70 per common share or a total of P3.50 per common share from its unappropriated retained earnings for the period ended as of December 31, 2022 to stockholders of record as of April 13, 2023 and payable on April 25, 2023.
March 27, 2023	Press Release: SMPC cash dividends more than double; eligible shareholders to receive P3.50/share.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the Issuer by the undersigned, thereunto duly authorized, in the City of Makati on this 13th day of April 2023.

By:

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

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

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

VINEL O. PESTAÑO
Controller
(Principal Accounting Officer)

JOHN R. SADULLO
Corporate Secretary

SUBSCRIBED AND SWORN, to before me on this 13th day of April 2023, at Muntinlupa City, Metro Manila, affiants exhibited to me:

Name	Valid ID	Date/Place Issued
Isidro A. Consunji	Passport No. P2690001B	July 31, 2019/DFA, Manila
Maria Cristina C. Gotianun	Passport No. P5509920A	January 3, 2018/DFA, Manila
Carla Cristina T. Levina	Passport No. P7838909A	July 6, 2018/DFA, Manila
John R. Sadullo	UMID CRN – 0033-0401841-0	Manila
Vinel O. Pestaño	Driver's License No. N04-21-203344	Expiry: June 15, 2026/LTO, Manila

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

Doc. No. 67 ;
Page No. 15 ;
Book No. XIV ;
Series of 2023.

MARIA JOSEFINA R. ALFONSO
NOTARY PUBLIC
ROLL NO. 65867
MUNTINLUPA CITY, PHILIPPINES

ATTY. MARIA JOSEFINA R. ALFONSO
Notary Public for Muntinlupa City
Commission No. NC-19-022
Extended until 31 December 2021 as per B.M. No. 3795
Unit 505, Richville [illegible] Alabang Zapote Rd.
Ayala Alabang, [illegible] City 1780
Roll of Attorneys [illegible]
IBP LRN No. [illegible] Chapter
PTR No. 3977944; 01/14/[illegible] Muntinlupa City
MCLE Compliance No. VI-00[illegible] [illegible]10/2016

Vinel O. Pestano

From: eafs@bir.gov.ph
Sent: Wednesday, April 12, 2023 3:57 PM
To: Vinel O. Pestano
Cc: Carla Cristina T. Levina
Subject: Your BIR AFS eSubmission uploads were received

Hi SEMIRARA MINING AND POWER CORPORATION,

Valid file

- EAFS000190324AFSTY122022.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-2SSNW3XT0N33XVMN2QYWXQXPP0QXYX3M11**
Submission Date/Time: **Apr 12, 2023 03:56 PM**
Company TIN: **000-190-324**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

File Upload

All files successfully uploaded

Transaction Code:
AFS-0-2SSNW3XT0N33XVMN2QYWXQXPP0QXYX3M11

Submission Date/Time:
Apr 12, 2023 03:56 PM

Back To Upload

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **SEMIRARA MINING AND POWER CORPORATION** is responsible for the preparation and fair presentation of the **consolidated financial statements** including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intents to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

Signed this 27th day of February 2023.

ISIDRO A. CONSUNJI
Chairman of the Board &
Chief Executive Officer

CARLA CRISTINA T. LEVINA
Chief Finance Officer

SUBSCRIBED AND SWORN, to before me on this ____ day of FEB 2 7 2023 2023, at ______________________, Metro Manila, affiants exhibited to me:

Name	Passport No.	Expiry Date/Place Issued
Isidro A. Consunji	P2690001B	July 30, 2029/DFA, Manila
Carla Cristina T. Levina	P7838909A	July 5, 2028/DFA, Manila

who has satisfactory proven to me their identities through their valid identification cards bearing their photographs and signatures, and that they are the same persons who personally signed before me the foregoing and acknowledged that they executed the same.

Doc. No. 450;
Page No. 91;
Book No. XIII;
Series of 2023.

ATTY. MARIA JOSEFINA R. ALFONSO NOTARY PUBLIC ROLL NO. 65867 MUNTINLUPA CITY, PHILIPPINES

ATTY. MARIA JOSEFINA R. ALFONSO
Notary Public for Muntinlupa City
Notarial Commission No. 22-046
Valid until 31 December 2023
Unit 802, Prime Land Tower, Market Street
Ayala Alabang, Muntinlupa City 1780
Roll of Attorneys No. 65867
IBP LRN No. 015215; PPLM Chapter
PTR No. A-5368757; 01/10/2022; Taguig City
MCLE Compliance No. VII-0021137 issued on

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	0	0	9	1	4	4	7

COMPANY NAME

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

2/F DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.semiraramining.com	8888-3000 / 8888-3955	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
736	First Monday of May	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Carla Cristina T. Levina	ctlevina@semirarampc.com	8888-3025	N/A

CONTACT PERSON's ADDRESS

2/F DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Semirara Mining and Power Corporation and its subsidiaries (collectively, the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Estimation of Provision for Decommissioning and Mine Site Rehabilitation Costs

The Group has recognized provision for decommissioning and mine site rehabilitation costs amounting to ₱285.95 million as of December 31, 2022 for the open pit mines of its coal mining activities. This matter is important to our audit because the estimation of the provision requires significant management judgment in the use of assumptions, which are subject to higher level of estimation uncertainty. Key assumptions include costs of reforestation, and maintenance of the rehabilitated area, inflation rate, and discount rate.

Relevant information on the provision for decommissioning and mine site rehabilitation costs are disclosed in Notes 3 and 14 to the consolidated financial statements.

Audit response

We obtained an understanding of management's processes and controls in the estimation of future decommissioning and mine site rehabilitation costs. We evaluated the competence, capabilities and objectivity of the mine site engineers and reviewed the relevant comprehensive mine rehabilitation plan prepared by the Group's Mine Planning and Exploration Department and Environment Department. We inquired of changes in the mine plan and in the cash flow assumptions, including management's bases for identifying and estimating the costs for various mine rehabilitation and closure activities, such as reforestation and maintenance of the rehabilitated area. We compared the timing of the expected cash flows with reference to the rehabilitation plan for the open pit mines. We compared the cost estimates and actual charges to billings, invoices and official receipts. We also evaluated the discount and inflation rates used by comparing these to external data.

Estimation of Mineable Ore Reserves

The Group's coal mining properties with a carrying value of ₱4,196.98 million as of December 31, 2022 are amortized using the units-of-production method. Under this method, management is required to estimate the volume of mineable ore reserves for the remaining life of the mine which is a key input to the amortization of the coal mining properties. This matter is significant to our audit because the estimation of the mineable ore reserves of the Group's coal mines requires use of assumptions and significant estimation from management's specialists.

The related information on the estimation of mineable ore reserves and related coal mining properties are discussed in Notes 3 and 9 to the consolidated financial statements.

Audit response

We obtained an understanding on management's processes and controls in the estimation of mineable ore reserves. We evaluated the competence, capabilities and objectivity of management's internal specialists engaged by the Group to perform an assessment of the ore reserves by considering their qualifications, experience and reporting responsibilities. We reviewed the internal specialists' report and obtained an understanding of the nature, scope and objectives of their work and basis of estimates, including the changes in the reserves during the year. We also tested the application of the estimated ore reserves in the amortization of mining properties.

Presentation and Valuation of 2x25 MW Gas Turbine Power Plant as Asset Held-for-Sale

The Group disclosed its commitment to sell the 2x25 MW Gas Turbine Power Plant (the Asset) as discussed and approved in the minutes of meeting of the Board of Directors (BOD) held on August 2, 2022. The Group maintains that the carrying amount of the Asset will be recovered principally through a sale transaction rather than through continuing use. As of December 31, 2022, the Group has yet to complete the sale of the Asset with a carrying value of ₱789.31 million. The Group assessed that the Asset will be accounted for as asset held-for-sale in accordance with Philippine Financial Reporting Standards (PFRS) 5, *Non-current Assets Held-for-Sale and Discontinued Operations*.

This is a key audit matter because the presentation and valuation of asset held-for-sale involves significant management judgments and estimates in assessing whether the requirements under PFRS 5 have been met.

The relevant information on this matter is disclosed in Notes 3 and 8 to the consolidated financial statements.

Audit response

We obtained management's evaluation on whether the requirements of PFRS 5 have been met as regards the proper presentation of the Asset in the consolidated financial statements. We evaluated whether management is committed to sell the Asset, an active program to locate a buyer has been initiated, and the sale is highly probable to take place within 12 months upon classification, by inspecting documents such as minutes of BOD meetings and correspondences with potential buyers. We determined whether the Asset is available for immediate sale in its present condition by checking if the Asset is no longer used in operations and cleared of any regulatory requirements. We assessed the likelihood that the plan to sell the Asset will not be significantly changed or withdrawn by evaluating management's course of actions and its related impact.

We determined that the Asset is carried at the lower of carrying amount and fair value less costs to sell. We reviewed the fair value assessment made by management, including assessment of key assumptions applied and evaluation of the explanations provided by comparing key assumptions to market data, where available. We obtained an understanding and reviewed the appropriateness of the nature, scope and basis of estimates of costs to sell the Asset.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jennifer D. Ticlao.

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticlao

Jennifer D. Ticlao
Partner
CPA Certificate No. 109616
Tax Identification No. 245-571-753
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 109616-SEC (Group A)
Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-110-2020, November 27, 2020, valid until November 26, 2023
PTR No. 9566008, January 3, 2023, Makati City

February 27, 2023

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 28, 29 and 30)	**₱20,056,558,463**	₱8,213,048,027
Receivables (Notes 5, 17, 28 and 29)	**10,198,812,587**	6,937,177,994
Inventories (Notes 6, 9 and 19)	**12,718,105,651**	10,559,081,495
Other current assets (Note 7)	**1,137,301,624**	1,223,362,466
	44,110,778,325	26,932,669,982
Asset held-for-sale (Note 8)	**789,312,800**	–
Total Current Assets	**44,900,091,125**	26,932,669,982
Noncurrent Assets		
Property, plant and equipment (Notes 9 and 11)	**40,961,238,063**	43,107,760,967
Right-of-use assets (Note 10)	**116,945,402**	137,017,373
Deferred tax assets - net (Note 24)	**486,751,049**	559,756,567
Other noncurrent assets (Notes 11, 28 and 29)	**637,757,385**	907,185,163
Total Noncurrent Assets	**42,202,691,899**	44,711,720,070
	₱87,102,783,024	₱71,644,390,052

LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 12, 17, 28 and 29)	**₱11,047,187,266**	₱10,370,383,326
Income tax payable (Note 24)	**897,302,520**	–
Current portion of long-term debt (Notes 13, 28 and 29)	**3,487,809,312**	4,208,923,654
Current portion of lease liabilities (Notes 10, 28 and 29)	**15,978,993**	14,837,120
Total Current Liabilities	**15,448,278,091**	14,594,144,100
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 13, 28 and 29)	**6,708,378,202**	10,857,711,507
Lease liabilities - net of current portion (Notes 10, 28 and 29)	**54,721,853**	73,539,062
Provision for decommissioning and site rehabilitation costs (Notes 3 and 14)	**315,050,224**	325,556,377
Deferred tax liabilities - net (Note 24)	**124,788,736**	–
Pension liabilities (Note 18)	**145,574,979**	124,049,009
Other noncurrent liabilities	**53,593,031**	59,493,190
Total Noncurrent Liabilities	**7,402,107,025**	11,440,349,145
Total Liabilities	**22,850,385,116**	26,034,493,245
Equity		
Capital stock (Notes 15 and 28)	**4,264,609,290**	4,264,609,290
Additional paid-in capital (Note 28)	**6,675,527,411**	6,675,527,411
Treasury shares (Notes 15 and 28)	**(739,526,678)**	(739,526,678)
Retained earnings (Notes 16 and 28):		
Unappropriated	**47,372,204,129**	28,753,790,517
Appropriated	**6,800,000,000**	6,800,000,000
Net remeasurement losses on pension plans (Notes 18 and 28)	**(120,416,244)**	(144,503,733)
Total Equity	**64,252,397,908**	45,609,896,807
	₱87,102,783,024	₱71,644,390,052

See accompanying Notes to Consolidated Financial Statements.

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2022	2021	2020
REVENUE FROM CONTRACTS WITH CUSTOMERS (Note 31)			
Coal	**₱70,506,120,909**	₱35,592,978,667	₱16,488,547,162
Power	**20,622,571,798**	16,831,448,267	11,761,821,344
	91,128,692,707	52,424,426,934	28,250,368,506
COSTS OF SALES (Notes 19 and 31)			
Coal	**21,139,699,216**	17,324,282,391	12,280,311,958
Power	**8,615,452,181**	8,915,287,329	7,419,105,537
	29,755,151,397	26,239,569,720	19,699,417,495
GROSS PROFIT	**61,373,541,310**	26,184,857,214	8,550,951,011
OPERATING EXPENSES (Notes 20 and 31)	**(19,952,229,080)**	(9,265,160,273)	(4,554,061,716)
INCOME FROM OPERATIONS	**41,421,312,230**	16,919,696,941	3,996,889,295
OTHER INCOME (CHARGES) - Net			
Finance income (Notes 22 and 31)	**413,379,725**	22,542,252	45,872,939
Finance costs (Notes 21 and 31)	**(857,922,894)**	(976,358,612)	(1,094,820,551)
Foreign exchange gains - net (Notes 28 and 31)	**1,003,605,129**	339,601,233	154,685,877
Others - net (Notes 23 and 31)	**242,561,516**	239,739,686	316,719,609
	801,623,476	(374,475,441)	(577,542,126)
INCOME BEFORE INCOME TAX	**42,222,935,706**	16,545,221,500	3,419,347,169
PROVISION FOR INCOME TAX (Notes 24 and 31)	**2,351,777,882**	345,124,059	132,597,757
NET INCOME	**39,871,157,824**	16,200,097,441	3,286,749,412
OTHER COMPREHENSIVE INCOME			
Item not to be reclassified to profit or loss in subsequent periods			
Remeasurement gains (losses) on pension plan (Note 18)	**32,116,652**	(28,881,397)	(34,933,908)
Income tax effect	**(8,029,163)**	7,220,349	10,480,172
	24,087,489	(21,661,048)	(24,453,736)
TOTAL COMPREHENSIVE INCOME	**₱39,895,245,313**	₱16,178,436,393	₱3,262,295,676
Basic/Diluted Earnings Per Share (Note 25)	**₱9.38**	₱3.81	₱0.77

See accompanying Notes to Consolidated Financial Statements.

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

				Retained Earnings			
	Capital Stock (Note 15)	**Additional Paid-in Capital**	**Treasury Shares** (Note 15)	**Unappropriated** (Note 16)	**Appropriated** (Note 16)	**Net Remeasurement Loss on Pension Plan** (Note 18)	**Total**
				For the Year Ended December 31, 2022			
Balances as of January 1, 2022	**₱4,264,609,290**	**₱6,675,527,411**	**(₱739,526,678)**	**₱28,753,790,517**	**₱6,800,000,000**	**(₱144,503,733)**	**₱45,609,896,807**
Comprehensive income							
Net income	–	–	–	**39,871,157,824**	–	–	**39,871,157,824**
Other comprehensive income	–	–	–	–	–	**24,087,489**	**24,087,489**
Total comprehensive income	–	–	–	**39,871,157,824**	–	**24,087,489**	**39,895,245,313**
Cash dividends declared (Note 16)	–	–	–	**(21,252,744,212)**	–	–	**(21,252,744,212)**
Balances as of December 31, 2022	**₱4,264,609,290**	**₱6,675,527,411**	**(₱739,526,678)**	**₱47,372,204,129**	**₱6,800,000,000**	**(₱120,416,244)**	**₱64,252,397,908**
				For the Year Ended December 31, 2021			
Balances as of January 1, 2021	₱4,264,609,290	₱6,675,527,411	(₱739,526,678)	₱26,807,243,576	₱5,300,000,000	(₱122,842,685)	₱42,185,010,914
Comprehensive income (loss)							
Net income	–	–	–	16,200,097,441	–	–	16,200,097,441
Other comprehensive loss	–	–	–	–	–	(21,661,048)	(21,661,048)
Total comprehensive income (loss)	–	–	–	16,200,097,441	–	(21,661,048)	16,178,436,393
Cash dividends declared (Note 16)	–	–	–	(12,753,550,500)	–	–	(12,753,550,500)
Appropriation (Note 16)	–	–	–	(1,500,000,000)	1,500,000,000	–	–
Balances as of December 31, 2021	₱4,264,609,290	₱6,675,527,411	(₱739,526,678)	₱28,753,790,517	₱6,800,000,000	(₱144,503,733)	₱45,609,896,807
				For the Year Ended December 31, 2020			
Balances as of January 1, 2020	₱4,264,609,290	₱6,675,527,411	(₱739,526,678)	₱28,833,678,689	₱5,300,000,000	(₱98,388,949)	₱44,235,899,763
Comprehensive income (loss)							
Net income	–	–	–	3,286,749,412	–	–	3,286,749,412
Other comprehensive loss	–	–	–	–	–	(24,453,736)	(24,453,736)
Total comprehensive income (loss)	–	–	–	3,286,749,412	–	(24,453,736)	3,262,295,676
Cash dividends declared (Note 16)	–	–	–	(5,313,184,525)	–	–	(5,313,184,525)
Balances as of December 31, 2020	₱4,264,609,290	₱6,675,527,411	(₱739,526,678)	₱26,807,243,576	₱5,300,000,000	(₱122,842,685)	₱42,185,010,914

See accompanying Notes to Consolidated Financial Statements.

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱42,222,935,706**	₱16,545,221,500	₱3,419,347,169
Adjustments for:			
Depreciation and amortization (Notes 9, 10, 19 and 20)	**6,176,939,560**	6,667,407,615	6,280,597,948
Finance costs (Note 21)	**857,922,894**	976,358,612	1,094,820,551
Pension expense (Note 18)	**79,442,426**	81,390,961	70,889,130
Loss (gain) on sale of equipment (Notes 9 and 23)	**(423,256)**	1,990,583	(67,002,889)
Write-down of inventories and property, plant and equipment (Notes 9 and 20)	**210,752,009**	–	157,196,754
Provision for impairment losses on receivable and advances (Note 20)	**30,987,428**	1,041,239	–
Net unrealized foreign exchange losses (gains)	**(1,202,246,647)**	(179,861,726)	68,737,670
Finance income (Note 22)	**(413,379,725)**	(22,542,252)	(45,872,940)
Rental income	**(5,900,159)**	(3,441,745)	–
Equity in net earnings of joint venture	**–**	–	(306,874)
Operating income before changes in operating assets and liabilities	**47,957,030,236**	24,067,564,787	10,978,406,519
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	**(3,302,054,947)**	(3,168,141,133)	(47,706,197)
Other current assets	**(706,211,281)**	(417,869,734)	479,486,872
Inventories	**(2,159,024,156)**	181,060,862	(221,480,470)
Increase (decrease) in:			
Trade and other payables	**1,024,407**	1,725,410,866	(304,456,973)
Provision for decommissioning and site rehabilitation costs	**(21,589,768)**	36,556,723	–
Cash generated from operations	**41,769,174,491**	22,424,582,371	10,884,249,751
Proceeds from rent collected in advance	**–**	62,934,933	–
Interest received (Note 22)	**413,379,725**	21,364,129	75,968,005
Interest paid	**(681,824,135)**	(835,851,414)	(1,043,688,003)
Pension settlement (Note 18)	**(25,799,803)**	(374,664,423)	(13,348,477)
Income taxes paid	**(694,302,527)**	(18,589,382)	(78,615,783)
Actual usage of provision for decommissioning and site rehabilitation (Note 14)	**(5,739,744)**	–	–
Net cash provided by operating activities	**40,774,888,007**	21,279,776,214	9,824,565,493
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property, plant and equipment (including borrowing cost) (Notes 9 and 30)	**(4,303,681,458)**	(3,864,464,580)	(5,483,531,298)
Computer software (Note 11)	**(449,549)**	(7,402,204)	(4,562,479)
Investment in a joint venture	**–**	–	(56,500,000)
Proceeds from sale of equipment (Note 9)	**618,006**	–	546,586,932
Decrease (increase) in other noncurrent assets	**266,832,339**	133,890,921	818,116,520
Net cash used in investing activities	**(4,036,680,662)**	(3,737,975,863)	(4,179,890,325)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availments of loans (Notes 13 and 30)	**–**	5,304,970,000	4,980,000,000
Payments of:			
Dividends (Notes 16 and 30)	**(21,252,510,224)**	(12,751,642,860)	(5,313,211,592)
Loans (Notes 13 and 30)	**(4,901,914,286)**	(10,119,384,286)	(3,702,514,285)
Principal portion of lease liabilities (Notes 10, 28 and 30)	**(23,690,307)**	(21,747,446)	(13,096,262)
Net cash used in financing activities	**(26,178,114,817)**	(17,587,804,592)	(4,048,822,139)
EFFECT OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**1,283,417,908**	174,462,772	31,651,758
NET INCREASE IN CASH AND CASH EQUIVALENTS	**11,843,510,436**	128,458,531	1,627,504,787
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**8,213,048,027**	8,084,589,496	6,457,084,709
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱20,056,558,463**	₱8,213,048,027	₱8,084,589,496

See accompanying Notes to Consolidated Financial Statements.

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

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

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

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

The consolidated financial statements as of December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, were authorized for issue by the Board of Directors (BOD) on February 27, 2023.

2. Summary of Significant Accounting Policies

Basis of Preparation

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

Any other differences in the comparative amounts from the amounts in the consolidated financial statements for the year ended December 31, 2022 are solely the result of reclassifications for comparative purposes and are not material.

Statement of Compliance

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

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

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries (which are all incorporated in the Philippines) as of December 31, 2022 and 2021, and for each of the three years ended December 31, 2022, 2021, and 2020:

	Effective Rates of Ownership					
	2022		2021		2020	
Sem-Calaca Power Corporation (SCPC)	**100.00**	**%**	100.00	%	100.00	%
Sem-Calaca RES Corporation (SCRC)[1]	**100.00**		100.00		100.00	
Southwest Luzon Power Generation Corporation (SLPGC)	**100.00**		100.00		100.00	
SEM-Cal Industrial Park Developers, Inc. (SIPDI)	**100.00**		100.00		100.00	
Semirara Materials and Resources, Inc. (SMRI)[2]	**100.00**		100.00		100.00	
Semirara Energy Utilities, Inc. (SEUI)	**100.00**		100.00		100.00	
Southeast Luzon Power Generation Corporation (SELPGC)	**100.00**		100.00		100.00	
St. Raphael Power Generation Corporation (SRPGC)[3]	**100.00**		100.00		100.00	
Semirara 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 Semirara Ports Facilities, Inc.
Semirara 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 December 31, 2022.

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

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

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

Specifically, the entity controls an investee if and only if the entity has the following element:
- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

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

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

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 statements 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 statements of comprehensive income.

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

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

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

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

<u>Adoption of New and Amended Accounting Standards and Interpretations</u>
The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year, except for the adoption of the following new accounting pronouncements starting January 1, 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
The significant accounting policies that have been used in the preparation of financial statements are summarized below. These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

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.

Cash and Cash Equivalents
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.

Recognition and Measurement of Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as either subsequently measured at amortized cost, at fair value through other comprehensive income (FVOCI), or at fair value through profit or loss (FVPL).

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

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

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

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

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

As of December 31, 2022 and 2021, the Group's financial assets comprise of financial assets at amortized cost.

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

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

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

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the consolidated statements of financial position) when:
- the rights to receive cash flows from the asset have expired, or,
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

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

Impairment of financial assets
The Group recognizes an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate (EIR). The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

For other financial assets such receivable from related parties, other receivables, advances to supplier and contractors and refundable deposits, ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

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

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

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

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

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

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 and long-term debt and lease liabilities.

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

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

<u>Offsetting of financial instruments</u>
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to 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 transferred, and that carrying amount becomes cost for recognition.

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

The criteria for held-for-sale classification under PFRS 5, *Noncurrent Assets Held-for-Sale and Discontinued Operations* is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification.

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

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

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

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

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

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

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

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

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

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

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset, and is included as part of ‘Mine properties, mining tools and other equipment’ under ‘Property, plant and equipment’ in the consolidated statement of financial position. This forms part of the total investment in the relevant cash generating unit (CGU), which is reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

The stripping activity asset is subsequently depreciated using the units-of-production method over the life of the identified component of the coal body that became more accessible as a result of the stripping activity. Economically recoverable reserves, which comprise proven and probable reserves, are used to determine the expected useful life of the identified component of the coal body. The stripping activity asset is then carried at cost less amortization and any impairment losses.

Mineable Ore Reserves
Mineable ore reserves are estimates of the amount of coal that can be economically and legally extracted from the Group's mining properties. The Group estimates its mineable ore reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the coal body, and require complex geological judgments to interpret the data.

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

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

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

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

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

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

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Depreciation of property, plant and equipment commences once the assets are put into operational use.

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

	Years
Machineries and mining equipment	2 to 3
Power plant and buildings	5 to 25
Roads and bridges	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 statements 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.

Value-Added Taxes (VAT)
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable. Input VAT pertains to the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services. Deferred input VAT pertains to input VAT on accumulated purchases of property, plant and equipment for each month amounting to ₱1.00 million or more.

This is amortized over five (5) years or the life of the property, plant and equipment, whichever is shorter, in accordance with the Bureau of Internal Revenue (BIR) regulation. 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. If assets are expected to be realized within 12 months from end of reporting period, these are classified as current. Otherwise, these are classified as noncurrent.

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

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

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

Impairment of Nonfinancial Assets
The Group assesses at each reporting date whether there is an indication that its nonfinancial assets (investment in a joint venture, right-of-use assets, other current and noncurrent assets (except for financial asset at FVPL), and property, plant and equipment) may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

Property, plant and equipment, right-of-use assets and other current and noncurrent assets
An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If such is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

For property, plant and equipment, right-of-use assets and other current and noncurrent assets, reversal is recognized in the consolidated statements of comprehensive income, unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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

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

Sale of coal
Revenue is recognized when control passes to the customer, which occurs at a point in time once the performance obligation to the customer is satisfied. The revenue is measured at the amount to which the Group expects to be entitled, being the price expected to be received upon final billing, and a corresponding trade receivable is recognized.

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

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

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

Under PFRS 15, the Group has concluded that revenue from power sales (contracted and spot sales) should be recognized over time since the customer simultaneously receives and consumes the benefits as the seller supplies power. In this case, any fixed capacity payments for the entire contract period is determined at contract inception and is recognized over time.

Finance income
Finance income is recognized as it accrues (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.

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

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

Operating Expenses
Operating expenses are expenses that arise in the course of the ordinary operations of the Group. These usually take the form of an outflow or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distribution to equity participants. Expenses are recognized in the consolidated statement of comprehensive income as incurred.

Contract balances

Trade receivables

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

Contract fulfillment costs

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

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

Borrowing Costs

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalized and added to the project cost during construction until such time the assets are considered substantially ready for their intended use i.e., when they are capable of commercial production. Where funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. Where surplus funds are available for a short term, out of money borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalized and deducted from the total capitalized borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

All other borrowing costs are recognized in the consolidated statement of comprehensive income in the period in which they are incurred.

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.

Leases
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:
(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised or extension is granted, unless the term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) There is substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) and at the date of renewal or extension period for scenario (b).

The Group as a 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.

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

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax
Deferred income tax is determined, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred income tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries 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 consolidated statement of changes in equity and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

Provisions

Provisions are recognized only when the Group has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Provision for decommissioning and site rehabilitation costs

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

The obligation generally arises when the asset is installed, or the ground environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets and restoration of power plant sites. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the consolidated statement of comprehensive income as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of comprehensive income.

Equity

The Group records common stocks at par value and amount of contribution in excess of par value is accounted for as an additional paid-in capital. Incremental costs incurred directly attributable to the issuance of new shares are deducted from proceeds.

Retained earnings represent accumulated earnings of the Group less dividends declared, if any. Dividends on common stocks are recognized as a liability and deducted from equity when they are declared. Dividends for the year that are approved after reporting date are dealt with as an event after reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Earnings per Share (EPS)
Basic EPS is computed by dividing the consolidated net income for the year attributable to common shareholders (net income less dividends on convertible redeemable preferred shares) by the weighted average number of common shares issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period.

Diluted EPS is computed by dividing the net income for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of dilutive convertible redeemable preferred shares. Diluted EPS assumes the conversion of the outstanding preferred shares. When the effect of the conversion of such preferred shares is anti-dilutive, no diluted EPS is presented.

Treasury Shares
Treasury shares pertains to own equity instruments which are reacquired and are carried at cost and are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued, and to retained earnings for the remaining balance.

Operating Segments
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The BOD is the chief operating decision maker. Segment assets and liabilities reported are those assets and liabilities included in measures that are used by the BOD. The Group generally accounts for intersegment revenues and expenses at agreed transfer prices. Income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of income after taxes. Financial information on operating segments is presented in Note 31 to the consolidated financial statements.

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

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

3. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

The Group concluded that revenue from coal sales is to be recognized at a point in time (i.e., when the coal passes the rail of the bulk carrier while loading at the SMPC's port, when the coal crosses the ship's rail of the related party) which is consistent with the point in time when customer obtains control of a promised asset under PFRS 15.

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

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

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

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

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

The following criteria are met:
a) The asset is available for immediate sale in its present condition.
b) The sale is highly probable to be completed within 12 months from the classification date.
c) The Group is committed to sell the 2x25 MW gas turbine plant as evidenced by the approval of the Group's BOD on August 2, 2022, and the clearances obtained from relevant government agencies.
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 (see Notes 27 and 32).

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

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

The Group did not include the renewal and termination period of several lease contracts since the renewal and termination options is based on mutual agreement, thus not yet enforceable (see Note 10).

f. Impairment assessment of nonfinancial assets
The Group reviews its nonfinancial assets for impairment. This includes considering certain indicators of impairment such as significant or prolonged decline in the fair value of the asset, significant underperformance relative to expected historical or projected future operating results, significant changes in the manner of use of the acquired assets or the strategy for overall business, significant negative industry or economic trends, or significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment where the Parent Company operates.

Management believes that no impairment indicator exists on other nonfinancial assets of the Group. The information and related balances of these remaining nonfinancial assets are disclosed in Notes 7, 8, 9, 10 and 11.

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

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

The carrying values of mine properties included as part of 'Mine properties, mining tools and other equipment' under 'Property, plant and equipment' amounted to ₱4,196.98 million and ₱4,562.64 million as of December 31, 2022 and 2021, respectively (see Note 9).

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

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

The assessment of the correlation between historically observed default rates, forecasted economic conditions, and ECL is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecasted economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 5.

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

Additional provision for expected credit losses recognized for the years ended December 31, 2022 and 2021 amounted to ₱30.99 million and ₱1.04 million, respectively (see Notes 5, 7 and 11).

As of December 31, 2022 and 2021, allowance for allowance for expected credit losses amounted to ₱1,602.28 million and ₱1,571.30 million, respectively. The total carrying value of trade and other receivables and advances to suppliers and contractors, net of allowance for impairment losses, amounted to ₱10,664.64 million and ₱7,391.86 million as of December 31, 2022 and 2021, respectively (see Notes 5, 7 and 11.).

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 December 31, 2022 and 2021 amounted to ₱2,557.12 million and ₱1,515.20 million, respectively (see Note 6).

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

The carrying amounts of spare parts and supplies are disclosed in Note 6.

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

The information about the estimation of recoverability of capitalized development costs is discussed in Note 11.

f. *Estimating provision for decommissioning and site rehabilitation costs*
The Group is legally required to fulfill certain obligations under its Department of Environment and Natural Resources (DENR) issued Environmental Compliance Certificate when its activities have ended in the depleted mine pits. The Group assesses its mine rehabilitation provision annually. The Group is also contractually required to fulfill certain obligations under Section 8 of the Land Lease Agreement (LLA) upon its termination or cancellation. Significant estimates and assumptions are made in determining the provision for decommissioning and mine site

rehabilitation costs as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities given the approved decommissioning and site rehabilitation plan, (e.g., reforestation, rehabilitation activities on marine and rainwater conservation and maintenance of the rehabilitated area), technological changes, regulatory changes, cost increases, and changes in inflation rates and discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The Group also records the present value of estimated costs of legal and constructive obligations required to restore operating locations of power generating plants in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing of structures, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

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

Information with respect to the estimated provision for decommissioning and site rehabilitation costs are disclosed in Note 14.

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

When indicators exist, an impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Assets that are subject to impairment testing when impairment indicators are present are as follows:

	2022	2021
Asset held-for-sale (Note 8)	**₱789,312,800**	₱–
Property, plant and equipment (Note 9)	**40,961,238,063**	43,107,760,967
Right-of-use assets (Note 10)	**116,945,402**	137,017,373
Other current assets (Note 7)	**1,137,301,624**	1,223,362,466
Other noncurrent assets (Note 11)	**637,757,385**	907,185,163

Impairment losses on other current and noncurrent assets were recognized upon assessment that its carrying amounts exceeded the assets' recoverable values. As of December 31, 2022 and 2021, the allowance for impairment losses on other current and noncurrent assets amounted to ₱2.31 million and ₱1.04 million, respectively (see Notes 7 and 11).

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

h. *Estimating useful lives of depreciable property, plant and equipment*
The Group estimated the useful lives of its property, plant and equipment (except land, equipment in transit 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.

The carrying values and movements in property, plant and equipment are disclosed in Note 9.

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

The deductible temporary differences and NOLCO for which deferred tax assets are not recognized are disclosed in Note 24.

j. *Estimating pension and other employee benefits*
The cost of defined benefit pension plan and the present value of the pension liabilities are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These assumptions are described in Note 18 and include among others, the determination of the discount rates and future salary increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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

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

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

The Group's lease liabilities discounted using the IBR amounted to ₱70.70 million and ₱88.38 million as of December 31, 2022 and 2021, respectively (see Note 10).

l. *Determination of fair value less cost to sell*
The Group estimated the recoverable amount of the 2 x 25 MW gas turbine plant based 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).

4. Cash and Cash Equivalents

	2022	2021
Cash on hand	**₱4,087,070**	₱3,928,514
Cash in bank	**2,999,408,650**	6,983,150,088
Cash equivalents	**17,053,062,743**	1,225,969,425
	₱20,056,558,463	₱8,213,048,027

Cash and cash equivalents comprise of cash on hand and in banks and short-term deposits but excludes any restricted cash that is not available for use by the Group and therefore is not considered highly liquid.

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents include short-term placements made for varying periods of up to three (3) months, depending on the immediate cash requirements of the Group, and earn interest at the respective prevailing short-term placement rates. Interest rates ranges from 0.01% to 6.00%, 00.01% to 1.75%, and 0.50% to 4% in 2022, 2021 and 2020, respectively.

In 2022, 2021 and 2020, total interest income earned from cash and cash equivalents amounted to ₱410.58 million, ₱20.60 million and ₱45.63 million, respectively (see Note 22).

5. Receivables

	2022	2021
Trade receivables - outside parties	**₱10,562,538,314**	₱8,161,013,954
Trade receivables - related parties (Note 17)	**944,474,856**	192,083,313
Others (Note 23)	**291,772,470**	154,335,168
	11,798,785,640	8,507,432,435
Less allowance for impairment losses (Note 20)	**1,599,973,053**	1,570,254,441
	₱10,198,812,587	₱6,937,177,994

Trade receivables - outside parties
These are receivables from electricity sales and coal sales.

Receivables from electricity sales are claims from power distribution utilities, spot market participants and other customers for the sale of contracted power and spot sales transactions. These are generally on a 30-day credit term and are carried at original invoice amounts less discounts and rebates.

Receivables from coal sales are noninterest-bearing and generally have 30 days credit terms. These receivables arise from coal export sales which are priced in US$ and coal domestic sales which are priced in Philippine Peso.

Trade receivables - related parties
Receivables from related parties are noninterest-bearing and are generally on a 30-day credit term. These are generally settled in cash.

Others
Others include advances to officers, employees and receivables from sale of fly ashes. These are generally noninterest-bearing. Advances to officers and employees are recovered through salary deduction and receivables from sale of fly ash are generally settled within the 30 days credit terms.

Allowance for impairment losses
The movements in the allowance for impairment losses are as follows:

	2022	2021
Balance at beginning of year	**₱1,570,254,441**	₱1,570,254,441
Provision for impairment losses (Note 20)	**29,718,612**	–
Balance at end of year	**₱1,599,973,053**	₱1,570,254,441

6. Inventories

	2022	2021
At cost		
Coal pile inventory	**₱2,557,122,848**	₱1,515,195,082
At NRV		
Spare parts and supplies	**10,430,014,825**	9,273,937,860
Less allowance for inventory obsolescence	**(269,032,022)**	(230,051,447)
	10,160,982,803	9,043,886,413
	₱12,718,105,651	₱10,559,081,495

Coal pile inventory is stated at cost, which is lower than NRV. The cost of coal inventories recognized as ‘Cost of coal sales’ in the consolidated statements of comprehensive income amounted to ₱20,039.12 million and ₱16,001.58 million in 2022 and 2021, respectively (see Note 19).

Coal pile inventory at cost includes capitalized depreciation of ₱324.22 million and ₱278.09 million in 2022 and 2021, respectively (see Note 9).

Movement in the Group’s allowance for inventory obsolescence are as follows:

	2022	2021
Balance at beginning of year	**₱230,051,447**	₱61,511,927
Provision for inventory write-down (Notes 8, 19 and 20)	**38,980,575**	168,539,520
Balance at end of year	**₱269,032,022**	₱230,051,447

The Group recognized provision for inventory write down amounting to ₱38.98 million and ₱168.54 million in 2022 and 2021, respectively. This amount includes provision of ₱36.77 million in 2022 which pertains to the spare parts of the 2x25 MW gas turbine plant classified as “Asset held-for-sale” under PFRS 5 (see Notes 8 and 20). Provision for loss on write-down of inventories amounting to ₱168.54 million in 2021 is included in “Materials and supplies” under cost of coal in profit or loss (see Note 19).

As of December 31, 2022 and 2021, the allowance for inventory write-down amounted to ₱269.03 million and ₱230.05 million, respectively.

7. Other Current Assets

	2022	2021
Creditable withholding tax	**₱734,390,397**	₱832,952,871
Advances to suppliers and contractors - current portion	**288,249,904**	239,258,095
Prepaid insurance	**70,121,733**	72,348,445
Input VAT - net	**12,638,481**	11,491,368
Prepaid rent	**3,030,748**	3,030,748
Others	**30,802,306**	64,930,739
	1,139,233,569	1,224,012,266
Less allowance for impairment losses (Note 20)	**1,931,945**	649,800
	₱1,137,301,624	₱1,223,362,466

Creditable withholding tax
Creditable withholding tax pertains to the amount withheld by the Group’s customers from their income payment. This will be claimed as tax credit and will be used against future income tax payable.

Advances to suppliers and contractors
Advances to suppliers and contractors represent prepayments for the acquisition of materials and supplies. The balance, net of related allowance of ₱1.93 million and ₱0.65 million as of December 31, 2022 and 2021, respectively (see Note 20). This will be recouped upon rendering of services or delivery of assets within the Group’s normal operating cycle. In 2021, the Parent Company was able to recover the previously recognized provision for impairment loss amounting to ₱82.94 million.

Input VAT- net
Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is applied against output VAT. The balance, net of the related allowance, is recoverable within 12 months.

Others
Others include guarantee deposit to government and other prepaid charges.

8. Asset Held-for-Sale

In 2022, the Group assessed that the carrying amount of its 2x25 MW gas turbine plant will be recovered principally through a sale transaction rather than continuing use.

The gas turbine pertains to two (2) units of GE TM2500 G6 Generator ("Asset") which was acquired in 2016 to provide ancillary services. However, since its withdrawal from the ancillary contract, the gas turbine continued to run and supply electricity directly to the spot market. The gas turbine is one of the power generating assets of SLPGC under the Power Segment.

The plan to decommission and sell the Asset was approved on August 2, 2022 by the BOD. On October 3, 2022, the Group has completely secured all relevant clearances from regulatory bodies to disconnect, deregister, decommission, and sell the Asset.

The Group has launched an active search for interested buyers of the gas turbine and had ongoing negotiations in the advanced stages. Management believes that the sale transaction will be finalized within 12 months from end of reporting period.

In accordance with PFRS 5, the Group measured the Asset at the lower of carrying amount and fair value less costs to sell while depreciation ceased immediately upon reclassification. Consequently, a loss on write-down amounting to ₱171.77 million was recognized to bring the Asset's carrying amount to its net realizable value or fair value less costs to sell (see Note 20).

9. Property, Plant and Equipment

	2022					
	Land	**Mine Properties, Mining Tools and Other Equipment**	**Power Plant and Buildings**	**Roads and Bridges**	**Equipment in Transit and Construction in Progress**	**Total**
Cost						
At January 1	**₱429,990,622**	**₱40,258,148,797**	**₱55,586,931,794**	**₱846,946,929**	**₱930,175,792**	**₱98,052,193,934**
Additions	–	**3,830,141,239**	–	–	**473,540,219**	**4,303,681,458**
Transfer from inventory	–	–	**695,205,692**	–	–	**695,205,692**
Reclassifications	–	–	**1,030,361,709**	–	**(1,030,361,709)**	–
Asset held-for-sale (Note 8)	–	–	**(1,415,603,377)**	–	–	**(1,415,603,377)**
Retirement	–	**(3,808,358)**	–	–	–	**(3,808,358)**
Disposals (Note 23)	–	**(92,254,786)**	–	–	–	**(92,254,786)**
Adjustments (Note 14)	–	**(18,449,304)**	–	–	–	**(18,449,304)**
At December 31	**429,990,622**	**43,973,777,588**	**55,896,895,818**	**846,946,929**	**373,354,302**	**101,520,965,259**
Accumulated Depreciation and Impairment						
At January 1	–	**33,304,850,616**	**20,891,764,562**	**747,817,789**	–	**54,944,432,967**
Depreciation and amortization (Notes 3, 6, 19 and 20)	–	**3,145,907,149**	**2,955,723,220**	**50,162,397**	–	**6,151,792,766**
Write-down of property, plant and equipment (Notes 8 and 20)	–	–	**171,771,434,**	–	–	**171,771,434**
Asset held-for-sale (Note 8)	–	–	**(626,290,577)**	–	–	**(626,290,577)**
Disposals (Note 23)	–	**(78,171,036)**	–	–	–	**(78,171,036)**
Retirement	–	**(3,808,358)**	–	–	–	**(3,808,358)**
At December 31	–	**36,368,778,371**	**23,392,968,639**	**797,980,186**	–	**60,559,727,196**
Net Book Value	**₱429,990,622**	**₱7,604,999,217**	**₱32,503,927,179**	**₱48,966,743**	**₱373,354,302**	**₱40,961,238,063**

	2021					
	Land	Mine Properties, Mining Tools and Other Equipment	Power Plant and Buildings	Roads and Bridges	Equipment in Transit and Construction in Progress	Total
Cost						
At January 1	₱386,884,790	₱37,329,144,380	₱53,605,314,573	₱846,946,929	₱1,932,864,417	₱94,101,155,089
Additions	43,105,832	2,616,941,122	29,040,000	–	924,849,093	3,613,936,047
Reclassifications	–	352,745,163	1,420,990,283	–	(1,773,735,446)	–
Transfer from inventory	–	–	531,586,938	–	–	531,586,938
Disposals (Note 23)	–	(3,769,000)	–	–	–	(3,769,000)
Adjustment (Note 14)	–	(36,912,868)	–	–	(153,802,272)	(190,715,140)
At December 31	429,990,622	40,258,148,797	55,586,931,794	846,946,929	930,175,792	98,052,193,934
Accumulated Depreciation and Impairment						
At January 1	–	29,713,258,734	17,901,003,009	694,155,178	–	48,308,416,921
Depreciation and amortization (Notes 3, 6, 19 and 20)	–	3,593,370,299	2,990,761,553	53,662,611	–	6,637,794,463
Disposals (Note 23)	–	(1,778,417)	–	–	–	(1,778,417)
At December 31	–	33,304,850,616	20,891,764,562	747,817,789	–	54,944,432,967
Net Book Value	₱429,990,622	₱6,953,298,181	₱34,695,167,232	₱99,129,140	₱930,175,792	₱43,107,760,967

Land

- On June 30, 2021 the Group availed of the option to purchase parcels of land or "Optioned Assets" under Option Existence Notice (OEN) dated February 3, 2020 and in accordance with the provisions of the Land Lease Agreement (LLA) with PSALM. Total acquisition cost of the optioned assets amounted to ₱43.11 million (see Notes 10 and 27).

Mine properties, mining tools and other equipment

- In 2022, the Group sold property, plant and equipment amounting to ₱14.51 million with a book value of ₱14.08 million. As of December 31, 2022, the ₱13.89 million remain outstanding (see Note 23).

- Fully depreciated asset with original cost of ₱77.50 million was donated to a third party in 2022.

- In 2022, the Group acquired various property, plant and equipment amounting to ₱4,303.68 million.

- Mine properties, mining tools and other equipment includes the mining properties and stripping activity assets amounting to ₱4,196.98 million and ₱4,562.64 million as of December 31, 2022 and 2021, respectively, that are depreciated using the units-of-production method (see Note 3).

- These also include the expected cost of decommissioning and site rehabilitation of mine sites and future clean-up of its power plants. The impact of annual re-estimation is shown in the rollforward as an adjustment (see Notes 3 and 14).

- In 2021, parts and supplies amounting to ₱168.54 million from a dismantled coal washing plant were provided with an allowance for obsolescence (see Note 6).

Power Plant and Buildings

- The Group reclassified its 2x25 MW gas turbine plant to "Asset held-for-sale" on October 2022. Depreciation of the asset ceased immediately upon reclassification.

Immediately before the classification of the 2x25 MW gas turbine plant as asset held-for-sale, loss on write-down of asset amounting to ₱171.77 million was recognized to bring the Asset's carrying amount to its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use, amounting to ₱789.31 million. Subsequently, the carrying value of the 2x25 MW gas turbine plant amounting to ₱789.31 million was reclassified as "Asset held-for-sale" (see Note 8).

Equipment in transit and construction in progress accounts

- Equipment in transit and construction in progress accounts mostly pertain to purchased mining equipment that are in transit and various buildings and structures that are under construction as of December 31, 2022 and 2021.

- In 2022 and 2021, there were reclassifications from "Equipment in Transit and Construction in progress" to "Power Plant and Buildings" upon completion of construction and regular rehabilitation works which amounted to ₱1,030.36 million and ₱1,420.99 million, respectively.

- This also includes capitalized pre-construction costs for the thermal power plant of SRPGC amounting to ₱112.67 million and ₱104.84 million as of December 31, 2022 and 2021, respectively. As of December 31, 2022, construction of the plant itself has yet to commence pending completion of the connectivity to the grid c/o NGCP. Based on management's estimation of the recoverable amount, there is no resulting impairment loss for both 2022 and 2021.

Depreciation and amortization follow:

	2022	2021	2020
Included under:			
Inventories (Note 6)	**₱324,223,934**	₱278,093,673	₱324,707,108
Mine properties, mining tools and other equipment	**30,461,990**	–	261,445,280
Cost of coal sales (Note 19):			
Depreciation and amortization	**2,953,823,251**	3,206,865,763	2,346,583,325
Hauling and shiploading costs	**21,957,414**	284,506,848	61,458,508
Cost of power sales (Note 19):			
Depreciation and amortization	**2,713,660,463**	2,712,156,415	2,871,506,678
Cost of coal:			
Depreciation and amortization	**63,249,788**	102,492,872	519,986,937
Operating expenses (Note 20)	**69,562,720**	83,292,044	194,002,240
	₱6,176,939,560	₱6,667,407,615	₱6,579,690,076
Depreciation and amortization of:			
Property, plant and equipment	**₱6,151,792,766**	₱6,637,794,463	₱6,549,087,638
Right-of-use assets (Note 10)	**20,071,971**	21,604,934	19,857,722
Computer software (Note 11)	**5,074,823**	8,008,218	10,744,716
	₱6,176,939,560	₱6,667,407,615	₱6,579,690,076

10. **Leases**

The Group as a Lessee
The Group has lease contracts for various items of land, office spaces and foreshore leases used in its operations. Leases of land and foreshore generally have lease terms between five (5) and twenty-five (25) years, while office spaces generally have lease terms of two (2) to seven (7) years. The Group also has certain leases of warehouse, and office spaces with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemption for these leases.

Set out below are the movements in the Group's right-of-use assets and lease liabilities during the year:

	Right-of-use Assets	
	2022	2021
At Cost		
Beginning balance	**₱200,617,375**	₱195,701,664
Additions	**–**	4,915,711
Ending balance	**200,617,375**	200,617,375
Accumulated Amortization		
Beginning balance	**63,600,002**	38,852,689
Amortization (Notes 19 and 20)	**20,071,971**	21,604,934
Others	**–**	3,142,379
Ending balance	**83,671,973**	63,600,002
	₱116,945,402	₱137,017,373

On June 30, 2021, the Group purchased the parcels of land under PSALM OEN which amounted to ₱43.11 million (see Notes 9 and 27). The unused rental payments as of option exercise date amounting to ₱1.13 million was applied against the total purchase price.

The Group applied the requirements of PFRS 16 for this long-term lease and did not change the amount initially recognized as right-of-use asset at the date of initial application. No corresponding lease liability was recognized given the prepayment.

	Lease Liabilities	
	2022	2021
Beginning balance	**₱88,376,182**	₱103,018,715
Accretion of interest (Note 21)	**6,014,971**	7,104,913
Lease payments	**(23,690,307)**	(21,747,446)
Ending balance	**70,700,846**	88,376,182
Less current portion of lease liabilities	**15,978,993**	14,837,120
Noncurrent lease liabilities	**₱54,721,853**	₱73,539,062

The lease liabilities were measured at the present value of the remaining lease payments discounted at the Group's weighted average incremental borrowing rate of 6.32% in 2022 and 2021, respectively.

As of December 31, 2022 and 2021, future minimum lease payments under operating leases are as follows:

	2022	2021
Within one year	**₱20,827,207**	₱20,852,090
After one year but not more than five years	**46,073,462**	57,260,835
More than five years	**29,189,453**	37,410,573
	₱96,090,122	₱115,523,498

11. **Other Noncurrent Assets**

	2022	2021
Deferred input VAT	**₱365,221,588**	₱601,149,166
Advances to suppliers and contractors – net of current portion	**179,889,628**	216,466,415
Computer software	**4,389,135**	9,014,409
Others	**88,635,144**	80,946,612
	638,135,495	907,576,602
Less allowance for impairment losses (Note 20)	**378,110**	391,439
	₱637,757,385	₱907,185,163

Deferred input VAT
Deferred input VAT pertains to the unamortized portion of input VAT on purchase of capital goods spread evenly between the life of the capital goods or five years, whichever is shorter. The balance is recoverable in future periods.

Advances to suppliers and contractors
Advances to suppliers and contractors under noncurrent assets (net of related allowance of ₱0.38 million and ₱0.39 million recognized in 2022 and 2021, respectively) represent prepayment for the acquisition and construction of property, plant and equipment and other capitalized development costs (see Note 20).

Computer software
Movements in computer software account follows:

	2022	2021
At Cost		
At January 1	**₱86,006,768**	₱78,604,564
Additions	**449,549**	7,402,204
At December 31	**86,456,317**	86,006,768
Accumulated Amortization		
At January 1	**76,992,359**	68,984,141
Amortization (Note 9)	**5,074,823**	8,008,218
At December 31	**82,067,182**	76,992,359
Net Book Value	**₱4,389,135**	₱9,014,409

Others
Others include environmental guarantee fund and advances for the cost of the right-of-way grants on lots affected by the transmission lines to be developed by the Group.

12. **Trade and Other Payables**

	2022	2021
Trade:		
Payable to suppliers and contractors	**₱7,140,909,261**	₱6,589,509,917
Related parties (Note 17)	**217,158,369**	457,833,928
Payable to DOE (Note 26)	**2,169,246,696**	2,059,611,932
Accrued expenses and other payables	**671,613,671**	369,326,217
Deferred output tax	**701,292,194**	562,896,767
Output VAT - net	**146,967,075**	331,204,565
	₱11,047,187,266	₱10,370,383,326

Trade payable to suppliers and contractors
Trade payable to suppliers and contractors arise from progress billings of completed work as of year-end. The amount includes liabilities amounting to ₱3,839.89 million (US$68.42 million) and ₱3,647.10 million (US$71.84 million) as of December 31, 2022 and 2021, respectively, payable to various foreign suppliers for open account purchases of equipment, and equipment parts and supplies (see Note 28).

Trade payables are noninterest-bearing and are normally settled on 30-day to 60-day credit terms.

Payable to DOE
Payable to DOE represent the share of DOE in the gross income of the Parent Company's coal production computed in accordance with the Coal Operating Contract (COC) between the Parent Company and DOE dated July 11, 1977 (see Note 26).

Accrued expenses and other payables
Details of this account follow:

	2022	2021
Taxes, permits and licenses	**₱368,502,478**	₱82,737,824
Financial benefit payable	**79,094,729**	84,210,168
Interest	**49,791,044**	76,448,257
Salaries and wages	**10,825,172**	71,097,153
Dividends payable (Note 30)	**3,334,682**	3,100,694
Professional fees	**291,000**	9,154,000
Others	**159,774,566**	42,578,121
	₱671,613,671	₱369,326,217

Others include accruals on contracted services, spot purchases, utilities, supplies and other administrative expenses.

Deferred output tax
Deferred output tax pertains to VAT due on uncollected sale of electricity.

Output VAT payable
Output VAT pertains to the VAT due on the sale of electricity, net of input VAT.

13. **Short-term and Long-term Debt**

Short-term debt

The Group obtained ₱350.00 million short-term debt in 2021. Short-term debt represents various unsecured promissory notes from local banks with interest rates ranging from 2.50% to 4.00% in 2021 and are payable within one (1) year. Total short-term debt amounting to ₱5,775.00 million was fully paid as of December 31, 2021 (see Note 30).

Interest expense on these short-term loans recognized under 'Finance costs' amounted to ₱58.42 million and ₱318.75 million in 2021 and 2020, respectively (nil in 2022) (see Note 21).

Long-term debt

	2022	2021
Principal	**₱10,231,157,144**	₱15,133,071,429
Less unamortized deferred financing cost	**34,969,630**	66,436,268
	10,196,187,514	15,066,635,161
Less current portion	**3,487,809,312**	4,208,923,654
	₱6,708,378,202	₱10,857,711,507

The Group's outstanding long-term debt from local banks pertain to the loans of the following entities:

	2022	2021
SMPC	**₱948,056,291**	₱3,363,603,264
SCPC	**7,582,435,288**	9,208,243,465
SLPGC	**1,665,695,935**	2,494,788,432
Total long-term debt	**10,196,187,514**	15,066,635,161
Less current portion	**3,487,809,312**	4,208,923,654
Long-term debt - net of current portion	**₱6,708,378,202**	₱10,857,711,507

a. Details of the Parent Company's bank loans are as follows:

		Outstanding Balance Gross of Deferred Financing Costs					
Loan Type	**Year of Availment**	**2022**	**2021**	**Maturity**	**Interest Rate**	**Payment Terms**	**Covenants**
Peso loan 1	2020	**₱952,000,000**	₱1,176,000,000	Various quarterly maturities starting 2020 until 2027	Floating rate to be repriced every 3 months based on 3-months "PDST-R2" plus a spread of one half of one percent (0.5%)	Interest payable every 3 months, principal to be paid on maturity date	Current Ratio not less than 1:1 and Debt-to-Equity Ratio not to exceed 2:1
Peso loan 2	2020	–	2,200,000,000	Various quarterly maturities starting 2020 until 2027	Floating rate to be repriced every 3 years	Interest payable every 3 months, principal to be paid every 3 months	None
		₱952,000,000	₱3,376,000,000				

Peso loan 2 was pre-terminated in 2022.

b. Details of the SLPGC's bank loans are as follows:

Loan Type	Year of Availment	Outstanding Balance Gross of Deferred Financing Costs 2022	2021	Maturity	Interest Rate	Payment Terms	Covenants
Peso loan 1	2019	**₱800,000,000**	₱1,200,000,000	Various quarterly maturities starting 2019 until 2024	Fixed rate of 5.1253%	Interest payable every 3 months, principal to be paid on maturity date	Debt-to-Equity Ratio not exceeding 2.0x
Peso loan 2	2019	**470,800,000**	706,000,000	Various quarterly maturities starting 2019 until 2024	Fixed rate of 5.1337%	Interest payable every 3 months, principal to be paid on maturity date	Current Ratio of at least 1.0x
Peso loan 3	2019	**400,000,000**	600,000,000	Various quarterly maturities starting 2019 until 2024	Fixed rate of 5.0000%	Interest payable every 3 months, principal to be paid on maturity date	Debt Service Coverage Ratio of not more than 1.20x
		₱1,670,800,000	₱2,506,000,000				

c. Details of the SCPC's bank loans are as follows:

Loan Type	Year of Availment	Outstanding Balance Gross of Deferred Financing Costs 2022	2021	Maturity	Interest Rate	Payment Terms	Covenants
Peso loan 1	2017	**₱1,500,000,000**	₱2,250,000,000	Various quarterly maturities starting 2017 until 2024	Fixed rate of 4.9000%	Interest payable every 3 months, principal to be paid on maturity date	Debt-to-Equity Ratio of 2.0x and Historical debt Service Coverage Ratio of 1.2x
Peso loan 2	2019	**1,142,857,143**	1,428,571,429	Various quarterly maturities starting 2019 until 2026	Fixed rate of 4.8760% to be repriced at the two-year Bloomberg Valuation Service (BVAL) benchmark rate plus 60 basis points for the remainder of its tenor	Interest payable every 3 months, principal to be paid on maturity date	Debt-to-Equity Ratio of 2.0x and Historical Debt Service Coverage Ratio of 1.1x
Peso loan 3	2019	**1,728,000,000**	2,160,000,000	Various quarterly maturities starting 2019 until 2026	Fixed rate of 4.8770% to be repriced at the two-year BVAL benchmark rate plus 60 basis points for the remainder of its tenor	Interest payable every 3 months, principal to be paid on maturity date	Debt-to-Equity Ratio of 2.0x and Current Ratio of at least 1.0x
Peso loan 4	2021	**3,237,500,000**	3,412,500,000	Various quarterly maturities starting 2021 until 2025	Fixed rate of 4.6258%	Interest payable every 3 months, principal to be paid on maturity date	Debt-to-Equity Ratio of 2.0x and Prospective Debt Service Coverage Ratio of 1.2x
		₱7,608,357,143	₱9,251,071,429				

All bank loans are clean and are compliant with loan covenants. As of December 31, 2022 and 2021, the Group has not been cited by bank as in default.

The movements in unamortized debt issue cost are as follows:

	2022	2021
Balance at beginning of year	**₱66,436,268**	₱73,413,900
Additions	**–**	26,250,000
Amortization (Note 21)	**(31,466,638)**	(33,227,632)
Balance at end of year	**₱34,969,630**	₱66,436,268

Interest expense on long-term debt recognized under 'Finance cost' amounted to ₱646.02 million, ₱774.63 million and ₱668.08 million in 2022, 2021 and 2020, respectively (see Note 21).

The Group's remaining borrowing facility that can be drawn as of December 31, 2022 and 2021 amounted to ₱24,037.75 million and ₱22,331.56 million, respectively.

Future payments of long-term debt of the Group as of December 31, 2022 and 2021 follow:

	2022	2021
Within one year	**₱3,489,414,286**	₱4,214,414,286
After one year but not more than five years	**6,741,742,858**	10,363,657,143
More than five years	**–**	555,000,000
	₱10,231,157,144	₱15,133,071,429

14. Provision for Decommissioning and Site Rehabilitation Costs

	2022	2021
At January 1	**₱325,556,377**	₱279,202,621
Effect of change in estimates (Note 9)	**(21,589,768)**	36,556,722
Actual usage	**(5,739,744)**	–
Accretion of interest (Note 21)	**16,823,359**	9,797,034
At December 31	**₱315,050,224**	₱325,556,377

The Group's provision for decommissioning and site rehabilitation costs relates to rehabilitation activities for the coal pits for its mining segment and dismantling and restoration activities for its power segment.

Segment breakdown of provision for decommissioning and site rehabilitation costs follows:

	2022	2021
Mining	**₱285,945,139**	₱298,756,686
Power	**29,105,085**	26,799,691
	₱315,050,224	₱325,556,377

These provisions have been created based on the Group's internal estimates. Assumptions based on the current regulatory requirements and economic environment have been made, which management believes are reasonable bases upon which to estimate the future liability. These estimates are reviewed annually to take into account any material changes to the assumptions (see Note 3).

However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in return, will depend upon future ore and coal prices, which are inherently uncertain.

Discount rates used by the Group to compute for the present value of liability for decommissioning and mine site rehabilitation costs are from 6.65% to 8.77% in 2022, 4.82% to 6.67% in 2021 and 2.99% to 4.48% in 2020.

There are currently two (2) mine sites identified with coal deposits – Molave and Narra. In October 2022, Narra resumed its operation which was non-operational since March 2019 due to implementation of geotechnical solutions on the continuous increase of water seepage in Narra pit. The Panian mine site has been depleted and its operation was closed in September 2016. All mine sites are located in Semirara Island, Province of Antique.

The Group revised its mine work program based on the current conditions of the mining operations. Management revisited certain procedures, practices and assumptions on its existing rehabilitation plan (e.g., timing of mining operations, reforestation requirements, movement of the overburden) which resulted to adjustment in the previously estimated provision for decommissioning and mine site rehabilitation costs.

Resulting changes in estimate pertaining to mine sites amounted to a reduction of ₱21.59 million in 2022 and an addition of ₱36.56 million in 2021 (recognized as adjustment to 'Mine properties, mining tools and other equipment' under property, plant and equipment account) (see Note 9).

15. Capital Stock

The details of the Parent Company's capital stock as of December 31, 2022 and 2021 are as follows:

	Shares	Amount
Authorized - ₱1 par value		
Balance at beginning and end of year	10,000,000,000	₱10,000,000,000
Issued and outstanding		
Capital stock		
Balance at beginning and end of year	4,264,609,290	4,264,609,290
Treasury shares		
Balance at beginning and end of year	(14,061,670)	(739,526,678)
	4,250,547,620	₱3,525,082,612

Treasury shares

As of December 31, 2022 and 2021, the Parent Company has bought-back 14,061,670 shares for a total consideration of ₱739.53 million. This is presented as treasury shares in the consolidated statements of financial position.

The unappropriated retained earnings amounting to ₱47,372.20 million and ₱28,753.79 million as of December 31, 2022 and 2021, respectively, are restricted for the payment of dividends to the extent of the cost of the shares held in treasury, the undistributed earnings of the subsidiaries, and recognized deferred tax assets which did not flow through profit or loss (see Note 16).

Below is the summary of the Parent Company's track record of registration of securities with the SEC as of December 31, 2022:

	Number of shares registered	**Number of holders as of yearend**
December 31, 2020	4,250,547,620	731
Add: Movement	–	10
December 31, 2021	4,250,547,620	741
Add: Movement	–	(5)
December 31, 2022	4,250,547,620	736

16. **Retained Earnings**

As of December 31, 2022, and 2021, retained earnings amounted to ₱54,172.20 million and ₱35,553.79 million, respectively. The amounts include the accumulated equity in undistributed net earnings of subsidiaries which are not available for dividends until declared by the BOD of the respective subsidiaries. The retained earnings is also restricted to the extent of the cost of the treasury shares (see Note 15).

In accordance with SEC Memorandum Circular No. 11 issued in December 2008, the Parent Company's retained earnings available for dividend declaration as of December 31, 2022 and 2021 amounted to ₱31,140.44 million and ₱15,322.63 million, respectively.

<u>Cash Dividends</u>
On October 17, 2022, the Parent Company's BOD authorized the Parent Company to declare and distribute special cash dividends of ₱3.50 per share or ₱14,876.92 million to stockholders of record as of October 31, 2022 and payable on November 15, 2022.

On March 31, 2022, the Parent Company's BOD authorized the Parent Company to declare and distribute special cash dividends of ₱1.50 per share or ₱6,375.82 million to stockholders of record as of April 18, 2022 and payable on November 15, 2022.

On October 11, 2021, the Parent Company's BOD authorized the Parent Company to declare and distribute special cash dividends of ₱1.75 per share or ₱7,300.57 million to stockholders of record as of October 25, 2021 and payable on November 9, 2021.

On March 25, 2021, the Parent Company's BOD authorized the Parent Company to declare and distribute special cash dividends of ₱1.25 per share or ₱5,452.98 million to stockholders of record as of April 13, 2021 and payable on April 23, 2021.

On February 28, 2020, the Parent Company's BOD authorized the Parent Company to declare and distribute special cash dividends of ₱1.25 per share or ₱5,313.18 million to stockholders of record as of March 13, 2020 and payable on March 27, 2020.

<u>Appropriations</u>
On October 28, 2022, the BOD approved the re-appropriation of ₱5,300.00 million from the appropriated retained earnings as of 2020 for capital expenditures and power expansion projects which are expected to be completed by 2026.

On October 28, 2021, the BOD approved the appropriation of ₱1,500.00 million from the unappropriated retained earnings as of December 31, 2021 for other investments of the Group. This appropriation is intended for the renewable energy investments of the Group which are expected to be completed by 2026.

17. **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence which include affiliates. Related parties may be individuals or corporate entities. Transactions entered into by the Group with affiliates are made at normal commercial prices and terms. These are settled in cash, unless otherwise specified.

The significant related party transactions entered into by the Group with its related parties and the amounts included in the accompanying consolidated financial statements with respect to these transactions are as follows:

	2022				
	Reference	**Amount/ Volume**	**Receivable (Payable)**	**Terms**	**Conditions**
Trade receivables (Note 5)					
Entities under common control					
Sale of coal	**(a)**	**₱936,967,262**	**₱862,122,326**	**Noninterest-bearing, 30 days**	**Unsecured, no impairment**
Sale of materials, services and reimbursement of shared expenses	**(b)**	**15,272,945**	**82,352,530**	**Noninterest-bearing, 30 days**	**Unsecured, no impairment**
			₱944,474,856		

	2022				
	Reference	**Amount/ Volume**	**Receivable (Payable)**	**Terms**	**Conditions**
Trade payables (Note 12)					
Entities under common control					
Operation and maintenance fees	**(c)**	**(₱324,000,000)**	**(₱29,700,000)**	**30 days, noninterest-bearing**	
Coal handling services	**(d)**	**(721,408,109)**	**(65,084,773)**	**30 days, noninterest-bearing**	**Unsecured**
Mine exploration and hauling services	**(e)**	**(176,612,602)**	**(62,393,850)**	**30 days, noninterest-bearing**	**Unsecured**
Repairs and maintenance services	**(f)**	**(155,197,419)**	**(38,327,450)**	**30 days for monthly billings and portion after expiration of, retention period, noninterest-bearing**	**Unsecured**
Purchases of raw materials	**(g)**	**(1,024,645)**	**(3,800,335)**	**30 days, noninterest-bearing**	**Unsecured**
Land and warehouse rental expenses	**(h)**	**(1,469,610)**	**(1,785,076)**	**30 days, noninterest-bearing**	**Unsecured**
Aviation services	**(i)**	**(33,968,706)**	**(14,480,563)**	**30 days, noninterest-bearing**	**Unsecured**
Others	**(b)**	**(643,393)**	**(1,586,322)**	**30 days, noninterest-bearing**	**Unsecured**
			(₱217,158,369)		

	2021				
	Reference	Amount/ Volume	Receivable (Payable)	Terms	Conditions
Trade receivables (Note 5)					
Entities under common control					
Sale of coal	(a)	₱193,838,467	₱62,074,857	Noninterest-bearing, 30 days	Unsecured, no impairment
Sale of materials, services and reimbursement of shared expenses	(b)	48,785,747	130,008,456	Noninterest-bearing, 30 days	Unsecured, no impairment
			₱192,083,313		
Trade payables (Note 12)					
Entities under common control					
Operation and maintenance fees	(c)	(₱297,000,000)	₱–	30 days, noninterest-bearing	
Coal handling services	(d)	(458,912,857)	(35,292,720)	30 days, noninterest-bearing	Unsecured
Mine exploration and hauling services	(e)	(110,976,310)	(239,006,451)	30 days, noninterest-bearing	Unsecured

(Forward)

	2021				
	Reference	Amount/ Volume	Receivable (Payable)	Terms	Conditions
Repairs and maintenance services	(f)	(₱229,825,611)	(₱130,764,070)	30 days for monthly billings and portion after expiration of, retention period, noninterest-bearing	Unsecured
Purchases of raw materials	(g)	(751,564)	(2,775,691)	30 days, noninterest-bearing	Unsecured
Land and warehouse rental expenses	(h)	(517,392)	(315,466)	30 days, noninterest-bearing	Unsecured
Aviation services	(i)	(21,209,834)	(48,449,269)	30 days, noninterest-bearing	Unsecured
Others	(b)	(688,234)	(1,230,261)	30 days, noninterest-bearing	Unsecured
			(₱457,833,928)		

a. The Group has coal sales to DMCI Masbate Power Corporation (DMPC), an entity under common control of DMCI-HI.

b. The Group has receivables for services rendered, deliveries of goods and reimbursement of expenses advanced by the Group to its affiliates. This includes contracted services, share in rental expenses, office materials and supplies, and maintenance and renewal expenses of information systems.

c. SCPC engaged DMCI Power Corporation (DPC) for the operation and maintenance of the power plant.

d. SCPC and SLPGC entered into a voyage charter agreement with DMC Construction Equipment and Resources, Inc. (DMC CERI), an affiliate. Freight cost charged by DMC CERI are included as part of the cost of coal inventory. The total inventory cost including the freight charges are recorded as expenses under ‘Cost of power sales’ depending on the level of coal consumed for the period. Outstanding payable balance as of year-end to DMC CERI are included in the ‘Accounts and other payables’ account.

e. DMC CERI had transactions with the Parent Company for services rendered relating to the Parent Company’s coal operations. Expenses incurred for said services are included in ‘Outside services’ under ‘Cost of sales’ in the consolidated company statements of comprehensive income (see Note 19).

   DMC CERI also provides service requirements needed by the Parent Company to operate and maintain barges, vessels and tugboats for the purpose of transporting coal. Expenses incurred for these services are included in ‘Hauling and shiploading costs’ under ‘Cost of sales’ in the consolidated company statements of comprehensive income (see Note 19).

   Furthermore, DMC CERI provides labor services relating to coal operations, including those services rendered by consultants. Expenses incurred for said services are included in ‘Direct labor’ under ‘Cost of sales’ in the consolidated company statements of comprehensive income (see Note 19).

In 2020, marine vessels were sold to DMC CERI for ₱620.58 million, of which ₱13.39 million remained uncollected as of December 31, 2022.

f. The Group contracted DMCI for various repairs and maintenance services for the plane runway and mine site cut-off walls at Semirara Island.

g. Transactions with other affiliates pertain to supply of various raw materials.

h. DMC Urban Property Developers, Inc. (DMC-UPDI) had transactions with the Parent Company representing long-term lease on land, warehouse space and other transactions necessary for the coal operations. Rental expenses on warehouse space are included in cost of sales under 'Outside services', while payments related to lease of land are accounted as reduction to lease liabilities upon adoption of PFRS 16 (see Notes 9 and 19).

i. Royal Star Aviation Inc. provide maintenance services and hangarage for the Parent Company's aircraft use to transport supplies, employees and visitors in and out of the minesite. The related expenses are included in cost of sales under 'Production overhead' in the consolidated statement of comprehensive income (see Note 19).

All outstanding balances from affiliates are included in receivables under 'Trade receivables - related parties' and 'Trade payables - related parties' in the consolidated statements of financial position (see Notes 5 and 12).

Terms and conditions of transactions with related parties
The outstanding accounts with other related parties are settled in cash. The transactions are made at terms and prices agreed upon by the parties. The Group has approval process and established limits when entering into material related party transactions.

There have been no guarantees and collaterals provided or received for any related party receivables or payables. These accounts are noninterest-bearing and are generally unsecured. Impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. As of December 31, 2022 and 2021, there were no impairment losses recognized on related party balances.

Compensation of key management personnel of the Group amounted to ₱140.33 million, ₱83.84 million and ₱66.96 million in 2022, 2021 and 2020, respectively.

There are no other agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's pension plan.

18. Pension Plan

The Group has a funded, noncontributory defined benefit plan covering substantially all of its regular employees. The latest actuarial valuation is for the year ended December 31, 2022.

The Group accrues retirement costs (included in 'Pension liabilities' in the consolidated statements of financial position) based on an actuarially determined amount using the projected unit credit method.

The funds are administered by a trustee bank under the supervision of the BOD of the plan. The BOD is responsible for the investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of the significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the plan's objectives, benefit obligation and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy). The BOD delegates the implementation of the investment policy in accordance with the investment strategy as well as various principles and objectives to an Investment Committee, which consists of members of the BOD, the President and Senior Vice President and Chief Risk, Compliance and Performance Officer. The Vice President and Chief Finance Officer oversees the entire investment process.

Under the existing regulatory framework, Republic Act No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Provisions for pension liabilities are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. The Group updates the actuarial valuation every year by hiring the services of a third party professionally qualified actuary. There are no plan amendments, curtailments or settlements in 2022, 2021 and 2020.

The cost of defined benefit pension plans and the present value of the pension liabilities are determined using actuarial valuations.

The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension liabilities for the defined benefit plan are shown below:

	2022	2021	2020
Discount rate	**7.16% - 7.34%**	5.01% - 5.18%	3.72% - 4.07%
Salary increase rate	**3.00% - 6.00%**	3.00% - 6.00%	3.00% - 6.00%

The weighted average duration of significant defined benefit obligation per segment are as follows (average number of years) for 2022 and 2021:

	2022	2021
Mining	**4.6 years**	5.8 years
Power	**10.3-12.2 years**	9.0-14.2 years

The following table summarizes the components of pension expense in the consolidated statements of comprehensive income:

	2022	2021	2020
Current service cost	**₱73,125,395**	₱72,465,030	₱54,382,566
Interest expense related to the defined benefit liability	**28,530,762**	19,846,410	23,339,604
Interest income related to plan assets	**(22,213,731)**	(10,920,479)	(6,833,040)
	₱79,442,426	₱81,390,961	₱70,889,130

The above pension expense is included as 'Direct labor' under cost of sales and 'Personnel costs' under operating expenses in the consolidated statement of comprehensive income (see Notes 19 and 20).

The following tables provide analyses of the movement in the defined benefit liability, fair value plan assets and net pension liabilities recognized on consolidated statements of financial position:

	2022	2021
Defined benefit liability at beginning of year	**₱565,615,066**	₱526,483,803
Current service cost	**73,125,395**	72,465,030
Interest expense	**28,530,762**	19,846,410
Remeasurement losses (gains) arising from:		
Changes in demographic assumptions	**(25,425,974)**	57,468,576
Changes in financial assumptions	**(81,097,001)**	(55,020,913)
Experience adjustments	**9,349,514**	(11,300,365)
Benefits directly paid by the Group	**(25,799,803)**	(27,858,782)
Benefits paid from plan assets	–	(16,468,693)
Defined benefit liability at end of year	**₱544,297,959**	₱565,615,066

	2022	2021
Fair value of plan assets at beginning of year	**₱441,566,057**	₱125,195,196
Contributions	–	343,649,989
Interest income	**22,213,731**	10,920,479
Remeasurement losses arising from return on plan assets	**(65,056,808)**	(21,730,914)
Benefits paid from plan assets	–	(16,468,693)
Fair value of plan assets at end of year	**₱398,722,980**	₱441,566,057

	2022	2021
Net pension liability at beginning of year	**₱124,049,009**	₱397,545,236
Net pension expense	**79,442,426**	81,390,961
Actuarial losses (gains) recognized in OCI	**(32,116,653)**	16,621,583
Contributions	–	(343,649,989)
Benefit directly paid by the Group	**(25,799,803)**	(27,858,782)
Net pension liability at end of year	**₱145,574,979**	₱124,049,009

The Group is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund are at the Group's discretion. However, in the event a benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable from the Group to the Retirement Fund.

The composition and fair value of plan assets as at the end of reporting date are as follows:

	2022	2021
Cash and cash equivalents	**₱38,585,207**	₱71,547,815
Equity instruments		
Financial institutions	**94,457,947**	93,046,697
Debt instruments		
Government securities	**214,791,490**	273,013,653
Unquoted debt securities	**49,702,996**	2,475,888
Receivables	**1,185,340**	1,482,004
	₱398,722,980	₱441,566,057

Trust fee in 2022 and 2021 amounted to ₱163,942 and ₱193,824 respectively.

The composition of the fair value of the plan assets includes:

- *Cash and cash equivalents* - include savings and time deposit with banks and special deposit account with Bangko Sentral ng Pilipinas.
- *Investment in equity securities* - includes investment in common and preferred shares of financial institutions traded in the Philippine Stock Exchange.
- *Investment in debt securities - government securities* - include investment in Philippine Retail Treasury Bonds and Fixed Rate Treasury Notes.
- *Investments in unquoted debt securities* - include investment in long-term debt notes and retail bonds.
- *Receivables* - pertain to interest and dividends receivable on the investments in the fund.

The management performs a study of how to match its existing assets versus the pension liabilities to be settled. The overall investment policy and strategy of the Group's defined benefit plan is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risks of the plan. The Group's current guiding strategic investment strategy consists of 65% and 60% of debt instruments, 10% and 20% of cash and cash equivalents, 24% and 20% of equity instruments and 1% and 1% of others for 2022 and 2021, respectively.

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the Defined Benefit Obligation (DBO) at the reporting date after first adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged. The sensitivities were expressed as the corresponding change in the DBO.

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

	Effect on Defined Benefit Liability		
	Increase (Decrease)	**2022**	2021
Discount rates	+1%	**(₱29,918,931)**	(₱37,813,545)
	-1%	**34,418,756**	44,105,672
Future salary increases	+1%	**35,149,785**	44,071,162
	-1%	**(31,047,650)**	(38,501,086)

Shown below is the maturity analysis of the undiscounted benefit payment up to 10 years:

	2022	2021
Within one year	**₱240,620,989**	₱226,863,069
After one year but not more than five years	**157,818,343**	192,879,476
More than five years	**267,849,943**	230,891,824
	₱666,289,275	₱650,634,369

The Group has no other transactions with the fund.

19. **Cost of Sales**

Cost of coal sales consists of:

	2022	2021	2020
Cost of coal (Note 6)			
Fuel and lubricants	**₱8,662,032,669**	₱5,151,443,587	₱3,500,149,163
Materials and supplies (Note 17)	**4,894,599,127**	4,814,829,506	3,763,516,229
Depreciation and amortization (Notes 9, 10 and 11)	**2,953,823,251**	3,206,865,763	2,346,583,325
Direct labor (Notes 17 and 18)	**2,000,915,792**	1,740,399,466	1,107,658,868
(Forward)			
Production overhead (Note 17)	**1,229,839,584**	617,330,942	580,140,429
Outside services (Note 17)	**297,911,144**	470,713,991	542,297,370
	20,039,121,567	16,001,583,255	11,840,345,384
Hauling and shiploading costs (Notes 9 and 17)	**1,100,577,649**	1,322,699,136	439,966,574
	₱21,139,699,216	₱17,324,282,391	₱12,280,311,958

In 2021, the Parent Company recognized provision for inventory obsolescence amounting to ₱168.54 million, which is included in “Materials and supplies’ under cost of coal in the statements of financial position. There was no recognized provision for inventory obsolescence in 2022.

Cost of power sales consists of:

	2022	2021	2020
Coal	**₱3,382,073,706**	₱3,515,523,065	₱3,936,553,761
Depreciation and amortization (Note 9)	**2,713,660,463**	2,712,156,415	2,871,506,678
Energy spot purchases	**1,885,580,927**	2,187,503,217	411,055,081
Chemicals, lubricants and limestone	**330,111,016**	75,615,195	24,509,295
Diesel	**204,960,352**	295,562,474	46,426,387
Market fees	**17,258,131**	14,706,578	31,054,721
Bunker	**–**	–	39,740,981
Others	**81,807,586**	114,220,385	58,258,633
	₱8,615,452,181	₱8,915,287,329	₱7,419,105,537

The cost of coal on power sales consists of:

	2022	2021	2020
Fuel and lubricants	**₱1,030,987,549**	₱747,530,776	₱1,114,770,271
Materials and supplies	**1,491,607,366**	1,815,056,200	1,309,162,437
Hauling and shiploading costs	**376,233,907**	440,003,812	213,958,565
Direct labor	**238,156,487**	252,552,230	385,306,000
Production overhead	**146,380,110**	89,581,119	201,805,442
Depreciation and amortization (Note 9)	**63,249,788**	102,492,872	519,986,937
Outside services	**35,458,499**	68,306,056	191,564,109
	₱3,382,073,706	₱3,515,523,065	₱3,936,553,761

20. **Operating Expenses**

	2022	2021	2020
Government share (Note 26)	**₱15,963,371,469**	₱6,354,771,211	₱1,813,594,427
Repairs and maintenance	**1,007,559,364**	453,607,978	283,240,150
Personnel costs (Notes 17 and 18)	**811,695,278**	673,300,883	508,983,157
Taxes and licenses	**496,057,322**	600,942,907	552,966,795
Insurance and bonds	**398,102,708**	300,864,581	257,761,191
Operation and maintenance (Note 17)	**324,000,000**	297,000,000	415,104,047
Office expenses (Note 17)	**227,484,743**	177,644,604	110,296,868
Write-down of inventories and property, plant and equipment (Notes 3, 6, 8 and 9)	**210,752,009**	–	157,196,754
Professional fees	**77,288,700**	60,366,134	71,194,050
Depreciation and amortization (Notes 3, 9 and 10)	**69,562,720**	83,292,044	194,002,240
Provision for impairment losses (Notes 5, 7 and 11)	**30,987,428**	–	–
Entertainment, amusement and recreation	**₱30,860,344**	₱67,133,369	₱36,940,602
Transportation and travel	**21,979,008**	17,479,977	14,226,265
Marketing	–	–	2,591,716
Others (Note 24)	**282,527,987**	178,756,585	135,963,454
	₱19,952,229,080	₱9,265,160,273	₱4,554,061,716

In 2020, the Group recorded accelerated depreciation for its power generation units amounting to ₱101.23 million due to planned rehabilitation of the Group's coal-fired power plants in Calaca, Batangas.

Others include the accrued interest on the 2020 income tax due amounting to ₱184.00 million (see Note 24). Others also pertain to various expenses such as advertising and utilities.
Prior to acquisition of the 50% shareholdings of Meralco PowerGen Corporation, MGen (the other joint venturer in SRPGC), the Parent Company recognized equity in net losses of SRPGC amounting to ₱0.31 million in 2020 and is included under "Others" in profit or loss.

On November 9, 2020, the joint venture agreement between the Parent Company and MGen was terminated. Subsequently after termination, SRPGC became a wholly owned subsidiary of the Parent Company upon acquisition of the shareholdings of MGen for ₱115.0 million (remained unpaid as of December 31, 2022). SRPGC has started pre-construction work and the related capitalized costs amounting to ₱112.67 million and ₱104.84 million is recorded under "Property, plant and equipment" as of December 31, 2022 and 2021, respectively (see Note 9).

21. **Finance Costs**

	2022	2021	2020
Interest on:			
Long-term debt (Note 13)	**₱646,024,986**	₱774,632,597	₱668,081,709
Short-term debt (Note 13)	–	58,416,679	318,752,682

(Forward)

	2022	2021	2020
Accretion of provision for decommissioning and site rehabilitation costs (Note 14)	**₱16,823,359**	₱9,797,034	₱24,282,185
Lease liabilities (Note 10)	**6,014,971**	7,104,913	7,850,348
Amortization of debt issuance cost (Note 13)	**31,466,638**	33,227,632	30,676,096
Bank charges and others	**157,592,940**	93,179,757	45,177,531
	₱857,922,894	₱976,358,612	₱1,094,820,551

22. **Finance Income**

	2022	2021	2020
Interest on:			
Cash in banks (Note 4)	**₱13,227,156**	₱5,498,252	₱6,078,596
Cash equivalents (Note 4)	**397,348,429**	15,097,453	39,548,131
Others	**2,804,140**	1,946,547	246,212
	₱413,379,725	₱22,542,252	₱45,872,939

23. **Other Income**

	2022	2021	2020
Sale of fly ash	**₱220,674,227**	₱167,589,713	₱180,213,166
Gain (loss) on sale of equipment – net (Note 9)	**423,256**	(1,990,583)	67,002,889
Gain on pre-termination of option contract	**–**	–	37,238,898
Miscellaneous	**21,464,033**	74,140,556	32,264,656
	₱242,561,516	₱239,739,686	₱316,719,609

Gain on pre-termination of option contract
On March 25, 2020, the Group and a retail-electricity supplier (RES) has agreed to pre-terminate the five (5)-year option agreement with respect to its exposure to the WESM. The pre-termination gain recognized amounted to ₱37.24 million in 2020. The pre-termination did not constitute any default of either party and did not give rise to any termination fee.

Miscellaneous
Miscellaneous pertains to liquidated damages received and amortization of deferred rental income.

24. **Income Tax**

	2022	2021	2020
Current	**₱2,099,546,578**	₱18,859,250	₱78,606,899
Final	**72,342,178**	112,133,683	7,460,349
Deferred	**179,889,126**	214,131,126	46,530,509
	₱2,351,777,882	₱345,124,059	₱132,597,757

The current provision for income tax in 2022 includes the accrual of income tax due for its 2020 income amounting to ₱897.30 million.

The reconciliation of the effective statutory income tax rate to the effective income tax rate shown in the consolidated statements of comprehensive income follows:

	2022	2021	2020
Statutory income tax rate	**25.00%**	25.00%	30.00%
Adjustments for:			
Nondeductible expense	**0.81**	0.09	1.83
Nondeductible interest expense	**0.06**	0.00	0.17
Movement in unrecognized deferred tax assets	**(0.29)**	0.53	(1.31)
Interest income already subject to final tax at a lower rate	**(0.07)**	(0.01)	(0.17)
Tax-exempt income	**(22.66)**	(26.20)	(26.66)
Adjustment of prior year income taxes due to change in tax rate (CREATE)	–	0.82	–
Others	**2.72**	–	–
Effective income tax rate	**5.57%**	0.23%	3.86%

Deferred tax assets and deferred tax liabilities are offset on a per entity level and the net amount is reported in the consolidated statements of financial position as follows:

Deferred tax assets - net

	2022	2021
Deferred tax assets on:		
Allowance for expected credit losses and impairment losses (Notes 5, 7 and 10)	**₱389,465,331**	₱385,904,657
Write-down of PPE (Note 9)	**42,942,859**	–
Accrual of pension obligation	**26,048,335**	120,127,774
Provision for decommissioning and site rehabilitation costs (Note 14)	**5,771,879**	3,341,973
Lease liabilities (Note 10)	**126,393**	10,066,804
Allowance for inventory obsolescence	**9,745,143**	57,512,862
Allowance for doubtful accounts (Note 5)	–	18,707,571
Others	**15,850,474**	19,551,577
	489,950,414	615,213,218
Deferred tax liabilities on:		
Right-of-use assets	**₱–**	(₱9,548,634)
Unrealized foreign exchange gains	–	(45,046,270)
Other comprehensive income	**(3,199,365)**	(861,747)
	(₱3,199,365)	(55,456,651)
	₱486,751,049	559,756,567

Deferred tax liabilities - net

	2022
Deferred tax assets on:	
Accrual of pension obligation	₱96,704,138
Allowance for inventory obsolescence	57,512,862
Allowance for doubtful accounts (Note 5)	18,707,571
Lease liabilities (Note 10)	6,348,719
Allowance for expected credit losses and impairment losses (Notes 7 and 10)	3,823,014
	183,096,304
Deferred tax liabilities on:	
Right-of-use assets	(7,323,379)
Unrealized foreign exchange gains	(300,561,661)
	(307,885,040)
	(₱124,788,736)

There were no net deferred tax liabilities on a per entity level reported in the consolidated statement of financial position as of December 31, 2021.

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used.

The Group has the following deductible temporary differences that are available for offset against future taxable income or tax payable for which deferred taxes have not been recognized:

	2022	2021
NOLCO	**₱42,654,944**	₱477,906,468
Allowance for impairment losses and other probable losses	**287,861,508**	286,408,831
MCIT	**14,904,246**	14,904,246
Others	**57,682,916**	63,246,572

Unrecognized deferred tax assets on temporary differences amounted to ₱100.78 million and ₱210.62 million as of December 31, 2022 and 2021, respectively.

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4 of Bayanihan to Recover as One Act (Bayanihan 2) which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five (5) consecutive years immediately following the year of such loss.

As of December 31, 2022, the Group has available NOLCO that can be claimed as deduction from future taxable income as follows:

Period	Amount	Applied	Expired	Balance	Expiry Year
2019	₱17,137,838	₱–	(₱17,137,838)	₱–	2022
2021	460,768,630	(420,448,547)	–	40,320,083	2026
2022	2,334,861	–	–	2,334,861	2025
	₱480,241,329	(₱420,448,547)	(₱17,137,838)	₱42,654,944	

As of December 31, 2022, the excess MCIT that is available for offset against future income tax payable follow:

Year incurred	Amount	Applied	Expired	Balance	Expiry Year
2020	₱14,904,246	₱–	₱–	₱14,904,246	2023

Board of Investments (BOI) Incentives

Parent Company

In relation to the Parent Company's operation in Panian mine site, on September 26, 2008, the BOI issued in favor of the Parent Company a Certificate of Registration as an Expanding Producer of Coal in accordance with the provisions of the Omnibus Investments Code of 1987. Pursuant thereto, the Parent Company shall be entitled to the following incentives, among others:

On August 31, 2012 and February 24, 2016, BOI has granted the Parent Company Certificates of Registration as New Producer of Coal in accordance with the provisions of the Omnibus Investments Code of 1987 in relation to the operation in Narra Minesite (formerly Bobog) (Certificate of Registration No. 2012-183) and Molave Minesite (Certificate of Registration No. 2017-042). Pursuant thereto, the Parent Company shall be entitled to the following incentives for the two Certificates of Registration, among others:

a. ITH for four (4) years from January 2015 and January 2017 for Narra minesite and Molave minesite, respectively, or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

b. Income qualified for ITH availment shall not exceed by more than 10% of the projected income represented by the Parent Company in its application provided the project's actual investments and employment match the Parent Company's representation in the application.

On October 24, 2019, the BOI approved the request for suspension of Narra Mine until the slope stability of the Narra mine to resume production is ensured, as follows:

a. the suspension of mining operation of Narra Mine under its Certificate of Registration No. 2012-183 dated August 31, 2012, subject to the capping of ITH incentive of Molave mine to 9,697,165 MT under BOI Certificate of Registration No. 2016-042 dated February 24, 2016, which is the highest attained production volume for the last three (3) years of operation; and,

b. the suspension of the corresponding ITH under its Certificate of Registration No. 2012-183 dated August 31, 2012.

On November 28, 2019, the BOI approved the Parent Company's application for extension for one (1) year for ITH incentive. The approved bonus year under Certificate of Registration No. 2016-042 is for the period October 15, 2020 to October 14, 2021 using the Indigenous Raw Material Criterion pursuant to Executive Order No. 226.

The Parent Company received a letter from the BOI dated February 28, 2020, stating that the BOI per Board Resolution No. 04-14, Series of 2020, approved the motion for reconsideration of the Parent Company and that the portion of BOI Board Resolution No. 31-07, Series of 2019, capping the incentive of Molave mine to 9,697,165 MT be amended. The annual coal production rate of 16 million metric tons as specified in the Amended Environmental Compliance Certificate issued by the Department of Environment and Natural Resources-Environmental Management Bureau (DENR-EMB) shall be imposed upon the Parent Company's two (2) projects under BOI Certificate of

Registration No. 2012-183 dated August 31, 2012 and BOI Certificate of Registration No. 2016-042 dated February 24, 2016 as New Producer of Coal, pursuant to the provisions under the Executive Order No. 226. Any revenue arising from the coal production in excess of 16 million metric tons annual production rate shall not be entitled to ITH incentive.

On July 12, 2021, the Parent Company applied for another extension of one (1) year of ITH incentive for Molave Mine. On December 16, 2021, the BOI approved the Parent Company's application for extension for one (1) year of ITH incentive for Molave Mine.

The approved bonus year under Certificate of Registration No. 2016-042 is for the period October 15, 2021 to October 14, 2022 using the net foreign exchange earnings criterion pursuant to Executive Order No. 226.

On July 2, 2020, through Board Resolution No. 12-13, Series of 2020, the BOI approved the request for deferment of the ITH incentive availment for Molave mine for taxable year 2020, noting that the operation has been affected or disrupted by COVID-19 pandemic and since the project has not fully enjoyed the incentives granted to it for reasons beyond the Company's control pursuant to Article 7(14) of Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987, as amended, subject to the following:

(1) the income tax due for the taxable year covered by the deferment period shall be paid by the Parent Company;
(2) the Parent Company will only be entitled to ten (10) months of ITH incentive in the next taxable year since the deferment period, taxable year 2020, is the project's last year of ITH availment period;
(3) that this deferment shall not prejudice the project's approved bonus year under Certificate of Registration No. 2016-042 for the period October 15, 2020 to October 14, 2021 using the Indigenous Raw Material Criterion pursuant to Art. 39(a)(ii) of E.O. 226 pursuant to Board Resolution No. 31-07, Series of 2019. Noting the deferment of its ITH incentive for taxable year 2020, the bonus year shall correspondingly be amended from October 15, 2021 to October 24, 2022.

The Parent Company has not availed of this deferment of the ITH incentive in 2020.

In 2022, the BOI provided the Parent Company the option to amend the ITH incentive (bonus) expiration year for Molave mine to October 2023 subject to the Parent Company paying the Taxable Year 2020 income tax due amounting to ₱897.30 million and the related interest.

In 2022, the Parent Company recognized ₱897.30 million of income tax due on its income in 2020, as part of its provision for current income tax.

In January 2023, the Parent Company settled the income tax due for the Taxable Year 2020 at ₱1,088.46 million inclusive of interest amounting to ₱191.16 million. Hence, the ITH incentive (bonus) will expire beginning October 2023 and the income from the registered activities of the BOI project (Molave mine pit) from October 2023 will be subjected to regular corporate tax of 25%.

The BOI corrected the ITH availment period of the BOI project pursuant to Art. 39(a)(1)(iii) of E.O. 226 under Certificate of Registration No. 2016-042 from October 15, 2021 to October 14, 2022 to October 15, 2022 to October 14, 2023.

The Parent Company availed of incentive in the form of ITH on its income under registered activities. The income under registered activities amounted to ₱36,375.37 million, ₱14,316.71 million and ₱7,743.47 million in 2022, 2021 and 2019, respectively.

SLPGC
On June 21, 2012, the application for registration of SLPGC as new operator of 300 MW (Phase 1) Batangas Coal-fired Power Plant on a Non-Pioneer Status under the Omnibus Investments Code of 1987 (Executive Order No. 226) was approved. Pursuant thereto, SLPGC shall be entitled to the following incentives, among others:

a. ITH for four (4) years from January 2015 or actual start of commercial operations, whichever is earlier but in no case earlier than the date of registration;

b. For the first five (5) years from the date of registration, the enterprise shall be allowed an additional deduction from taxable income of fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availments as against the previous year if the project meets the prescribed ratio of capital equipment to the number of workers set by the BOI and provided that this incentive shall not be availed of simultaneously with the ITH;

c. Importation of consigned equipment for a period of 10 years from the date of registration, subject to posting of re-export bond;

d. Employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five (5) years from the date of registration; and,

e. Simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies.

On June 29, 2016, the BOI granted the request of SLPGC for the movement of the reckoning period for the ITH incentive from January 1, 2015 to January 1, 2016 due to the delay arising from interconnection issue which is considered as an operational force majeure. On February 5, 2020, the BOI approved SLPGC's application for extension of ITH incentives for one (1) year for the period of January 1, 2020 to December 31, 2020, using the Indigenous Raw Material criterion pursuant to Executive Order No. 226.

On September 14, 2020, SLPGC was granted a maximum postponement of 2 years of its ITH bonus year on grounds of COVID-19 pandemic. SLPGC opted to exercise the deferral of its ITH bonus year in 2020, or a period of one (1) year only. The bonus year was availed for the period of January 1, 2021 to December 31, 2021.

<u>*Corporate Recovery and Tax Incentive for Enterprise (CREATE) Act*</u>

On March 26, 2021, Republic Act No. 11534, Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, was signed into law and took effect on April 11, 2021. The CREATE Act introduces reforms to the corporate income tax and incentive systems by implementing changes to the current tax regulations. Some of these changes, which became effective beginning July 1, 2020, are as follows:

- Reduction in the RCIT rate from 30% to 20% for entities with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million (excluding the value of land on which the business entity's office, plant and equipment are situated);

- Reduction in the RCIT from 30% to 25% for all other corporations;
- Reduction in the MCIT rate from 2% to 1% of gross income for 3 years or until June 30, 2023;
- Repeal of the imposition of 10% improperly accumulated earnings tax (IAET).

25. Basic/Diluted Earnings Per Share

The following table presents information necessary to calculate earnings per share:

	2022	2021	2020
Net income	**₱39,871,157,824**	₱16,200,097,441	₱3,286,749,412
Divided by the weighted average number of common shares outstanding	**4,250,547,620**	4,250,547,620	4,250,547,620
Basic/diluted earnings per share	**₱9.38**	₱3.81	₱0.77

There have been no other transactions involving common shares or potential common shares between the reporting date and the date of authorization of these consolidated financial statements.

26. Coal Operating Contract with DOE

The DOE issued Coal Operating Contract (COC) to the Parent Company which gives it the exclusive right to conduct exploration, development and coal mining operations in Semirara Island. In return for the mining rights granted to the Parent Company, the Government is entitled to receive annual royalty payments consisting of the balance of the gross income after deducting operating expenses, operator's fee and special allowance. The DOE, through the Energy Resources Development Bureau, approved the exclusion of coal produced and used solely by the Parent Company to feed its power plant used for mining operations in determining the amount due to DOE.

On May 13, 2008, the DOE granted the Parent Company's request for an extension of its COC for another 15-year or until July 14, 2027.

Royalty dues for DOE's share under this contract, amounted to ₱15,963.37 million, ₱6,354.77 million and ₱1,813.59 million in 2022, 2021 and 2020, respectively, included under 'Operating expenses' in the consolidated statements of comprehensive income (see Note 20). Payable to DOE, amounting to ₱2,169.25 million and ₱2,059.61 million as of December 31, 2022 and 2021, respectively, are included under the 'Trade and other payables' account in the consolidated statements of financial position (see Note 12).

27. Contingencies and Commitments

The Group is a party to certain proceedings and legal cases with other parties in the normal course of business. The ultimate outcome of these proceedings and legal cases cannot be presently determined. Management, in consultation with its legal counsels, believes that it has substantial legal and factual bases for its positions and is currently of the opinion that the final resolution of these claims will not have a material effect on the consolidated financial statements.

The Group is also contingently liable with respect to certain taxation matters, lawsuits and other claims which are being contested by management, the outcome of which are not presently determinable. Management believes that the final resolution of these claims will not have a material effect on the Group's consolidated financial statements.

There is no resulting provision in 2022, 2021 and 2020 for these lawsuits, claims and assessments based on management's assessment. The other information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, are not disclosed on the grounds that it can be expected to prejudice the outcome of pending lawsuits, claims and assessments.

a. Effectivity of Revenue Regulations (RR) 1-2018

   On January 5, 2018, RR 1-2018 took effect pursuant to the effectivity of the Tax Reform for Acceleration and Inclusion (TRAIN) law beginning January 1, 2018. Among others, the new tax law raised the excise tax rates on domestic and imported coal from ₱10.0 per metric ton (MT) to ₱50.0 per MT in the first year of implementation, ₱100.0/MT in the second year, and ₱150.0/MT in the third and succeeding years. Based also on the RR, coal produced under coal operating contracts entered into by the Government pursuant to PD No. 972, as well as those exempted from excise tax on mineral products under other laws, shall now be subject to the applicable rates beginning January 1, 2018.

   On February 21, 2018, the Group requested for a clarification on this with the tax bureau and submitted a supplemental letter explaining why the excise tax provisions on coal under the TRAIN law will not apply to the Group under the terms and conditions of its COC with the DOE. In response, on December 17, 2018, Revenue Memorandum Circular (RMC) No. 105-2018 was issued, clarifying the payment of excise tax on domestic coal sales and specifically identifying the Group as merely a collecting agent (the Group collected from customers and remitted to the tax bureau). The RMC did not provide for the excise tax treatment of export coal sales (per RMC, this will be tackled in a separate revenue memorandum issuance), but management believes that the Group is similarly not liable for this under the terms of its existing COC. Given this, management believes that both the timing and the amount of excise tax on exported coal that will be due from the Group, if any, are uncertain as of December 31, 2022 and 2021 and will only be confirmed when the said issuance will be issued by the tax bureau.

b. *DOE Resolution on Violation of Accreditation of Coal Traders*

   On May 23, 2019, the trial shipment of 4,768.737 MT of the Group was shipped and delivered to Gold Anchorage Stevedoring and Arrastre Services, Inc. (GASAI). On June 6, 2019, the Group received an Order dated June 4, 2019 from the DOE directing the SMPC to: (a) File a verified Answer within 30 days from receipt; and (b) cease and desist from doing coal trading activities and operations. Order also states that the coal trader accreditation of SMPC is suspended until further notice.

   On July 5, 2019, the Group filed its Verified Answer arguing that: (a) sale and delivery of coal to GASAI was done in good faith; (b) the cease and desist order (CDO) and suspension is disproportionately severe under the circumstances as it should only be directed to trading done with GASAI; and c) imposition of fines is only applicable to those entities who are not accredited.

On July 10, 2019, the Group wrote the DOE requesting deferment of the implementation of the CDO and/or suspension pending resolution of the DOE.

On July 12, 2019, the DOE held in abeyance the imposition of the implementation of the CDO subject to the following conditions:

a. Order of abeyance is effective only for 30 days or until resolution of the Answer, whichever comes earlier;
b. the Group to continue with its existing coal contracts, but shall not enter as party to any new coal supply agreement; and,
c. the Group should faithfully comply with its commitments and obligations as an accredited coal trader.

On November 19, 2019, the Group received the DOE Resolution dated October 15, 2019 imposing the following penalties:

- Suspension of coal trading activities for 1 month, except to the Group-owned and other powerplants with existing coal supply agreements; and,
- Monetary penalty of ₱1.74 million.

On November 20, 2019, a motion for reconsideration to the Resolution dated October 15, 2019 was filed with the following prayer:

- The Resolution is null and void as it was issued in violation of the DOE Rules of Procedure; and,
- The CDO and Resolution are onerous and overbroad in scope as it was applied to unrelated transactions (not GASAI's) and inconsistent with the objectives of the Accreditation Guidelines.

On November 25, 2019, an amended motion for reconsideration was filed by the Group.

On January 3, 2020, the Group received letter from the DOE dated December 26, 2019 directing the former to file its position paper relative to the CDO in which the Group filed on January 10, 2020.

On March 16, 2021, DOE modified its October 15, 2019 resolution as follows:

- Ordering payment of a fine of ₱610,000. instead
- Removal of the penalty of one-month suspension of the coal trader accreditation.

The Group paid the penalty on March 31, 2021.

c. *Land Lease Agreement*

As discussed in Note 9, the Group entered into an LLA with PSALM for the lease of land where the Power Plant is situated, for the period of 25 years, renewable for another 25 years upon mutual agreement. In 2009, the Group paid US$3.19 million or its Peso equivalent ₱150.57 million as advance rental for the 25-year land lease.

Provisions of the LLA include that the Group has the option to buy the Option Assets upon issuance of an Option Existence Notice (OEN) by the lessor. Option assets are parcels of land that form part of the leased premises which the lessor offers for sale to the lessee.

The Group was also required to deliver and submit to the lessor a performance security amounting to ₱34.83 million in the form of Stand-by Letter of Credits. The Performance Security shall be maintained by the Group in full force and effect continuously without any interruption until the Performance Security expiration date. The Performance Security initially must be effective for the period of one year from the date of issue, to be replaced prior to expiration every year thereafter and shall at all times remain valid.

In the event that the lessor issues an OEN and the Group buy the option assets, the land purchase price should be equivalent to the highest of the following and/or amounts:
(i) assessment of the Provincial Assessors of Batangas Province; (ii) the assessment of the Municipal or City Assessor having jurisdiction over the particular portion of the leased premises; (iii) the zonal valuation of Bureau of Internal Revenue or, (iv) 21.00 per square meter (dollar). Valuation basis for (i) to (iii) shall be based on the receipt of PSALM of the option to exercise notice.

The exchange rate to be used should be the Philippine Dealing Exchange rate at the date of receipt of PSALM of the option to exercise notice.

On July 12, 2010, PSALM issued an OEN and granted the Group the "Option" to purchase parcels of land (Optioned Assets) that form part of the leased premises. The Group availed of the "Option" and paid the Option Price amounting to US$0.32 million (₱14.72 million) exercisable within one year from the issuance of the Option Existence Notice.

On April 28, 2011, the Group sent a letter to PSALM requesting for the assignment of the option to purchase a lot with an area of 82,740 square meters in favor of its Parent Company. On May 5, 2011, PSALM approved the assignment. On June 1, 2011, the Group exercised the land lease option at a purchase price of ₱292.62 million and is included as part of "Property, plant and equipment".

On October 12, 2011, the Group reiterated its proposal to purchase the remainder of the Leased Premises not identified as Optioned Assets. One of the salient features of the proposal included the execution of Contract to Sell (CTS) between the Group and PSALM. This included the proposal of the Group to assign its option to purchase and sub-lease in favor of SLPGC.

On February 13, 2012, PSALM held off the approval of the proposal to purchase the portion of Calaca Leased Premises not identified as Optioned Assets, subject to further studies. On the same date, PSALM Board has approved the Group's request to sub-lease a portion of the Calaca Leased Premises to SLPGC for the purpose of constructing and operating a power plant.

On February 14, 2014, the Group reiterated its proposal to purchase the Calaca Leased Premises not identified as Optioned Assets.

On February 1, 2017, the Group again reiterated to PSALM its proposal to purchase the Calaca Leased Premises.

On August 15, 2017, the Group exercised its option to purchase for a lot with an area of 9,548 square meters at a price of ₱10.56 million.

On September 24, 2019, PSALM informed SCPC regarding lots ready for OEN issuance. On February 11, 2020, SCPC wrote PSALM seeking clarifications on the status of lots available for OEN.

On June 30, 2021, the Group exercised its option to purchase lots with a total area of 19,304 square meters for a consideration of ₱43.11 million (see Note 9).

Foreshore lease

On April 2009, National Power Corporation (NAPOCOR or "NPC") and the Department of Environment and Natural Resources -CENRO (DENR-CENRO) entered to a 25-year foreshore lease agreement. On July 29, 2009, DMCI HI won the open and competitive bidding of the 600MW Batangas Coal-Fired Thermal Power Plant conducted by PSALM. Subsequently, the rights of DMCI HI on the 600MW Batangas Coal-Fired Thermal Power Plant was assigned to SCPC. PSALM and SCPC executed the Deed of Sale on the power plant. On December 29, 2011, NPC transferred its rights over the foreshore lease with DENR-CENRO thru an execution of Deed of Assignment in which the Group unconditionally agrees to assume all rights and obligations under the Foreshore Lease Agreement. Lease payments is subject to reappraisal every 10 years of the contract. On the first 10 years of the lease, the rate is ₱2.65 million. The rate was reappraised in May 3, 2019. Starting April 2019, the rate will be ₱3.88 million until reappraised in 2029. Refer to Note 10 for the information and related disclosures.

d. Application for Approval of the ASPA between the Group and NGCP, with Prayer for the Issuance of Provisional Authority

   On July 12, 2018, the Group and NGCP filed an application for approval of the ASPA, with a prayer for the issuance of provisional authority, docketed as ERC Case No. 2018-074-RC, where NGCP agreed to procure and the Group agreed to supply ancillary services in the form of regulating reserve under a firm and non-firm arrangement and contingency reserve and dispatchable reserve under a non-firm arrangement.

   Both parties filed their joint pre-trial brief and filed their compliance with the jurisdictional requirements before the ERC. On October 11, 2018, the case was set for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing. ERC directed the Group and NGCP to submit additional documents to file its formal offer of evidence.

   On November 9, 2018, the Group and NGCP filed their formal offer of evidence and compliance.

   On May 21, 2019, the Group received the ERC Order dated May 20, 2019 granting interim relief in favor of the Group and NGCP to implement the ASPA. The ERC Order, however, disallowed the recovery of the cost of minimum stable load (Pmin) Capacity of the gas turbine.

   On June 6, 2019, the Group filed a Motion for Partial Reconsideration with Manifestation of the Order dated May 20, 2019 praying for the recovery of the cost Pmin Capacity of 2 MW.

   On September 5, 2019, the ERC resolved to deny the Group's Motion for Partial Reconsideration with Manifestation for lack of merit.

   On November 19, 2019, the Group and NGCP filed their Joint Manifestation with Motion to Withdraw in view of the decision to terminate the ASPA. As of March 3, 2021, ERC has yet to rule on the Joint Manifestation with Motion to Withdraw filed by the Group and NGCP.

While no supply agreement has been secured yet, the plant is being used by the Group for electricity generation and sale through WESM.

On July 12, 2021, the Group received an order from the ERC dated June 22, 2021 requiring both NGCP and the Group to comply with DOE Department Circular No. DC2019-12-0018 or Adopting a General Framework Governing the Provision and Utilization of Ancillary Services in the Grid. The Group manifested to the ERC that the circular is no longer applicable as the ASPA has long been terminated as jointly manifested to the ERC in November 19, 2019.

The ERC has yet to rule on the Motion to Withdraw filed jointly by NGCP and the Group.

28. Financial Risk Management Objectives and Policies

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

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

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

The sensitivity analyses have been prepared on the following basis:

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

The assumption used in calculating the sensitivity analyses of the relevant income statement item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at December 31, 2022 and 2021.

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):

	2022	2021
Domestic market	**41.76%**	27.33%
Export market	**58.24%**	72.67%

The following table shows the effect on income before income tax should the change in the prices of coal occur based on the inventory of the Group as of December 31, 2022 and 2021 with all other variables held constant.

The change in coal prices used in the simulation assumes fluctuation from the lowest and highest price based on one (1)-year historical price movements in 2022 and 2021.

	Effect on income before income tax increase (decrease)	
Change in coal price	**2022**	2021
Based on ending coal inventory		
Increase by 19% in 2022 and 83% in 2021	**₱1,088,406,194**	₱916,186,257
Decrease by 19% in 2022 and 83% in 2021	**(1,088,406,194)**	(916,186,257)
Based on coal sales volume		
Increase by 18% in 2022 and 155% in 2021	**9,880,537,599**	12,103,657,136
Decrease by 18% in 2022 and 155% in 2021	**(9,880,537,599)**	(12,103,657,136)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt with floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts.

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

	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 annual 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 annual 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	**Floating rate to be repriced every 3 months**	**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 annual 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 annual 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 annual 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 payables amounting to ₱3,816.95 million*

	Interest	2021 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	0.09% to 1.75%	₱8,209,119,513	₱–	₱–	₱–	₱–	₱8,209,119,513
Peso (PHP) long-term debt*							
a) 3,000.00 million loan	Fixed annual interest rate of 4.9% per annum	885,030,729	847,770,313	810,509,896	773,377,083	–	3,316,688,021
b) 4,000.00 million loan	Fixed annual interest rate of 5.00% - 5.13% per annum	989,541,029	947,378,234	914,620,829	862,386,243	–	3,713,926,335
c) 2,750.00 million loan	Fixed annual interest rate of 4.57% per annum to be repriced after 3 years	1,592,867,006	170,758,777	163,504,302	156,118,801	290,277,636	2,373,526,522
d) 1,400.00 million loan	Floating rate to be repriced every 3 months	294,100,240	279,461,205	264,915,019	250,183,136	292,255,936	1,380,915,536
e) 2,700.00 million loan	Fixed annual interest rate of 4.88% per annum	548,584,618	527,515,978	506,447,338	485,391,157	907,551,476	2,975,490,567
f) 2,000.00 million loan	Fixed annual interest rate of 4.88% per annum	362,003,170	348,071,742	334,140,313	320,219,313	598,623,483	1,963,058,021
g) 3,500.00 million loan	Fixed annual interest rate of 4.63% per annum	188,949,972	328,785,672	1,098,897,733	1,641,668,550	707,939,901	3,966,241,828
		₱4,861,076,764	₱3,449,741,921	₱4,093,035,430	₱4,489,344,283	₱2,796,648,432	₱19,689,846,830

**Includes future interest payable amounting to ₱4,556.78 million*

The following table demonstrates the sensitivity of the Group's income before income tax to a reasonably possible change in interest rates on December 31, 2022 and 2021, with all variables held constant, through the impact on floating rate borrowings (amounts in thousands):

	Effect on income before income tax Increase (decrease)	
Basis points	**2022**	2021
+100	**(₱102,312)**	(₱150,666)
-100	**102,312**	150,666

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

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

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

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

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

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

The tables below summarize the maturity profile of the Group's financial assets and financial liabilities as of December 31, 2022 and 2021 based on contractual payments:

	2022					
	On Demand	Within 1 year	Beyond 1 year to 2 years	Beyond 2 year to 3 years	Beyond 3 years	Total
Financial Assets						
Cash in banks and cash equivalents	₱20,052,471,393	₱–	₱–	₱–	₱–	₱20,052,471,393
Receivables						
Trade:						
Outside parties	10,562,538,314	–	–	–	–	10,562,538,314
Related parties	944,474,856	–	–	–	–	944,474,856
Others[(1)]	196,729,604	–	–	–	–	196,729,604
Environmental guarantee fund	–	–	–	–	15,637,143	15,637,143
	₱31,756,214,167	–	–	–	₱15,637,143	₱31,771,851,310
Financial Liabilities						
Trade and other payables						
Trade:						
Payable to suppliers and contractors	7,100,380,727	–	–	–	–	7,100,380,727
Related parties	217,158,369	–	–	–	–	217,158,369
Accrued expenses and other payables[(2)]	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)]						
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

[(1)]Excludes advances to officers and employees amounting to ₱95.04 million which are considered as non-financial asset
[(2)]Excludes statutory liabilities amounting to ₱368.50 million
[(3)]Includes future interest payable amounting to ₱3,816.95 million

	2021					
	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	₱8,209,119,513	₱–	₱–	₱–	₱–	₱8,209,119,513
Receivables						
Trade:						
Outside parties	8,161,013,954	–	–	–	–	8,161,013,954
Related parties	192,083,313	–	–	–	–	192,083,313
Others[1]	70,804,196	–	–	–	–	70,804,196
Environmental guarantee fund	–	–	–	–	15,637,143	15,637,143
	16,633,020,976	–	–	–	15,637,143	16,648,658,119
Financial Liabilities						
Trade and other payables						
Trade:						
Payable to suppliers and contractors	6,589,509,917	–	–	–	–	6,589,509,917
Related parties	457,833,928	–	–	–	–	457,833,928
Accrued expenses and other payables[2]	286,588,393	–	–	–	–	286,588,393
Lease liabilities	–	12,762,774	8,089,317	20,827,207	73,844,202	115,523,500
Peso long-term debt with interest payable in arrears[3]						
3,000.00 million loan	–	885,030,729	847,770,313	810,509,896	773,377,083	3,316,688,021
4,000.00 million loan	–	989,541,029	947,378,234	914,620,829	862,386,243	3,713,926,335
2,750.00 million loan	–	1,592,867,006	170,758,777	163,504,302	446,396,437	2,373,526,522
1,400.00 million loan	–	294,100,240	279,461,205	264,915,019	542,439,072	1,380,915,536
2,700.00 million loan	–	548,584,618	527,515,978	506,447,338	1,392,942,634	2,975,490,568
2,000.00 million loan	–	362,003,170	348,071,742	334,140,313	918,842,796	1,963,058,021
3,500.00 million loan	–	188,949,972	328,785,672	1,098,897,733	2,349,608,451	3,966,241,828
	₱7,333,932,238	₱4,873,839,538	₱3,457,831,238	₱4,113,862,637	₱7,359,836,918	₱27,139,302,569

[1]Excludes advances to officers and employees amounting to ₱83.54 million which are considered as nonfinancial assets
[2]Excludes statutory liabilities amounting to ₱82.74 million
[3]Includes future interest of ₱4,556.78 million

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

The Group manages this risk by matching receipts and payments in the same currency and monitoring. Approximately, 45.93% and 47.07% of the Group's sales in 2022 and 2021 were denominated in US$ whereas approximately 16.80% and 14.01% of liabilities were denominated in US$ as of December 31, 2022, and 2021, respectively.

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

	December 31, 2022		December 31, 2021	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**$172,349,869**	**₱9,672,274,648**	$44,488,544	₱2,258,683,379
Trade receivables	**26,361,264**	**1,479,394,136**	51,175,956	2,598,203,286
Liabilities				
Trade payables	**(68,422,914)**	**(3,839,893,934)**	(71,835,650)	(3,647,095,951)
Net exposure	**$130,288,219**	**₱7,311,774,850**	$23,828,850	₱1,209,790,714

The exchange rates used were ₱56.12 to US$1 and ₱50.77 to US$1 in 2022 and 2021, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's income before income tax (due to changes in the fair value of monetary assets and liabilities) as of December 31, 2022 and 2021.

	Currency	Increase (decrease) in Philippine Peso/ Foreign exchange rate	Effect on profit before tax
2022	**USD**	**7.51%**	**₱549,114,291**
		(7.51%)	**(549,114,291)**
2021	USD	1.76%	21,292,316
		(1.76%)	(21,292,316)

There is no impact on the Group's equity other than those already affecting profit or loss. The movement in sensitivity analysis is derived from current observations on movement in dollar average exchange rates.

The Group recognized net foreign exchange gains (realized and unrealized) amounting to ₱1,003.61 million, ₱339.60 million and ₱154.69 million in 2022, 2021 and 2020, respectively, arising from the translation of the Group's cash and cash equivalents, trade receivables, trade payables, short-term loans and long-term debt.

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

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

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

With respect to the credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, other receivables, 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 December 31 and show the credit quality of the assets by indicating whether the assets are subjected to the 12-month ECL or lifetime ECL.

	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**

**Excludes advances to officers and employees amounting to ₱95.04 million which are considered as non-financial asset*

	2021			
	12-month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Total
Cash in banks and cash equivalents	₱8,209,119,513	₱–	₱–	₱8,209,119,513
Receivables:				
Trade receivables - related parties	–	192,083,313	–	192,083,313
Trade receivables - outside parties	–	6,596,574,872	1,564,439,082	8,161,013,954
Others*	–	64,988,837	5,815,359	70,804,196
Environmental guarantee fund	–	13,607,307	–	13,607,307
	₱8,209,119,513	₱6,867,254,329	₱1,570,254,441	₱16,646,628,283

**Excludes advances to officers and employees amounting to ₱83.54 million which are considered as non-financial asset*

Capital management
The primary objective of the Group's capital management strategy is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

No changes were made in the objectives, policies and processes from the previous years.

The Group manages its capital using debt-to-equity ratio, which is interest-bearing loans divided by equity, and EPS. The following table shows the Group's capital ratios as of December 31, 2022 and 2021.

	2022	2021
Interest-bearing loans	**₱10,196,187,514**	₱15,066,635,161
Total equity	**64,252,397,908**	45,609,896,807
Debt-equity ratio	**0.16:1**	0.33:1
EPS (Note 25)	**₱9.38**	₱3.81

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

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

The following table shows the components of the Group's capital as of December 31, 2022 and 2021:

	2022	2021
Total paid-up capital	**₱10,940,136,701**	₱10,940,136,701
Acquisition of treasury shares	**(739,526,678)**	(739,526,678)
Net remeasurement losses on pension plan	**(120,416,244)**	(144,503,733)
Retained earnings – unappropriated	**47,372,204,129**	28,753,790,517
Retained earnings – appropriated	**6,800,000,000**	6,800,000,000
	₱64,252,397,908	₱45,609,896,807

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

29. **Fair Values**

Fair Value Information
The fair values of cash and cash equivalents, receivables, environmental guarantee fund, trade payables, accrued expenses and other payables, and short-term loans approximate its carrying values since most of these financial instruments are relatively short-term in nature.

Long-term debt and lease liabilities
Estimated fair values are based on the discounted value of future cash flows using the applicable rates for similar types of debt. Interest rates used in discounting cash flows ranges from 4.84% to 5.48%, while interest rate for lease liabilities is 3.20% to 7.64% in 2022 and 2021, respectively.

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

Fair Value Hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

There has been no reclassification from Level 1 to Level 2 or 3 category in 2022 and 2021.

30. Notes to Consolidated Statements of Cash Flows

Supplemental disclosure of noncash investing activities follows:

	2022	2021	2020
Transfers from inventories to property, plant and equipment (Notes 6 and 9)	**₱695,205,692**	₱531,586,938	₱–
Write-down of property, plant and equipment (Notes 3, 8 and 9)	**171,771,434**	–	157,196,754

Changes in liabilities arising from financing activities in 2022, 2021 and 2020 follows:

	For the Year Ended December 31, 2022			
	January 1, 2022	**Net cash flows**	**Noncash**	**December 31, 2022**
Long-term debt (Note 13)	**₱15,066,635,161**	**(₱4,901,914,286)**	**₱31,466,639**	**₱10,196,187,514**
Dividend payable (Note 12)	**3,100,694**	**(21,252,510,224)**	**21,252,744,212**	**3,334,682**
Lease liabilities (Note 10)	**88,376,182**	**(23,690,307)**	**6,014,971**	**70,700,846**
	₱15,158,112,037	**(₱26,178,114,817)**	**₱21,290,225,822**	**₱10,270,223,042**

	For the Year Ended December 31, 2021			
	January 1, 2021	Net cash flows	Noncash	December 31, 2021
Short-term loans (Note 13)	₱5,425,000,000	(₱5,425,000,000)	₱–	₱–
Long-term debt (Note 13)	14,449,071,814	610,585,714	6,977,633	15,066,635,161
Dividend payable (Note 12)	1,193,054	(12,751,642,860)	12,753,550,500	3,100,694
Lease liabilities (Note 10)	103,018,715	(21,747,446)	7,104,913	88,376,182
	₱19,978,283,583	(₱17,587,804,592)	₱12,767,633,046	₱15,158,112,037

	For the Year Ended December 31, 2020			
	January 1, 2020	Net cash flows	Noncash	December 31, 2020
Short-term loans (Note 13)	₱2,070,000,000	₱3,355,000,000	₱–	₱5,425,000,000
Long-term debt (Note 13)	16,527,035,004	(2,077,514,285)	(448,905)	14,449,071,814
Dividend payable (Note 12)	1,220,121	(5,313,211,592)	5,313,184,525	1,193,054
Lease liabilities (Note 10)	107,537,618	(5,245,912)	727,009	103,018,715
	₱18,705,792,743	(₱4,040,971,789)	₱5,313,462,629	₱19,978,283,583

Noncash changes pertain to amortization of deferred financing costs and cash dividend declaration by the Parent Company, recognition of lease liabilities as a result of adoption of PFRS 16 and subsequent additions thereto, and accretion of interest (see Notes 2 and 10).

31. Operating Segments

Segment Information

For management purposes, the Group is organized into business units based on their products and activities. Segment revenues, cost and operating expenses, profit or loss, segment assets and segment liabilities assume measurement under PFRS.

Reportable operating segments are as follows:

- Mining - engaged in surface open cut mining of thermal coal; and,
- Power - involved in generation of power available for sale thru bilateral contracts, wholesale electricity market and trading.

No operating segments have been aggregated to form the above reportable operating segments.

The Chief Operating Officer (COO) monitors the operating results of the Group for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on revenue, operating profit and pretax income which are measured similarly in the consolidated financial statements. Transactions between operating segments are made at terms and prices agreed upon by the parties.

	2022 (In thousands)				
	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Revenue					
Sales to external customers	₱70,506,121	₱20,622,572	₱–	₱–	₱91,128,693
Inter-segment sales	5,674,498	–	–	(5,674,498)	–
	76,180,619	20,622,572	–	(5,674,498)	91,128,693
Cost of sales*	(19,963,309)	(9,494,034)	–	5,369,675	(24,087,668)
Depreciation and amortization	(3,259,968)	(2,713,660)	–	306,144	(5,667,484)
Gross profit	52,957,342	8,414,878	–	1,321	61,373,541
Operating expenses*	(16,783,021)	(3,097,697)	(1,947)	–	(19,882,665)
Depreciation	(25,794)	(43,770)	–	–	(69,564)
Operating profit (loss)	36,148,527	5,273,411	(1,947)	1,321	41,421,312
Others - net	1,007,498	243,063	–	(1,008,000)	242,561
Finance income	342,863	69,782	735	–	413,380
Foreign exchange gain (loss) - net	1,015,444	(11,838)	–	–	1,003,606
Finance costs	(312,046)	(545,877)	–	–	(857,923)
Pretax income (loss)	38,202,286	5,028,541	(1,212)	(1,006,679)	42,222,936
Provision for income tax	(1,211,729)	(1,139,902)	(147)	–	(2,351,778)
Net income	₱36,990,557	₱3,888,639	(₱1,359)	(₱1,006,679)	₱39,871,158
Segment assets	₱60,166,663	44,933,470	₱46,700	(₱18,530,801)	₱86,616,032
Deferred tax assets	–	486,751	–	–	486,751
	₱60,166,663	₱45,420,221	₱46,700	(₱18,530,801)	₱87,102,783
Segment liabilities	₱10,362,492	₱3,687,359	₱230,851	(₱1,626,504)	₱12,654,198
Long-term debt	948,056	9,248,131	–	–	10,196,187
	₱11,310,548	₱12,935,490	₱230,851	(₱1,626,504)	₱22,850,385
Cash flows arising from:					
Operating activities	₱34,857,900	₱6,451,187	₱–	(534,199)	₱40,774,888
Investing activities	(1,521,801)	(1,521,441)	–	(993,439)	(4,036,681)
Financing activities	(23,695,431)	(4,009,237)	–	1,526,553	(26,178,115)
Other disclosures					
Capital expenditures	₱2,518,089	₱1,785,592	₱–	₱–	₱4,303,681

**Excluding depreciation and/or amortization*

	2021 (In thousands)				
	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Revenue					
Sales to external customers	₱35,592,979	₱16,831,448	₱–	₱–	₱52,424,427
Inter-segment sales	5,262,513	–	–	(5,262,513)	–
	40,855,492	16,831,448	–	(5,262,513)	52,424,427
Cost of sales*	(15,667,358)	(9,196,871)	–	4,779,840	(20,084,389)
Depreciation and amortization	(3,900,193)	(2,712,156)	–	457,169	(6,155,180)
Gross profit	21,287,941	4,922,421	–	(25,504)	26,184,858
Operating expenses*	(6,842,853)	(2,334,645)	(4,371)	–	(9,181,869)
Depreciation	(32,969)	(50,323)	–	–	(83,292)
Operating profit (loss)	14,412,119	2,537,453	(4,371)	(25,504)	16,919,697
Others- net	1,264,315	175,425	–	(1,200,002)	239,738
Finance income	13,615	8,703	224	–	22,542
Foreign exchange gain (loss) - net	340,934	(1,332)	–	–	339,602
Finance costs	(303,528)	(672,830)	–	–	(976,358)
Pretax income (loss)	15,727,455	2,047,419	(4,147)	(1,225,506)	16,545,221
Provision for income tax	(89,753)	(255,323)	(48)	–	(345,124)
Net income	₱15,637,702	₱1,792,096	(₱4,195)	(₱1,225,506)	₱16,200,097
Segment assets	₱45,432,360	46,312,161	₱56,092	(₱20,715,979)	₱71,084,634
Deferred tax assets	129,672	430,084	–	–	559,756
	₱45,562,032	₱46,742,245	₱56,092	(₱20,715,979)	₱71,644,390
Segment liabilities	₱9,080,193	₱5,458,955	₱238,876	(₱3,810,166)	₱10,967,858
Long-term debt	3,363,603	11,703,032	–	–	15,066,635
	₱12,443,796	₱17,161,987	₱238,876	(₱3,810,166)	₱26,034,493
Cash flows arising from:					
Operating activities	₱15,324,763	₱6,588,541	₱–	(₱633,528)	₱21,279,776
Investing activities	(1,289,535)	(1,152,362)	–	(1,296,079)	(3,737,976)
Financing activities	(15,262,676)	(4,171,746)	–	1,846,617	(17,587,805)
Other disclosures					
Capital expenditures	₱2,480,325	₱1,384,140	₱–	₱–	₱3,864,465

**Excluding depreciation and/or amortization*

	2020 (In thousands)				
	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Revenue					
Sales to external customers	₱16,488,547	₱11,761,822	₱–	₱–	₱28,250,369
Inter-segment sales	4,458,634	–	–	(4,458,634)	–
	20,947,181	11,761,822	–	(4,458,634)	28,250,369
Cost of sales*	(12,088,956)	(6,208,388)	–	4,692,924	(13,604,420)
Depreciation and amortization	(3,223,491)	(2,871,507)	–	–	(6,094,998)
Gross profit	5,634,734	2,681,927	–	234,290	8,550,951
Operating expenses*	(2,181,808)	(2,170,876)	(7,375)	–	(4,360,059)
Depreciation	(46,484)	(147,519)	–	–	(194,003)
Operating profit (loss)	3,406,442	363,532	(7,375)	234,290	3,996,889
Others - net	2,071,809	251,014	7,727	(2,013,830)	316,720
Finance income	21,029	24,596	697	(449)	45,873
Foreign exchange gain (loss) - net	157,953	(3,267)	–	–	154,686
Finance costs	(357,881)	(737,416)	–	476	(1,094,821)
Pretax income (loss)	5,299,352	(101,541)	1,049	(1,779,513)	3,419,347
Provision for income tax	(60,008)	(74,664)	2,074	–	(132,598)
Net income	₱5,239,344	(₱176,205)	₱3,123	(₱1,779,513)	₱3,286,749
Segment assets	₱42,648,511	₱45,982,500	₱49,209	(₱18,389,492)	₱70,290,728
Deferred tax assets	151,453	701,341	2,203	–	854,997
	₱42,799,964	₱46,683,841	₱51,412	(₱18,389,492)	₱71,145,725
Segment liabilities	₱8,720,822	₱7,319,036	₱222,438	(₱1,750,654)	₱14,511,642
Long-term debt	3,853,255	10,595,817	–	–	14,449,072
	₱12,574,077	₱17,914,853	₱222,438	(₱1,750,654)	₱28,960,714

(Forward)

	2020 (In thousands)				
	Mining	Power	Others	Adjustments and Eliminations	Consolidated
Cash flows arising from:					
Operating activities	₱6,853,207	₱4,507,770	₱52,247	(₱1,588,659)	₱9,824,565
Investing activities	29,159	(2,441,833)	2,784	(1,770,000)	(4,179,890)
Financing activities	(4,356,865)	308,043	–	–	(4,048,822)
Other disclosures					
Capital expenditures	₱2,863,750	₱2,468,800	₱368,006	₱–	₱5,700,556

**Excluding depreciation and/or amortization*

Inter-segment revenues, other income and cost of sales are eliminated in the consolidation under adjustments and eliminations.

Segment assets exclude deferred tax assets amounting to ₱486.75 million, ₱559.76 million and ₱855.00 million as of December 31, 2022, 2021 and 2020, respectively.

Capital expenditures consist of additions to property, plant and equipment.

All noncurrent assets other than financial instruments are located in the Philippines.

Disaggregation of Revenue Information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

Revenues from coal sales

	2022	2021	2020
Domestic market	**₱28,652,104,719**	₱10,915,873,609	₱4,939,825,531
Export market	**41,854,016,190**	24,677,105,058	11,548,721,631
	₱70,506,120,909	₱35,592,978,667	₱16,488,547,162

Substantially all revenues from external customer are from open cut mining and sales of thermal coal. Local and export classification above is based on the geographic location of the customer.

All of the Group's sales of coal are revenue from contracts with customers recognized at point in time.

Revenues from power sales

	2022	2021	2020
Bilateral contracts			
Distribution utility	**₱1,935,669,732**	₱531,792,960	₱1,233,792,000
RES	**4,335,089,131**	10,015,107,072	4,879,102,971
Others	**312,721,867**	617,653,813	17,802,399
	6,583,480,730	11,164,553,845	6,130,697,370
Spot sales			
WESM	**14,039,091,068**	5,666,894,422	5,631,123,974
	₱20,622,571,798	₱16,831,448,267	₱11,761,821,344

All revenues from power are derived from the Philippine market and are revenue from contracts with customers recognized over time.

Set out below is the reconciliation of contracts with customers with the amounts disclosed in segment information:

	For the Year Ended December 31, 2022				
	Domestic coal sales	**Export coal sales**	**Bilateral Contracts**	**Spot sales**	**Total**
Revenue					
External customers	**₱28,652,104,719**	**₱41,854,016,190**	**₱6,583,480,730**	**₱14,039,091,068**	**₱91,128,692,707**
Inter-segment	**5,674,498,212**	**–**	**–**	**–**	**5,674,498,212**
	34,326,602,931	**41,854,016,190**	**6,583,480,730**	**14,039,091,068**	**96,803,190,919**
Inter-segment adjustments and eliminations	**(5,674,498,212)**	**–**	**–**	**–**	**(5,674,498,212)**
	₱28,652,104,719	**₱41,854,016,190**	**₱6,583,480,730**	**₱14,039,091,068**	**₱91,128,692,707**

	For the Year Ended December 31, 2021				
	Domestic coal sales	Export coal sales	Bilateral Contracts	Spot sales	Total
Revenue					
External customers	₱10,915,873,609	₱24,677,105,058	₱11,164,553,845	₱5,666,894,422	₱52,424,426,934
Inter-segment	5,262,513,290	–	–	–	5,262,513,290
	16,178,386,899	24,677,105,058	11,164,553,845	5,666,894,422	57,686,940,224
Inter-segment adjustments and eliminations	(5,262,513,290)	–	–	–	(5,262,513,290)
	₱10,915,873,609	₱24,677,105,058	₱11,164,553,845	₱5,666,894,422	₱52,424,426,934

	For the Year Ended December 31, 2020				
	Domestic coal sales	Export coal sales	Bilateral Contracts	Spot sales	Total
Revenue					
External customers	₱4,939,825,531	₱11,548,721,631	₱6,130,697,370	₱5,631,123,974	₱28,250,368,506
Inter-segment	4,458,634,145	–	–	–	4,458,634,145
	9,398,459,676	11,548,721,631	6,130,697,370	5,631,123,974	32,709,002,651
Inter-segment adjustments and eliminations	(4,458,634,145)	–	–	–	(4,458,634,145)
	₱4,939,825,531	₱11,548,721,631	₱6,130,697,370	₱5,631,123,974	₱28,250,368,506

32. Other Matters

a. Electric Power Industry Reform Act (EPIRA)

With the objective of providing competitive price of electricity, the EPIRA authorized DOE to constitute an independent entity to be represented equitably by electric power industry participants and to administer and operate WESM. WESM will provide a mechanism for identifying and setting the price of actual variations from the quantities transacted under contracts between sellers and purchasers of electricity.

In addition, the DOE was tasked to formulate the detailed rules for WESM which include the determination of electricity price in the market. The price determination methodology will consider accepted economic principles and should provide a level playing field to all electric power industry participants. The price determination methodology was subject to the approval of the ERC.

In this regard, the DOE created PEMC to act as the market operator governing the operation of WESM. On June 26, 2006, WESM became operational in the Luzon grid and adopts the model of a "gross pool, net settlement" electricity market.

In 2017, the Board of PEMC has approved the transition plan for the creation of an independent market operator (IMO), paving the way for the state firm to finally relinquish control of the WESM.

On February 4, 2018, the DOE published Department Circular No. DC2018-01-0002, "Adopting Policies for the Effective and Efficient Transition to the Independent Market Operator for the Wholesale Electricity Spot Market". This Circular shall take effect immediately after its publication in two (2) Newspapers of general circulation and shall remain in effect until otherwise revoked. Pursuant to Section 37 and Section 30 of the EPIRA, jointly with the electric power participants, the DOE shall formulate the detailed rules for the wholesale electricity spot market. Said rules shall provide the mechanism for determining the price of electricity not covered by bilateral contracts between sellers and purchasers of electricity users. The price determination methodology contained in said rules shall be subject to the approval of ERC. Said rules shall also reflect accepted economic principles and provide a level playing field to all electric power industry participants.

b. Clean Air Act

On November 25, 2000, the Implementing Rules and Regulations (IRR) of the Philippine Clean Air Act (PCAA) took effect. The IRR contains provisions that have an impact on the industry as a whole and on the Group in particular, that need to be complied with within 44 months (or until July 2004) from the effectivity date, subject to the approval by Department of Environment and Natural Resources. The power plant of the Group uses thermal coal and uses a facility to test and monitor gas emissions to conform to Ambient and Source Emissions Standards and other provisions of the Clean Air Act and its IRR. Based on the Group's initial assessment of its power plant's existing facilities, it believes that it is in full compliance with the applicable provisions of the IRR of the PCAA as of December 31, 2022 and 2021.

c. Competitive Selection Process (CSP)

On June 11, 2015, DOE Circular No. DC2015-06-0008, "Mandating All Distribution Utilities to Undergo CSP In Securing PSAs", was signed, requiring all Distribution Utilities (DUs) to conduct a CSP in procuring PSAs. The CSP shall be conducted by a qualified third party duly recognized by the DOE and ERC and, in the case of Electric Cooperatives (ECs), shall be recognized by the National Electrification Administration (NEA). The CSP shall conform with aggregation of DU's un-contracted demand requirement, annual conduct of CSP, and a uniform PSA Template on the terms and conditions to be issued by the ERC and DOE. The circular does not apply to PSAs with tariff rates already approved and/or have been applied for approval by the ERC before the effectivity of the circular. The DOE shall enforce and monitor compliance and the penalty provision through ERC.

On October 20, 2015, the DOE and ERC released Joint Resolution No. 1 (2015), "A Resolution Enjoining All Distribution Utilities to Conduct Competitive Selection Process (CSP) in the Procurement of Supply for Their Captive Market". The DOE and ERC recognize that CSP in the procurement of PSAs by the DUs engenders transparency, enhances security of supply, and ensure stability of electricity prices to captive electricity end-users in the long-term.

On the same day, the ERC signed Resolution No. 13, Series of 2015, "A Resolution Enjoining All Distribution Utilities to Conduct Competitive Selection Process (CSP) in the Procurement of Supply for Their Captive Market". The resolution prescribes that all PSAs shall be awarded to the winning Generation Company following a successful transparent CSP, or by Direct Negotiation in the event of two (2) failed CSPs, and that DUs may adopt any accepted form of CSP. This resolution does not apply to PSAs already filed with the ERC as of its effectivity.

On March 15, 2016, the ERC released Resolution No. 1 Series of 2016, "A Resolution Clarifying the Effectivity of ERC Resolution No.13, series of 2015". The resolution postponed the effectivity of ERC Resolution No.13, Series of 2015 to April 30, 2016. All PSAs executed on or after the said date shall be required, without exception, to comply with the provisions of the CSP resolution. There should be at least two qualified bids for the CSP to be considered as successful and lastly, the DU shall adopt the Terms of Reference prescribed in Section 2 of ERC Resolution No. 13, Series of 2015. On PSA's with provisions on automatic renewal or extension of term, it shall apply that PSA's approved by ERC or filed before the effectivity of Resolution No. 1, may have one (1) automatic renewal or extension for a period not exceeding one (1) year from the end of their respective terms. There will be no automatic renewal or extension of PSAs upon effectivity of Resolution No. 1.

On February 9, 2018, the DOE published Department Circular No. DC2018-02-0003, "Adopting and Prescribing the Policy for the Competitive Selection Process in the Procurement by the Distribution Utilities of Power Supply Agreement for the Captive Market". This Circular shall take effect immediately after its publication in two (2) Newspapers of general circulation and shall remain in effect until otherwise revoked. There are five (5) governing principles in the Policy (1) Transparency in the conduct of CSP through wide dissemination of bid opportunities and participation of all generation companies (GenCos); (2) Competitiveness by extending equal opportunity to eligible and qualified GenCos to participate in the CSP; (3) Least cost manner in ensuring that each distribution utility (DU) is able to meet the demand for its captive market at any given time; (4) Simple, streamlined and efficient procurement process applicable to the specific requirements of each Distribution Development Plan; and (5) Accountability involved in the procurement process and implementation of the Power Supply Agreement awarded under CSP.

d. Retail Competition and Open Access (RCOA)

Under Section 31 of the Electric Power Industry Reform Act (EPIRA) of 2001, RCOA shall be implemented. In Retail Competition, the Contestable Market are provided electricity by Retail Suppliers through Open Access, wherein qualified Persons are allowed to use the Transmission, and/or Distribution Systems and their associated facilities. The implementation of RCOA is subject to the following conditions; a. Approval of the unbundled transmission and distribution wheeling charges; b. initial implementation of the cross subsidy removal scheme; c. Establishment of the WESM; d. Privatization of at least 70% of the total capacity of generating assets of NPC in Luzon and Visayas; and e. Transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPP Administrators.

Upon satisfying these conditions, the ERC declared 26 December 2012 as the Open Access Date where end-users who have an average monthly peak demand for the preceding twelve (12) months, as indicated by a single utility meter, of at least 1MW (the threshold level) qualifies as Contestable Customers (CCs) making up the Contestable Market (Phase 1). After a six-month Transition Period, on 26 June 2013, Retail Supply Contracts (RSCs) entered into by and between the Ccs and their chosen Suppliers where implemented. Phase 2 implementation was set to begin two (2) years after Phase 1. During Phase 2, the threshold level shall be reduced to 750 kW and Aggregators shall be allowed to supply electricity to End-users whose aggregate monthly average peak demand within a Contiguous Area is at least 750 kW. Subsequently and every year thereafter, the ERC shall evaluate the performance of the market.

On the basis of such evaluation, it shall gradually reduce the threshold level until it reaches the household demand level.

On May 12, 2016, ERC Resolution No. 10 (2016), "A Resolution Adopting the Revised Rules for Contestability", was signed. This revised rules aim to clarify and establish the conditions and eligibility requirements for End-users to be part of the Contestable Market; to set the threshold level for the Contestable Market; to ensure the efficient transition towards full contestability and to ensure consumer protection and enhance the competitive operation of the retail electricity market.

The Resolution states that the Threshold Reduction Date covering End-users with an average monthly peak demand of at least 750 kilowatts (750 kW) for the preceding twelve (12) months, is set to 26 June 2016. Thus, on such date, all End-users with an average monthly peak demand of at least 1 MW (1MW Customers) and 750 kW (750kW Customers), which have been issued Certificates of Contestability by the ERC, shall be allowed to contract with any RES on a voluntary basis. Thereafter, an End-user with an average monthly peak demand of at least 1MW is hereby mandated to enter into RSC with a RES by its mandatory contestability date of 26 December 2016 (This was moved by the ERC to 26 February 2017 through ERC Resolution No. 28 (2016), "Revised Timeframe for Mandatory Contestability, Amending Resolution No. 10, series of 2016, entitled Revised Rules for Contestability" signed on November 15, 2016. Subsequently, an End-user with an average monthly peak demand of at least 750kW is hereby mandated to enter into an RSC with a RES by its mandatory contestability date of 26 June 2017. The lowering of the threshold to cover an end-user with an average monthly peak demand of at least 500kW is set on 26 June 2018, subject to the review of the performance of the retail market by the ERC. Corollary, in its review of the performance of the retail market, the ERC shall establish a set of criteria as basis for the lowering of the contestability threshold. Retail Aggregation shall subsequently be allowed on 26 June 2018. During this phase, suppliers of electricity shall be allowed to contract with end-users whose aggregate demand within a Contiguous Area is at least 750 kW. Retail Competition and Open Access shall be effective only in grids where the WESM is operational.

On February 21, 2017, the Supreme Court issued a Temporary Restraining Order (TRO), G.R. No. 228588, on the implementation of several ERC Resolutions and a DOE Circular concerning the RCOA. ERC Res 10 & 28, Series of 2016 were among them. In a joint advisory on February 24, 2017, the DOE, ERC and PEMC said that they are in a process of drafting a general advisory for the guidance of RCOA Stakeholders. Issues to be considered are: 1) those who have already executed RSCs and were already registered and switched shall continue to honor their respective RSCs; 2) ongoing applications for registration filed before the Central Registration Body (CRB) may proceed voluntarily; 3) applicants who wish to withdraw or defer their registration before the CRB may do so consistent with the Retail Market Rules provided that the CRB shall not be liable for any legal repercussions that may arise out of the contestable customers' contractual obligations; and 4) remaining contestable customers who have not yet secured their RSCs may continue to negotiate and exercise their power to choose.

e. Renewable Portfolio Standards (RPS)

The implementation of the RPS is an important development for the Renewable Energy (RE) Market, and impacts the public as a whole. Republic Act No. 9513 or the Renewable Energy Law gives both fiscal and non-fiscal incentives to investors in order to encourage the promotion and development of renewable energy in the Philippines. Toward this end, the RPS serves as a market-based policy mechanism which makes use of the RE Market to facilitate and commercialize trading in RE Certificates, the latter which are used to satisfy the RPS requirements and increases RE generation in the country.

On December 30, 2017, DOE Circular No. DC2017-12-0015, or the RPS On-Grid Rules, took effect, requiring DUs, electricity suppliers, generating companies supplying directly connected customers, and other mandated energy sector participants to source or produce a certain share of electricity from their Energy Mix from eligible RE resources. These eligible RE facilities include the following technologies: biomass, waste to energy technology, wind, solar, hydro, ocean, geothermal, and other RE technologies later identified by the DOE.

The RPS On-Grid Rules mandates energy sector participants to comply with the minimum annual RPS requirement in order to meet the aspirational target of thirty-five (35%) in the generation mix by 2030.

This minimum RE requirement, however, will not be imposed immediately but in 2020. The 2018 and 2019 years are considered transition years to help the mandated participants comply with the DOE Circular. Additionally, the RPS On-Grid Rules implements a Minimum Annual Incremental RE Percentage to be sold by mandated participants. It is initially set at a minimum of one percent (1%) and applied to net electricity sales or annual energy demand for the next ten (10) years, and used to determine the current year's requirement for RE Certificates (RECs) of the Mandated Participant.

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing the consolidated financial statements of Semirara Mining and Power Corporation and its subsidiaries (the Group) as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated February 27, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticlao

Jennifer D. Ticlao
Partner
CPA Certificate No. 109616
Tax Identification No. 245-571-753
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 109616-SEC (Group A)
Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-110-2020, November 27, 2020, valid until November 26, 2023
PTR No. 9566008, January 3, 2023, Makati City

February 27, 2023

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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Semirara Mining and Power Corporation and its subsidiaries (the Group) as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated February 27, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule of Components of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2022 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticlao

Jennifer D. Ticlao
Partner
CPA Certificate No. 109616
Tax Identification No. 245-571-753
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 109616-SEC (Group A)
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PTR No. 9566008, January 3, 2023, Makati City

February 27, 2023

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
INDEX TO THE SUPPLEMENTARY SCHEDULES

ANNEX A

SEMIRARA MINING AND POWER CORPORATION
SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022

Unappropriated retained earnings, beginning		₱16,251,821,447
Adjustments:		
Deferred tax asset that reduced the amount of income tax expense of prior periods		(184,267,337)
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)		(5,398,954)
Treasury shares		(739,526,678)
Unappropriated retained earnings, as adjusted to available for dividend distribution, as at December 31, 2021		15,322,628,478
Net income actually earned/realized during the period:		
Net income during the period closed to retained earnings	₱36,990,557,295	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	–	
Unrealized actuarial gain	–	
Fair value adjustment (M2M gains)	–	
Fair value adjustment of Investment Property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP-gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
Deferred tax asset that increased the amount of income tax expense	1,171,033	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP-loss	–	
Loss on fair value adjustment of investment property (after tax)	–	
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalents)	81,171,261	
Net income actually earned during the period		37,070,557,523
Add (Less):		
Cash dividend declarations during the period		(21,252,744,212)
Stock dividend declarations during the period		–
Appropriations of retained earnings during the period		–
Reversals of appropriations		–
Effects of prior period adjustments		–
Treasury shares		–
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION		₱31,140,441,789

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021

Financial Soundness Indicators

Below are the financial ratios that are relevant to the Group for the years ended December 31, 2022 and 2021:

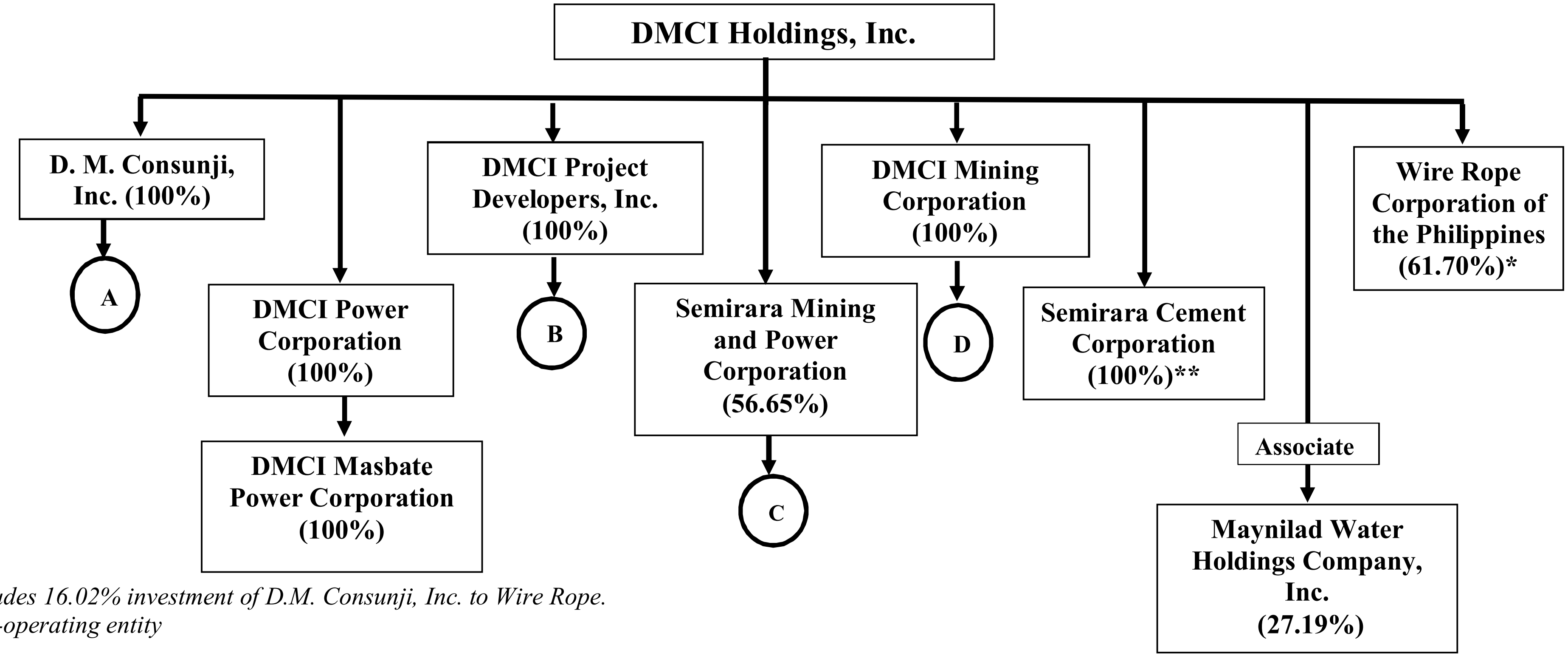
Financial ratios		2022	2021
Current ratio	Current assets / Current liabilities	**2.91:1**	1.85:1
Acid-test ratio	Current assets less inventories / Current liabilities	**2.08:1**	1.12:1
Solvency ratio	Net income plus depreciation / Total liabilities	**2.01:1**	0.88:1
Debt to equity ratio	Interest-bearing loans / Total equity	**0.16:1**	0.33:1
Asset-to-equity ratio	Total assets / Total equity	**1.36:1**	1.57:1
Inventory turnover	Cost of sales / Average inventory	**1.82:1**	1.63:1
Accounts receivable turnover ratio	Net credit sales / Average accounts receivable	**10.64:1**	9.89:1
Interest rate coverage	Earnings before interest and taxes / Interest paid	**63.18:1**	20.96:1
Return on assets	Net income / Average total assets	**0.50:1**	0.23:1
Return on equity	Net income / Average total equity	**0.73:1**	0.37:1
Gross Margin ratio	Gross profit / Sales	**0.67:1**	0.50:1
Net profit margin ratio	Net income / Sales	**0.44:1**	0.31:1

ANNEX B

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

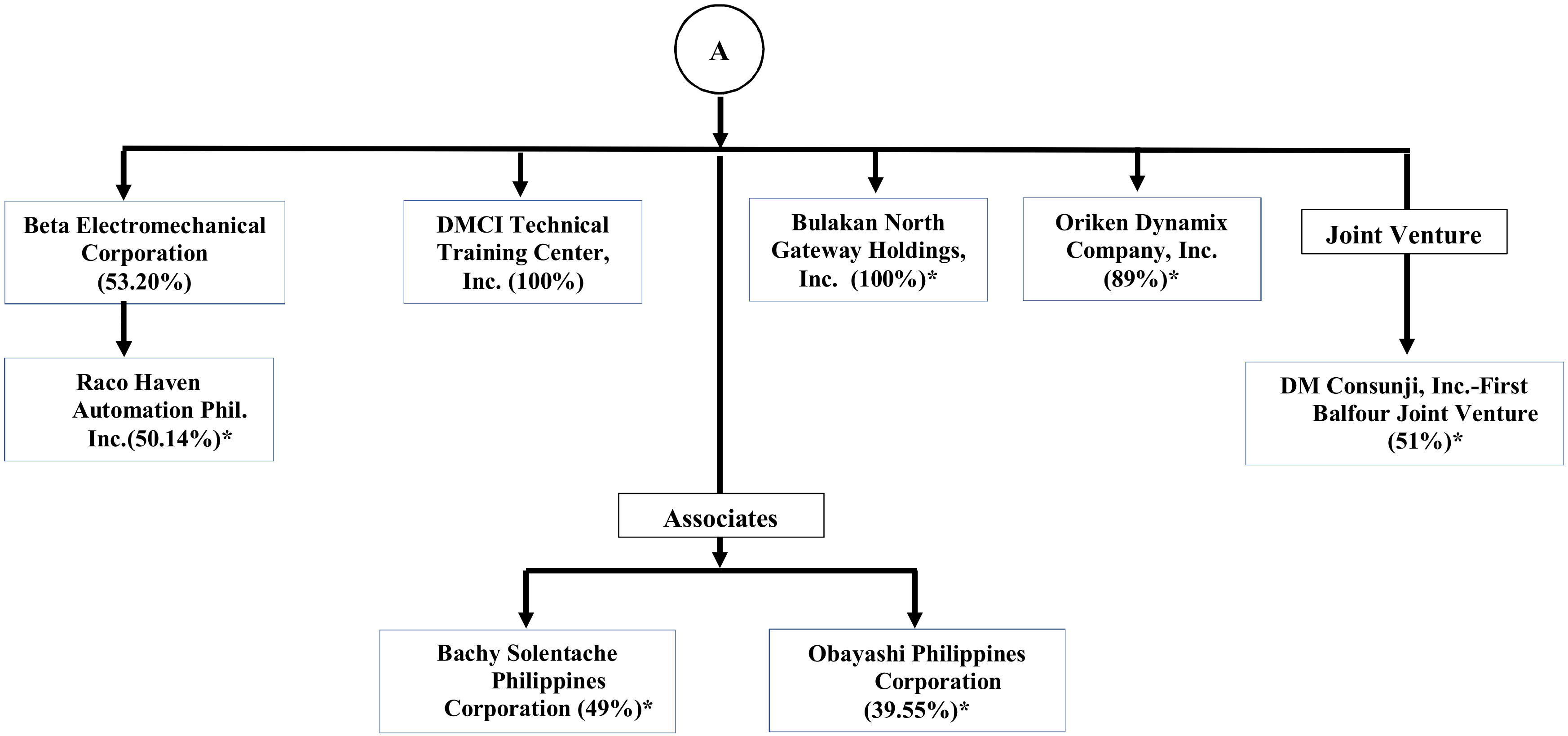
Group Structure

Below is a map showing the relationship between and among the Group as of December 31, 2022:

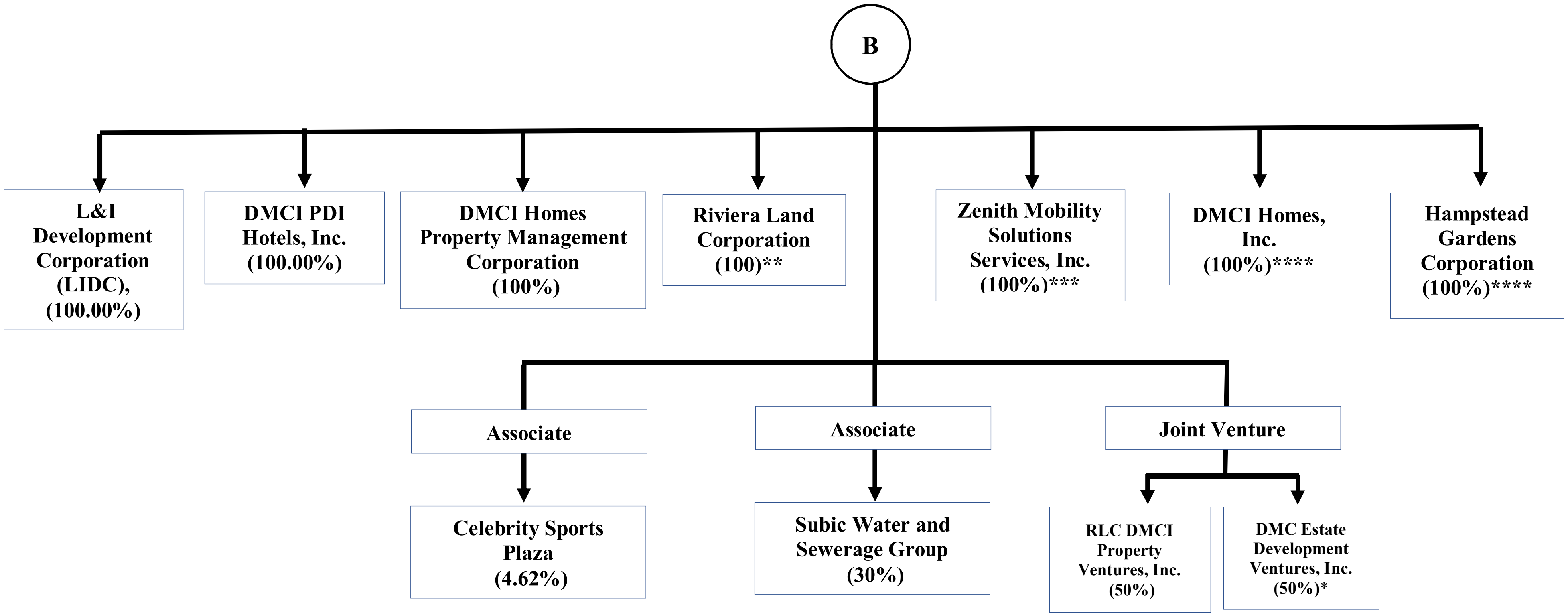


* *Includes 16.02% investment of D.M. Consunji, Inc. to Wire Rope.*

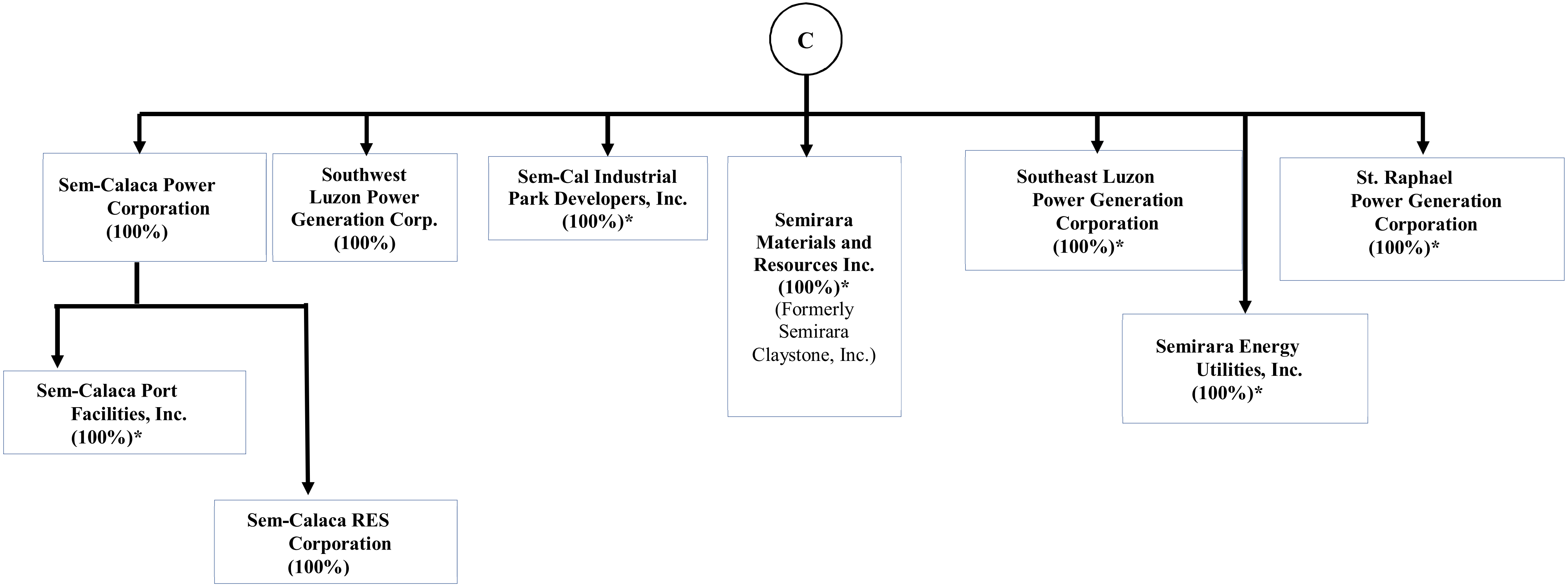
***Non-operating entity*



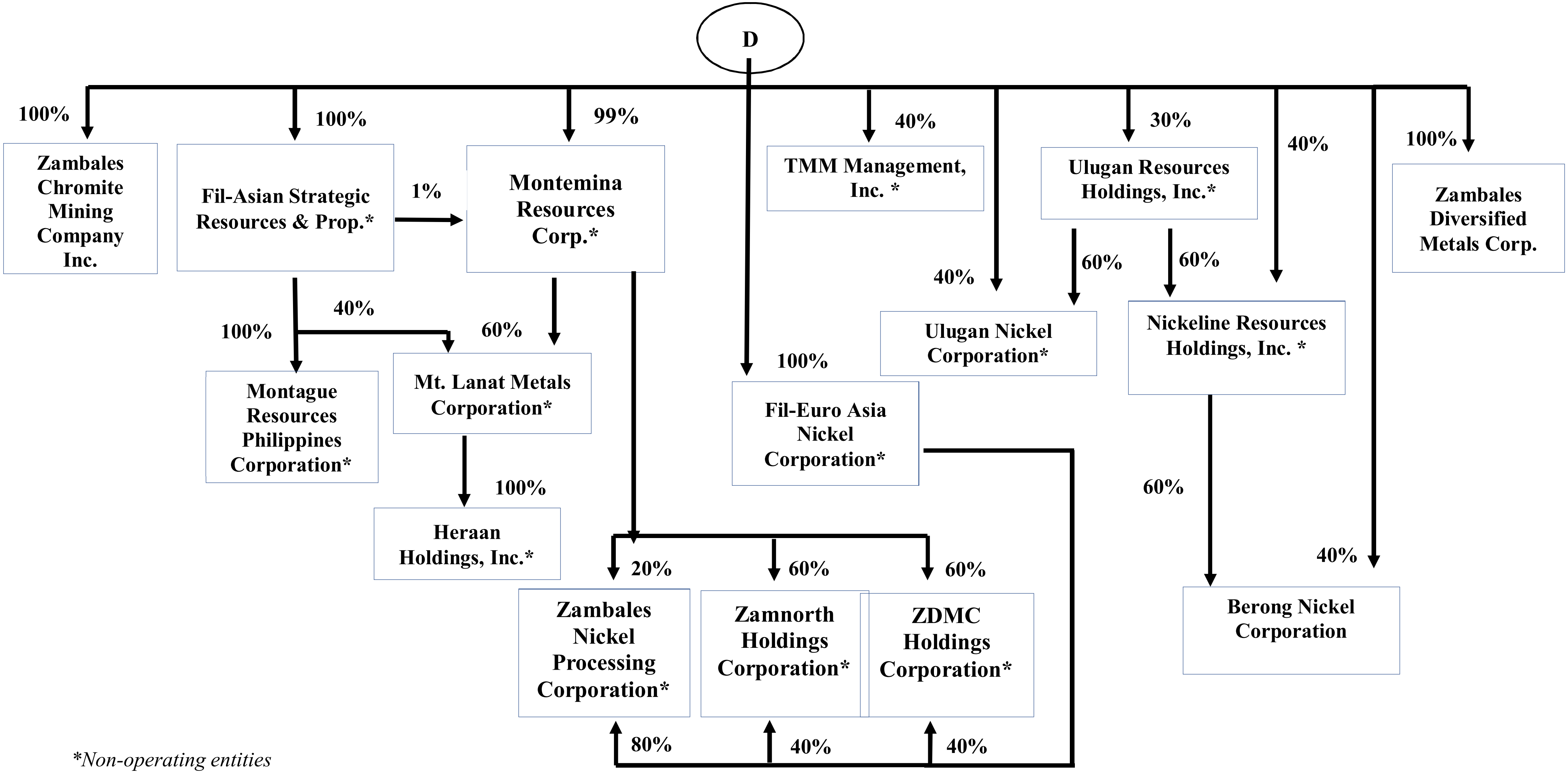
*Non-operating entities



*	*Established in 2021*
**	*Includes the 34.12% interest of DMCI*
***	*Equity interest increased from 51% to 100% in 2020*
****	*Liquidating as of December 31, 2022*



*Non-operating entities



Non-operating entities

ANNEX C

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE A: FINANCIAL ASSETS

DECEMBER 31, 2022

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received and accrued

NOT APPLICABLE

ANNEX C

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDER (OTHER THAN RELATED PARTIES)

DECEMBER 31, 2022

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period

Not applicable. The Group's receivables from officers and employees pertain to ordinary purchases subject to usual terms, travel and expense advances and other transactions arising from the Group's ordinary course of business.

ANNEX C

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE C: AMOUNTS RECEIVABLES/PAYABLES FROM/TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

DECEMBER 31, 2022

Name of Subsidiaries	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not current	Balance at end of period
Sem-Calaca Power Corporation	**₱3,354,142,495**	**₱3,262,525,632**	**₱5,633,973,579**	**₱–**	**₱982,694,548**	**₱–**	**₱982,694,548**
Semirara Materials and Resources, Inc.	**226,866,194**	**1,855,699**	**–**	**–**	**228,721,893**	**–**	**228,721,893**
Southwest Luzon Power Generation Corporation	**35,029,952**	**2,618,409,999**	**2,210,402,743**	**–**	**443,037,208**	**–**	**443,037,208**
Semirara Energy Utilities, Inc.	**647,047**	**47,053**	**–**	**–**	**694,100**	**–**	**694,100**
Southeast Luzon Power Generation Corporation	**17,645,024**	**43,620**	**–**	**–**	**17,688,644**	**–**	**17,688,644**
SEM-Cal Industrial Park Developers, Inc.	**362,169**	**43,620**	**–**	**–**	**405,789**	**–**	**405,789**
St. Raphael Power Generation Corporation	**11,544,770**	**–**	**–**	**–**	**11,544,770**	**–**	**11,544,770**
	₱3,646,237,651	**₱5,882,925,623**	**₱7,844,376,322**	**₱–**	**₱1,684,786,952**	**₱–**	**₱1,684,786,952**

ANNEX C

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE D: LONG-TERM DEBT

DECEMBER 31, 2022

Title of issue and type of obligation	Amount authorized by indenture	Interest rates	Maturity date	Number of periodic installments	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-term debt" in related balance sheet
Bank loans	₱3,000.00 million	Fixed Nominal Rate of 4.90%	Various quarterly maturities starting 2021 until 2024	Payable in 16 equal consecutive quarterly installments commencing in May 2021	₱750,000,000	₱748,225,200
Bank loans	₱4,000.00 million	Fixed Nominal Rate of 5.00%-5.13%	Various quarterly maturities starting 2020 until 2024	Interest and principal payable every 3 months	835,200,000	830,495,935
Bank loans	₱1,400.00 million	Floating rate to be repriced every 3 months based on 3-Months "PDST-R2" plus a spread of one-half of one percent (0.5%)	Various quarterly maturities starting 2020 until 2027	Interest payable every 3 months, principal to be paid on maturity date	222,395,026	725,661,265
Bank loans	₱2,700.00 million	Fixed Nominal Rate of 4.88% to be repriced after 5 years	Various quarterly maturities starting 2020 until 2026	Interest and principal payable every 3 months	432,000,000	1,289,064,328
Bank loans	₱2,000.00 million	Fixed Nominal Rate of 4.88%	Various quarterly maturities starting 2020 until 2026	Interest and principal payable every 3 months	285,714,286	852,226,868
Bank loans	₱3,500.00 million	Fixed Nominal Rate of 4.63%	Various quarterly maturities starting 2021 until 2025	Interest and principal payable every 3 months	962,500,000	2,262,704,606
					₱3,487,809,312	₱6,708,378,202

ANNEX C

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES
SCHEDULE E: INDEBTEDNESS TO RELATED PARTIES
DECEMBER 31, 2022

Name of related party	Balance at beginning of period	Balance at end of period

Not applicable. The Group currently has no noncurrent indebtedness to related parties

ANNEX C

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE F: GUARANTEES OF SECURITIES OF OTHER ISSUERS

DECEMBER 31, 2022

Name of issuing entity of securities guaranteed by the company for which this statements is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount of owned by person for which statement is filed	Nature of guarantee

NOT APPLICABLE

ANNEX C

SEMIRARA MINING AND POWER CORPORATION AND SUBSIDIARIES

SCHEDULE G: CAPITAL STOCK

DECEMBER 31, 2022

Title of issue	Number of shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Common stock - ₱1 par value	10,000,000,000	4,250,547,620	–	3,007,294,581	89,391,864	1,153,861,175

Vinel O. Pestano

From:	eafs@bir.gov.ph
Sent:	Friday, April 14, 2023 5:25 PM
To:	Vinel O. Pestano
Cc:	Carla Cristina T. Levina
Subject:	Your BIR AFS eSubmission uploads were received

Hi SEMIRARA MINING AND POWER CORPORATION,

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- EAFS000190324RPTTY122022.pdf
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Transaction Code: **AFS-0-BF6C69990TS2V3V3QS4MXXRP0A7568FGA**
Submission Date/Time: **Apr 14, 2023 05:25 PM**
Company TIN: **000-190-324**

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- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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AFS-0-BF6C69990TS2V3V3QS4MXXRP0A7568FGA

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Apr 14, 2023 05:25 PM

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 Version 1.0.2.0

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR PARENT FINANCIAL STATEMENTS

The management of **SEMIRARA MINING AND POWER CORPORATION** is responsible for the preparation and fair presentation of the **parent financial statements** including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intents to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

Signed this 27th day of February 2023.

ISIDRO A. CONSUNJI
Chairman of the Board &
Chief Executive Officer

CARLA CRISTINA T. LEVINA
Chief Finance Officer

SUBSCRIBED AND SWORN, to before me on this ____ day of FEB 2 7 2023 2023, at MUNTINLUPA CITY, Metro Manila, affiants exhibited to me:

Name	Passport No.	Expiry Date/Place Issued
Isidro A. Consunji	P2690001B	July 30, 2029/DFA, Manila
Carla Cristina T. Levina	P7838909A	July 5, 2028/DFA, Manila

who has satisfactory proven to me their identities through their valid identification cards bearing their photographs and signatures, and that they are the same persons who personally signed before me the foregoing and acknowledged that they executed the same.

Doc. No. 445;
Page No. 91;
Book No. XIII;
Series of 2023.

ATTY. MARIA JOSEFINA R. ALFONSO
NOTARY PUBLIC
ROLL NO. 65867
MUNTINLUPA CITY, PHILIPPINES

ATTY. MARIA JOSEFINA R. ALFONSO
Notary Public for Muntinlupa City
Notarial Commission No. 22-046
Valid until 31 December 2023
Unit 802, Prime Land Tower, Market Street
Ayala Alabang, Muntinlupa City 1780
Roll of Attorneys No. 65867
IBP LRN No. 015215; PPLM Chapter
PTR No. A-5368757; 01/10/2022; Taguig City
MCLE Compliance No. VII-0021137 issued on

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	0	0	0	9	1	4	4	7

COMPANY NAME

SEMIRARA MINING AND POWER CORPORATION

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

2/F DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City

Form Type	Department requiring the report	Secondary License Type, If Applicable
APFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
www.semiraramining.com	8888-3000 / 8888-3055	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
736	First Monday of May	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Carla Cristina T. Levina	ctlevina@semirarampc.com	8888-3025	N/A

CONTACT PERSON's ADDRESS

2/F DMCI Plaza, 2281 Don Chino Roces Avenue, Makati City

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Semirara Mining and Power Corporation (the Company), which comprise the parent company statements of financial position as at December 31, 2022 and 2021, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

The supplementary information required under Revenue Regulations 15-2010 for purposes of filing with the Bureau of Internal Revenue is presented by the management of Semirara Mining and Power Corporation in a separate schedule. Revenue Regulations 15-2010 requires the information to be presented in the notes to parent company financial statements. Such information is not a required part of the basic parent company financial statements. The information is also not required by the Revised Securities Regulation Code Rule 68. Our opinion on the basic parent company financial statements is not affected by the presentation of the information in a separate schedule.

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticlao

Jennifer D. Ticlao
Partner
CPA Certificate No. 109616
Tax Identification No. 245-571-753
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 109616-SEC (Group A)
Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-110-2020, November 27, 2020, valid until November 26, 2023
PTR No. 9566008, January 3, 2023, Makati City

February 27, 2023

SEMIRARA MINING AND POWER CORPORATION

PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4, 26 and 27)	**₱15,534,335,973**	₱4,610,250,172
Receivables (Notes 5, 16, 26, and 27)	**8,892,856,500**	7,941,696,322
Inventories (Note 6)	**9,752,362,511**	7,335,507,886
Other current assets (Note 7)	**676,985,201**	607,675,800
Total Current Assets	**34,856,540,185**	20,495,130,180
Noncurrent Assets		
Investments in subsidiaries (Note 8)	**16,913,125,000**	16,913,125,000
Property, plant and equipment (Note 9)	**8,333,262,768**	7,943,484,933
Right-of-use assets (Note 22)	**32,027,198**	44,522,460
Deferred tax assets – net (Note 23)	**–**	129,672,433
Other noncurrent assets (Note 10)	**31,707,428**	36,097,049
Total Noncurrent Assets	**25,310,122,394**	25,066,901,875
	₱60,166,662,579	₱45,562,032,055
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 11, 16, 26 and 27)	**₱8,921,259,677**	₱8,669,872,961
Income tax payable (Note 23)	**897,302,520**	–
Current portion of long-term debt (Notes 12, 26 and 27)	**222,395,026**	1,731,009,368
Current portion of lease liabilities (Notes 22, 26 and 27)	**13,706,237**	12,574,892
Total Current Liabilities	**10,054,663,460**	10,413,457,221
Noncurrent Liabilities		
Long-term debt – net of current portion (Notes 12, 26 and 27)	**725,661,265**	1,632,593,896
Lease liabilities – net of current portion (Notes 22, 26 and 27)	**21,636,101**	38,180,553
Provision for decommissioning and site rehabilitation costs (Note 13)	**285,945,139**	298,756,686
Pension liability (Note 17)	**97,859,317**	60,807,377
Deferred tax liability – net (Note 23)	**124,788,736**	–
Total Noncurrent Liabilities	**1,255,890,558**	2,030,338,512
Total Liabilities	**11,310,554,018**	12,443,795,733
Equity		
Capital stock (Note 14)	**4,264,609,290**	4,264,609,290
Additional paid-in capital	**6,675,527,411**	6,675,527,411
Treasury shares (Note 14)	**(739,526,678)**	(739,526,678)
Retained earnings (Note 15):		
Unappropriated	**31,989,634,530**	16,251,821,447
Appropriated	**6,800,000,000**	6,800,000,000
Net remeasurement loss on pension plan (Note 17)	**(134,135,992)**	(134,195,148)
Total Equity	**48,856,108,561**	33,118,236,322
	₱60,166,662,579	₱45,562,032,055

See accompanying Notes to Parent Company Financial Statements.

SEMIRARA MINING AND POWER CORPORATION
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2022	2021
REVENUE FROM CONTRACTS WITH CUSTOMERS (Notes 16 and 29)	**₱76,341,515,390**	₱41,041,633,693
COST OF SALES (Note 18)	**23,384,173,176**	19,753,692,633
GROSS PROFIT	**52,957,342,214**	21,287,941,060
OPERATING EXPENSES (Note 19)	**16,808,815,402**	6,875,822,183
INCOME FROM OPERATIONS	**36,148,526,812**	14,412,118,877
OTHER INCOME (CHARGES) – Net		
Dividend income (Note 8)	**1,000,000,000**	1,200,000,000
Finance income (Notes 4 and 21)	**342,863,112**	13,615,266
Finance costs (Note 20)	**(312,046,005)**	(303,528,497)
Foreign exchange gains – net (Note 26)	**1,015,443,527**	340,933,719
Other income – net	**7,498,445**	64,314,960
	2,053,759,079	1,315,335,448
INCOME BEFORE INCOME TAX	**38,202,285,891**	15,727,454,325
PROVISION FOR INCOME TAX (Note 23)	**1,211,728,596**	89,753,399
NET INCOME	**36,990,557,295**	15,637,700,926
OTHER COMPREHENSIVE INCOME		
Item not to be reclassified to profit or loss in subsequent periods		
Remeasurement gain (loss) on pension plan (Note 17)	**78,874**	(42,332,093)
Income tax effect (Note 23)	**(19,718)**	10,583,023
	59,156	(31,749,070)
TOTAL COMPREHENSIVE INCOME	**₱36,990,616,451**	₱15,605,951,856
Basic/Diluted Earnings per Share (Note 26)	**₱8.70**	₱3.68

See accompanying Notes to Parent Company Financial Statements.

SEMIRARA MINING AND POWER CORPORATION
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 14)	Additional Paid-in Capital	Treasury Shares (Note 14)	Retained Earnings Unappropriated (Note 15)	Retained Earnings Appropriated (Note 15)	Net Remeasurement Loss on Pension Plan (Note 17)	Total
				For the Year Ended December 31, 2022			
Balances as of January 1, 2022	**₱4,264,609,290**	**₱6,675,527,411**	**(₱739,526,678)**	**₱16,251,821,447**	**₱6,800,000,000**	**(₱134,195,148)**	**₱33,118,236,322**
Comprehensive income							
Net income	–	–	–	**36,990,557,295**	–	–	**36,990,557,295**
Other comprehensive income	–	–	–	–	–	**59,156**	**59,156**
Total comprehensive income	–	–	–	**36,990,557,295**	–	**59,156**	**36,990,616,451**
Cash dividends declared (Note 15)	–	–	–	**(21,252,744,212)**	–	–	**(21,252,744,212)**
Balances as of December 31, 2022	**₱4,264,609,290**	**₱6,675,527,411**	**(₱739,526,678)**	**₱31,989,634,530**	**₱6,800,000,000**	**(₱134,135,992)**	**₱48,856,108,561**
				For the Year Ended December 31, 2021			
Balances as of January 1, 2021	₱4,264,609,290	₱6,675,527,411	(₱739,526,678)	₱14,867,672,016	₱5,300,000,000	(₱102,446,078)	₱30,265,835,961
Comprehensive income (loss)							
Net income	–	–	–	15,637,700,926	–	–	15,637,700,926
Other comprehensive loss	–	–	–	–	–	(31,749,070)	(31,749,070)
Total comprehensive income (loss)	–	–	–	15,637,700,926	–	(31,749,070)	15,605,951,856
Cash dividends declared (Note 15)	–	–	–	(12,753,551,495)	–	–	(12,753,551,495)
Appropriation (Note 15)	–	–	–	(1,500,000,000)	1,500,000,000	–	–
Balances as of December 31, 2021	₱4,264,609,290	₱6,675,527,411	(₱739,526,678)	₱16,251,821,447	₱6,800,000,000	(₱134,195,148)	₱33,118,236,322

See accompanying Notes to Parent Company Financial Statements.

SEMIRARA MINING AND POWER CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱38,202,285,891**	₱15,727,454,325
Adjustments for:		
Depreciation and amortization (Notes 9, 10, 18, 19 and 22)	**3,419,424,664**	3,904,928,117
Finance costs (Note 20)	**312,046,005**	303,528,497
Pension expense (Note 17)	**57,239,043**	58,178,416
Loss (gain) on sale of equipment (Notes 9 and 16)	**(289,000)**	1,990,583
Dividend income (Note 8)	**(1,000,000,000)**	(1,200,000,000)
Net unrealized foreign exchange gains	**(1,202,246,647)**	(180,185,084)
Finance income (Note 21)	**(342,863,112)**	(13,615,266)
Operating income before changes in operating assets and liabilities	**39,445,596,844**	18,602,279,588
Increase in:		
Receivables	**(876,538,566)**	(4,406,713,531)
Inventories	**(2,416,854,626)**	(479,309,973)
Other current assets	**(69,309,396)**	(155,334,111)
Increase (decrease) in trade and other payables	**(1,342,838,767)**	2,351,056,540
Net cash generated from operations	**34,740,055,489**	15,911,978,513
Interest received (Note 21)	**342,863,112**	13,615,266
Contributions to retirement plan (Note 17)	**–**	(343,649,990)
Interest paid	**(155,264,584)**	(210,578,539)
Benefits paid (Note 17)	**(20,108,229)**	(24,703,132)
Income taxes paid (Note 23)	**(43,905,868)**	(17,441,953)
Actual usage of provision for decommissioning and site rehabilitation	**(5,739,744)**	–
Net cash flows provided by operating activities	**34,857,900,176**	15,329,220,165
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property, plant and equipment (Notes 9 and 28)	**(2,521,116,118)**	(2,480,324,573)
Computer software (Note 10)	**(449,548)**	(7,402,205)
Proceeds from dividends (Note 8)	**1,000,000,000**	1,200,000,000
Increase in other noncurrent assets	**(235,653)**	(1,807,832)
Net cash flows used in investing activities	**(1,521,801,319)**	(1,289,534,610)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of long-term debt (Note 12)	**–**	1,454,970,000
Payments of:		
Dividends (Note 28)	**(21,252,504,111)**	(12,751,642,860)
Short-term debt (Note 12)	**–**	(2,000,000,000)
Long-term debt (Note 12)	**(2,424,000,000)**	(1,953,970,000)
Lease liabilities (Note 22)	**(18,926,848)**	(16,490,287)
Net cash flows used in financing activities	**(23,695,430,959)**	(15,267,133,147)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**1,283,417,903**	174,786,130
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**10,924,085,801**	(1,052,661,462)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**4,610,250,172**	5,662,911,634
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱15,534,335,973**	₱4,610,250,172

See accompanying Notes to Parent Company Financial Statements.

SEMIRARA MINING AND POWER CORPORATION
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

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

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

The Parent Company has seven (7) wholly owned subsidiaries namely Sem-Calaca Power Corporation (SCPC), Southwest Luzon Power Generation Corporation (SLPGC), SEM-Cal Industrial Park Developers, Inc. (SCIPDI), Semirara Materials and Resources, Inc. (SMRI), Semirara Energy Utilities, Inc. (SEUI), Southeast Luzon Power Generation Corporation (SeLPGC) and St. Raphael Power Generation Corporation (SRPGC).

The parent company financial statements as of December 31, 2022 and 2021 and for the years then ended were authorized for issue by the Board of Directors (BOD) on February 27, 2023.

2. Summary of Significant Accounting Policies

Basis of Preparation

The parent company financial statements have been prepared using the historical cost basis. The parent company financial statements are presented in Philippine Peso (₱), the functional and presentation currency. All amounts are rounded-off to the nearest Peso, except for earnings per share and par value information, or unless otherwise indicated.

The accompanying financial statements have been prepared under the going concern assumption.

Statement of Compliance

The parent company financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by Philippine Interpretations Committee (PIC).

The Parent Company also prepares and issues consolidated financial statements for the same period and presented in compliance with PFRSs which are available at the Parent Company's registered and principal office address.

<u>Changes in Accounting Policies and Disclosures</u>
The accounting policies adopted in the preparation of the parent company financial statements are consistent with those of the previous financial year, except for the adoption of the following new accounting pronouncements starting January 1, 2022. The Parent Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new pronouncements did not have an impact on the financial statements of the Parent Company.

- Amendments to 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 Parent Company.

- 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 Parent Company.

- 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 Parent Company 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 Parent Company.

- *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 Parent Company.

  - 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 Parent Company.

  - 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 Parent Company.

<u>Standards Issued but not yet Effective</u>
Pronouncements issued but not yet effective are listed below. The Parent Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Parent Company intends to adopt the relevant pronouncements when they become effective.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

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*

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

Current and Noncurrent Classification
The Parent Company presents assets and liabilities in the parent company 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 Parent Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent.

Fair Value Measurement
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 the Parent Company.

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 Parent Company 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 parent company 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 parent company financial statements on a recurring basis, the Parent Company 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 period.

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

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

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash in bank earns interest at the respective bank deposit rates. 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 an insignificant risk of change in value.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

'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 Parent Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the parent company 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 parent company statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Parent Company determines the appropriate method of recognizing the 'Day 1' difference amount.

a. Initial recognition
   Financial assets are classified, at initial recognition, as either subsequently measured at amortized cost, at fair value through other comprehensive income (FVOCI), or at fair value through profit or loss (FVPL).

   The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Parent Company's business model for managing them. The Parent Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Parent Company has applied the practical expedient for contracts that have a maturity of one year or less, are measured at the transaction price determined under PFRS 15 (refer to the accounting policies for *Revenue from contracts with customers*).

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

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

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

   The Parent Company's financial assets comprise of financial assets at amortized cost.

b. Subsequent measurement - Financial assets at amortized cost

   Financial assets are amortized cost if both of the following conditions are met:
   - the financial asset is held within the Parent Company's business model, the objective of which is 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 solely payments of principal and interest on the principal amount outstanding.

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

The Parent Company's financial assets at amortized cost includes cash and cash equivalents, receivables (excluding advances to officers, employees, and others which are considered as nonfinancial assets) and environmental guarantee fund presented under other noncurrent assets.

c. Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

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

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

Financial liabilities

a. Initial recognition

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

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

The Parent Company's financial liabilities comprise of trade and other payables, short-term and long-term debt and lease liabilities.

b. Subsequent measurement - Payables, loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

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

This accounting policy applies to the Parent Company's trade and other payables, short-term loans, long-term debt, lease liabilities, and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as net pension liability, income tax payable, and other statutory liabilities).

c. Derecognition
A financial liability is derecognized when the obligation under the liability is discharged or canceled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the parent company statements of comprehensive income.

Impairment of Financial Assets
The Parent Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Parent Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, the Parent Company applies a simplified approach in calculating ECLs. Therefore, the Parent Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date.

The Parent Company uses a provision matrix which is based on historical observed default rate or losses and adjusted by forward-looking estimate. Primary drivers like macroeconomic indicators of qualitative factors (e.g., inflation) were added to the expected losses calculation to reach a forecast supported by both quantitative and qualitative data points.

The key inputs in the model include the Parent Company's definition of default, historical data of three (3) years for the origination and default date. The Parent Company considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Parent Company may also consider a financial asset to be in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For the Parent Company's cash and cash equivalents and environmental guarantee fund presented under other noncurrent assets measured at amortized cost, the general approach for measuring expected credit losses was applied.

For cash and cash equivalents, the Parent Company applies the minimal credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Parent Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. To estimate the ECL, the Parent Company uses the ratings published by a reputable rating agency.

For environmental guarantee fund, ECLs are recognized in two (2) stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the parent company statements 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. The Parent Company assesses that it has a currently enforceable right to offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Parent Company and all of the counterparties.

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.

When the net realizable value of the inventories is lower than the cost, the Parent Company provides for an allowance for the decline in the value of the inventory and recognizes the write-down as an expense in the statements of comprehensive income. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

The cost of extracted coal includes stripping costs and other mine-related costs incurred during the period and allocated on per metric ton basis by dividing the total production cost with total volume of coal produced. Except for shiploading cost, which is a period cost, all other production related costs are charged to production cost. Spare parts and supplies are usually carried as inventories and are recognized in the parent company statements of comprehensive income when consumed.

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.

Stripping Costs

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

After the commencement of production further development of the mine may require a phase of unusually high stripping that is similar in nature to development phase stripping. The costs of such stripping are accounted for in the same way as development stripping (as discussed above). Stripping costs incurred during the production phase are generally considered to create two benefits, being either the production of inventory or improved access to the coal body to be mined in the future. Where the benefits are realized in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories.
Where the benefits are realized in the form of improved access to ore to be mined in the future, the costs are recognized as a noncurrent asset, referred to as a stripping activity asset, if the following criteria are met:

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

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

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

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

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset, and is included as part of ‘Mining properties and mining equipment’ under ‘Property, plant and equipment’ in the parent company statements of financial position. This forms part of the total investment in the relevant cash generating unit, which is reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

The stripping activity asset is subsequently depreciated using the units-of-production method over the life of the identified component of the coal body that became more accessible as a result of the stripping activity. Economically recoverable reserves, which comprise proven and probable reserves, are used to determine the expected useful life of the identified component of the coal body. The stripping activity asset is then carried at cost less amortization and any impairment losses.

Mineable Ore Reserves
Mineable ore reserves are estimates of the amount of coal that can be economically and legally extracted from the Parent Company's mining properties. The Parent Company estimates its mineable ore reserves based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the coal body, and require complex geological judgments to interpret the data.

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

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

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

Equipment in transit and construction in progress, included in property, plant and equipment, are stated at cost and shall be depreciated using the straight-line method when the development is completed or the assets are available for their intended use. 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 equipment and other direct costs.

Mining properties consist of stripping activity asset and expenditures transferred from 'Exploration and evaluation asset' once the work completed supports the future development of the property. Mining properties are depreciated or amortized on a units-of-production basis over the economically mineable reserves of the mine concerned. Mine properties are included as part of 'Mining properties and mining equipment' under 'Property, plant and equipment' in the parent company statements of financial position.

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

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

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

	Years
Machineries and mining equipment	2 to 3
Power plant and buildings	10 to 25
Roads and bridges	17

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

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

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 parent company statements 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 parent company 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 parent company statement of comprehensive income when the asset is derecognized.

Value-Added Taxes (VAT)

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 parent company statements of financial position.

When input VAT exceeds output VAT, the excess is recognized as an asset in the parent company statement of financial position up to the extent of the recoverable amount.

For its non-VAT registered activities, the amount of input VAT is recognized as part of the cost of goods/asset acquired or as part of the expense item, as applicable.

Investments in Subsidiaries
The Parent Company's investments in its subsidiaries are accounted for using the cost method in the parent company financial statements.

A subsidiary is an entity that is controlled by another entity. Control is achieved when the entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the entity controls an investee if and only if that entity has:

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

Other Assets
Other assets pertain to all other resources controlled by the Parent Company as a result of past events and from which future economic benefits are probable to flow to the Parent Company. If assets are expected to be realized within 12 months from end of reporting period, these are classified as current. Otherwise, these are classified as noncurrent.

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

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

Advances to suppliers
The Company classifies advances to suppliers based on the actual realization of such advances based on the determined usage/realization of the asset to which it is intended for (e.g., inventory, investment property and property, plant and equipment).

Impairment of Nonfinancial Assets
The Parent Company assesses at each reporting date whether there is an indication that its nonfinancial assets may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Parent Company makes an estimate of the asset's recoverable amount.

Investments in subsidiaries
The Parent Company determines at each reporting date whether there is any objective evidence that the investments in subsidiaries are impaired. If this is the case, the Parent Company calculates the amount of impairment as being the difference between the recoverable amount (i.e., higher between fair value less cost to sell and value in use) and the carrying value of the investee company and recognizes the difference in the parent company statements of comprehensive income.

Property, plant and equipment, right-of-use assets and other current and noncurrent assets
An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses are recognized in the parent company statements of comprehensive income.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If such is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years.

For property, plant and equipment, right-of-use assets and other current and noncurrent assets, reversal is recognized in the parent company statements of comprehensive income. After such reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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

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

Sale of coal
Revenue is recognized when control passes to the customer, which occurs at a point in time once the performance of obligation to the customer is satisfied. The revenue is measured at the amount to which the 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.

Dividend income
Revenue is recognized when the Parent Company's right to receive the payment is established, which is generally when the BOD approves the dividend.

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

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

Costs and Expenses
Costs and expenses are generally recognized when incurred and measured at the fair value of the consideration paid or payable.

The following specific recognition criteria must also be met before costs and expenses are recognized:

Cost of sales
Cost of sales includes directly related production costs such as materials and supplies, fuel and lubricants, outside services, depreciation and amortization, direct labor, other related production overhead and hauling and shipment costs. These costs are recognized when the related revenue is recognized.

Operating expenses
Operating expenses are expenses that arise in the course of the ordinary operations of the Parent Company. These usually take the form of an outflow or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distribution to equity participants. Operating expenses are recognized in the parent company statements of comprehensive income as incurred.

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

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

Borrowing Costs

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalized and added to the project cost during construction until such time the assets are considered substantially ready for their intended use i.e., when they are capable of commercial production. Where funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. Where surplus funds are available for a short term, out of money borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalized and deducted from the total capitalized borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Parent Company during the period.

All other borrowing costs are recognized in the parent company statements of comprehensive income in the period in which they are incurred.

Pension Cost

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

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

Defined benefit costs comprise the following:

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

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in parent company statements of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by an independent qualified actuary.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the parent company statements of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income (OCI) in the period in which they arise. Remeasurements are not reclassified to parent company statements of comprehensive income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Parent Company, nor can they be paid directly to the Parent Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related liabilities). If the fair value of the plan assets is higher than the present value of the defined benefit liability, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Parent Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit liability is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

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

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly within 12 months after the end of the annual reporting period is recognized for services rendered by employees up to the end of reporting date.

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

Current income tax relating to items recognized directly in equity is recognized in equity and not in the parent company statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax
Deferred income tax is determined, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT), and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income.

Deferred income tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries 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 other comprehensive income or directly in equity is recognized in the parent company statement of comprehensive income and parent company statement of changes in equity and not in profit or loss. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

Provisions

Provisions are recognized only when the Parent Company has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Provision for decommissioning and site rehabilitation costs

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

The obligation generally arises when the asset is installed or the ground environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets and restoration of power plant sites. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the parent company statement of comprehensive income as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the parent company statements of comprehensive income.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised, or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) There is substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) and at the date of renewal or extension period for scenario (b).

The Parent Company as a lessee

Right-of-use assets

The Parent Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and is adjusted for any remeasurement of lease liability. The cost of right-of-use assets includes the amount of lease liability recognized and is depreciated on a straight-line basis over the shorter of the lease term and the EUL of the underlying assets (if depreciable). If ownership of the leased asset transfers to the Parent Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Right-of-use assets are presented under noncurrent assets in the parent company statement of financial position and is subject to impairment. Refer to the accounting policies on *Impairment of Nonfinancial Assets*.

Lease liabilities

At the commencement date of the lease, the Parent Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments. The lease payments include fixed payments (including in substance fixed payments), less any lease incentives receivable. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate.

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

Short-term leases and leases of low-value assets
The Parent Company applies the short-term lease recognition exemption to its rental of warehouse and office space that has lease term of 12 months or less from the initial application date and do not contain a purchase option. It also applies the lease of low value assets recognition exemption to leases. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Foreign Currency-denominated Transactions and Translation
The parent company financial statements are presented in Philippine Peso, which is also the Parent Company's functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing rate at reporting date. All differences are taken to the parent company statements of comprehensive income.

Equity
Capital stock
The Parent Company records common stocks at par value and amount of contribution in excess of par value is accounted for as an additional paid-in capital. Incremental costs incurred directly attributable to the issuance of new shares are deducted from proceeds.

Retained earnings
Retained earnings represent accumulated earnings of the Parent Company less dividends declared, if any. Dividends on common stocks are recognized as a liability and deducted from equity when they are declared. Dividends for the year that are approved after reporting date are dealt with as an event after reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Retained earnings are restricted to the extent of the cost of the treasury shares.

Treasury shares
Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital. Voting rights related to treasury shares are nullified for the Parent Company and no dividends are allocated to them. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital when the shares were issued, and to retained earnings for the remaining balance.

Earnings per Share (EPS)
Basic EPS is computed by dividing the net income for the year attributable to common shareholders (net income less dividends on convertible redeemable preferred shares) by the weighted average number of common shares issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period.

Diluted EPS is computed by dividing the net income for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of dilutive convertible redeemable preferred shares. Diluted EPS assumes the conversion of the outstanding preferred shares. When the effect of the conversion of such preferred shares is anti-dilutive, no diluted EPS is presented.

Operating Segments
The Parent Company's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The Parent Company generally accounts for intersegment revenues and expenses at agreed transfer prices. Income and expenses from discontinued operations are reported separate from normal income and expenses down to the level of income after taxes.

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

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

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

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the parent company financial statements in compliance with PFRSs requires management to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. The judgments, estimates and assumptions used in the accompanying parent company financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the parent company financial statements. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the parent company financial statements as they become reasonably determinable. Actual results could differ from such estimates.

Judgments

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

a. *Revenue recognition - method and measure of progress*
The Parent Company concluded that revenue from coal sales is to be recognized at a point in time (i.e., when the coal passes the rail of the bulk carrier while loading at the SMPC's port, when the coal crosses the ship's rail of the related party) which is consistent with the point in time when customer obtains control of a promised asset under PFRS 15.

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

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

c. *Contingencies*
The Parent Company is currently involved in various legal proceedings and taxation matters. The estimate of the probable costs for the resolution of these claims has been developed in consultation with external legal counsel handling the Parent Company's defense in these matters and is based upon an analysis of potential results. The Parent Company currently believes that these proceedings will not have a material adverse effect on its current financial position and results of operations. It is possible, however, that future results of operations and financial position could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 25).

d. *Impairment assessment of nonfinancial assets*
The Parent Company reviews its nonfinancial assets for impairment. This includes considering certain indicators of impairment such as significant or prolonged decline in the fair value of the asset, significant underperformance relative to expected historical or projected future operating results, significant changes in the manner of use of the acquired assets or the strategy for overall business, significant negative industry or economic trends, or significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment where the Parent Company operates.

Management believes that no impairment indicator exists on other nonfinancial assets of the Parent Company. The information and related balances of these remaining nonfinancial assets are disclosed in Notes 7, 8, 9, 10 and 22.

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

The Parent Company included the renewal period as part of the lease term for leases of land with longer non-cancellable periods (i.e., 10 to 20 years). The Parent Company typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised. However, for some lease contracts identified to be scoped under PFRS 16, the Parent Company did not include such renewal and termination period of several lease contracts since the renewal and termination options is based on mutual agreement, thus not enforceable.

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

a. *Estimating mineable ore reserves*
The Parent Company uses the mineable ore reserve in the determination of the amount of amortization of mine properties using units-of-production method. The Parent Company estimates its mineable ore reserves by using estimates provided by the Parent Company’s professionally qualified internal mining engineers and geologist. These estimates on the mineable ore resource and reserves are determined based on the information obtained from activities such as drilling, core logging or geophysical logging, coal sampling, sample database encoding, coal seam correlation and geological modelling.

The carrying values of mining properties included as part of ‘Mining properties and mining equipment’ under ‘Property, plant and equipment’ amounted to ₱4,196.98 million and ₱4,562.64 million as of December 31, 2022 and 2021, respectively (see Note 9).

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions, and ECL is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Parent Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The allowance for impairment loss for receivables is disclosed in Note 5.

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

c. *Estimating stock pile inventory quantities*
The Parent Company estimates the coal stock pile inventory by conducting a topographic survey which is performed by in-house surveyors and third-party surveyors. The survey is conducted at least on a monthly basis. The process of estimation involves a predefined formula which considers an acceptable margin of error of plus or minus five percent (5%).

Thus, an increase or decrease in the estimation threshold for any period would differ if the Parent Company utilized different estimates and this would either increase or decrease the cost of sales for the year.

The coal inventory as of December 31, 2022 and 2021 amounted to ₱2,436.96 million and ₱1,381.04 million, respectively (see Note 6).

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

The carrying amount of spare parts and supplies is disclosed in Note 6.

e. *Estimating provision for decommissioning and site rehabilitation costs*
The Parent Company is legally required to fulfill certain obligations under its Department of Environment and Natural Resources issued Environmental Compliance Certificate when its activities end in the depleted mine pits. Significant estimates and assumptions are made in determining the provision for decommissioning and site rehabilitation as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities given the approved decommissioning and site rehabilitation plan, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided.

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

Information with respect to the estimated provision for decommissioning and site rehabilitation cost are disclosed in Note 13.

f. *Deferred tax assets*
The Parent Company reviews the carrying amounts of deferred tax assets at each reporting date. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Parent Company will generate taxable earnings in future periods and in reference to its income tax holiday (ITH) status in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Parent Company to realize the net deferred tax assets recorded at reporting date could be impacted.

g. *Estimating pension and other employee benefits*
The cost of defined benefit pension plan and the present value of the pension liabilities are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These assumptions are described in Note 17 and include among others, the determination of the discount rates and future salary increases.

Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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

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

Information on the Parent Company's pension expense and related pension liability are disclosed in Note 17.

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

The Parent Company's lease liabilities discounted using the IBR amounted to ₱35.34 million and ₱50.76 million as of December 31, 2022 and 2021, respectively (see Note 22).

4. Cash and Cash Equivalents

	2022	2021
Cash on hand	**₱3,946,321**	₱3,768,493
Cash in banks	**1,017,078,237**	3,653,935,679
Cash equivalents	**14,513,311,415**	952,546,000
	₱15,534,335,973	₱4,610,250,172

Cash and cash equivalents comprise of cash on hand and in banks and short-term deposits but excludes any restricted cash that is not available for use by the Parent Company and therefore is not considered highly liquid.

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents include short-term placements made for varying periods of up to three (3) months, depending on the immediate cash requirements of the Parent Company, and earn interest at the respective prevailing rates. Interest rates ranges from 0.05% to 6.00% and 0.05% to 1.75% in 2022 and 2021, respectively.

In 2022 and 2021, interest income earned on cash and cash equivalents amounted to ₱342.86 million and ₱13.62 million, respectively (see Note 21).

5. Receivables

	2022	2021
Trade receivables - outside parties	**₱6,351,073,802**	₱4,347,425,217
Trade receivables - related parties (Note 16)	**2,621,837,844**	3,769,746,346
Others	**161,918,929**	66,498,834
	9,134,830,575	8,183,670,397
Less allowance for impairment losses	**241,974,075**	241,974,075
	₱8,892,856,500	₱7,941,696,322

Trade receivables - outside parties
Receivables from coal sales are noninterest-bearing and generally have 30 days credit terms. These receivables arise from coal export sales which are priced in US$ and coal domestic sales for coal sold to domestic market which are priced in Philippine Peso.

Trade receivables - related parties
Receivables from related parties are noninterest-bearing and have 30-day credit terms.

Others
Others include noninterest-bearing advances to officers and employees which are collected through salary deduction. These are expected to be settled within one year.

Allowance for impairment losses
As of December 31, 2022 and 2021, this account pertains to the following:

Trade receivables - related parties	₱200,046,209
Trade receivables - outside parties	36,112,507
Others	5,815,359
	₱241,974,075

6. Inventories

	2022	2021
At cost		
Coal pile inventory	**₱2,436,960,810**	₱1,381,043,948
At NRV		
Spare parts and supplies	**7,545,453,148**	6,184,515,385
Less allowance for inventory obsolescence	**(230,051,447)**	(230,051,447)
	7,315,401,701	5,954,463,938
	₱9,752,362,511	₱7,335,507,886

Coal inventories are stated at cost, which is lower than NRV. The cost of coal inventories recognized as 'Cost of sales' in the parent company statements of comprehensive income amounted to ₱22,122.70 million and ₱18,244.85 million in 2022 and 2021, respectively (Note 18).

Coal inventories at cost include capitalized depreciation of ₱324.22 million and ₱278.09 million in 2022 and 2021, respectively (Note 9).

The related cost of inventories at NRV amounted to ₱7,545.45 million and ₱6,184.52 million as of December 31, 2022 and 2021, respectively.

Movement in the Parent Company's allowance for inventory obsolescence are as follows:

	2022	2021
Balance at beginning of year	**₱230,051,447**	₱ 61,511,927
Provision for inventory obsolescence (Note 18)	**–**	168,539,520
Balance at end of year	**₱230,051,447**	₱230,051,447

7. Other Current Assets

	2022	2021
Creditable withholding tax	**₱476,260,341**	₱427,224,888
Advances to suppliers	**195,429,244**	177,135,276
Others	**5,295,616**	3,315,636
	₱676,985,201	₱607,675,800

Creditable withholding tax
Creditable withholding tax pertains to the amount withheld by the Parent Company's customers from their income payments. This will be claimed as tax credit and will be used against future income tax payable.

Advances to suppliers
Advances to suppliers classified as current assets represent prepayments for the acquisition of materials and supplies and are expected to be realized within one (1) year. In 2021, the Parent Company was able to recover the previously recognized provision for impairment loss amounting to ₱82.94 million.

Others
Others include prepayments on rent, insurance, and other prepaid charges.

8. Investments in Subsidiaries

This account consists of the following investments and related percentages of ownership as of December 31, 2022 and 2021:

	Principal Activity	Ownership	Amount
Subsidiaries			
SLPGC	Power	100%	₱8,640,000,000
SCPC	Power	100	8,000,000,000
SMRI	Manufacturing	100	34,375,000
SEUI	Power	100	3,125,000
SeLPGC	Power	100	3,125,000
SCIPDI	Economic zone developer	100	2,500,000
SRPGC	Power	100	230,000,000
			₱16,913,125,000

The Parent Company's subsidiaries are all incorporated and domiciled in the Philippines. Except for SCPC and SLPGC, the other subsidiaries have not yet started commercial operations as of December 31, 2022 and 2021.

In 2022 and 2021, the Parent Company received cash dividends from SLPGC amounting to ₱1,000.00 million and ₱1,200.00 million, respectively.

9. Property, Plant and Equipment

	2022				
	Mining Properties and Mining Equipment	**Power Plant and Buildings**	**Roads and Bridges**	**Equipment in Transit and Construction in Progress**	**Total**
Cost					
At January 1	**₱39,643,459,779**	**₱3,717,394,636**	**₱846,946,929**	**₱–**	**₱44,207,801,344**
Additions	**3,823,681,718**	**–**	**–**	**–**	**3,823,681,718**
Disposals	**(91,103,000)**	**–**	**–**	**–**	**(91,103,000)**
Adjustment (Note 13)	**(18,449,304)**	**–**	**–**	**–**	**(18,449,304)**
At December 31	**43,357,589,193**	**3,717,394,636**	**846,946,929**	**–**	**47,921,930,758**
Accumulated Depreciation					
At January 1	**32,995,467,615**	**2,521,031,006**	**747,817,790**	**–**	**36,264,316,411**
Depreciation and amortization (Notes 6, 18 and 19)	**3,109,967,946**	**241,724,236**	**50,162,397**	**–**	**3,401,854,579**
Disposals	**(77,503,000)**	**–**	**–**	**–**	**(77,503,000)**
At December 31	**36,027,932,561**	**2,762,755,242**	**797,980,187**	**–**	**39,588,667,990**
Net Book Value	**₱7,329,656,632**	**₱954,639,394**	**₱48,966,742**	**₱–**	**₱8,333,262,768**

	2021				
	Mining Properties and Mining Equipment	Power Plant and Buildings	Roads and Bridges	Equipment in Transit and Construction in Progress	Total
Cost					
At January 1	₱36,771,064,207	₱3,324,509,139	₱846,946,929	₱674,813,933	₱41,617,334,208
Additions	2,559,976,131	29,040,000	–	41,776,727	2,630,792,858
Reclassification	352,745,163	363,845,497	–	(716,590,660)	–
Disposals	(3,769,000)	–	–	–	(3,769,000)
Adjustment (Note 13)	(36,556,722)	–	–	–	(36,556,722)
At December 31	39,643,459,779	3,717,394,636	846,946,929	–	44,207,801,344
Accumulated Depreciation					
At January 1	29,446,768,209	2,241,889,364	694,155,179	–	32,382,812,752
Depreciation and amortization (Notes 6, 18 and 19)	3,550,477,823	279,141,642	53,662,611	–	3,883,282,076
Disposals	(1,778,417)	–	–	–	(1,778,417)
At December 31	32,995,467,615	2,521,031,006	747,817,790	–	36,264,316,411
Net Book Value	₱6,647,992,164	₱1,196,363,630	₱99,129,139	₱–	₱7,943,484,933

Mine properties, mining tools and other equipment

- In 2022, the Parent Company acquired various mining properties, mining tools and other equipment amounting to ₱3,823.68 million and ₱1,302.57 million remains unpaid as of December 31, 2022.

- Fully depreciated asset with original cost of ₱77.50 million was donated to a third party in 2022.

- In 2022, the Parent Company sold mining properties, mining tools and other equipment amounting to ₱13.89 million with a book value of ₱13.60 million which remains outstanding as of December 31, 2022.

- 'Mining properties and mining equipment' include expected costs for decommissioning and rehabilitation of mine sites and dismantling of mining machineries and conveyor belts at the end of the mining operations. The impact of annual re-estimation is shown in the rollforward as an adjustment (see Note 13).

- 'Mining properties and mining equipment' also includes the stripping activity assets amounting to ₱4,196.98 million and ₱4,562.64 million as of December 31, 2022 and 2021, respectively.

Equipment in transit and construction in progress accounts

- Equipment in transit and construction in progress pertain mainly to purchased mining equipment that are in transit and various buildings and structures that are under construction in 2021.

Depreciation and amortization included in the parent company statements of comprehensive income and capitalized as cost of 'Inventories' and 'Property, Plant and Equipment' are as follows:

	2022	2021
Included under:		
Inventories (Note 6)	**₱324,223,934**	₱278,093,673
Mining properties and mining equipment	**30,461,990**	–
Cost of sales (Note 18):		
Depreciation and amortization	**3,016,987,577**	3,206,865,763
Hauling and shiploading costs	**21,957,413**	386,999,720
Operating expenses (Note 19)	**25,793,750**	32,968,961
	₱3,419,424,664	₱3,904,928,117
Depreciation and amortization of:		
Property, plant and equipment	**₱3,401,854,579**	₱3,883,282,076
Right-of-use assets (Note 22)	**12,495,262**	13,637,823
Computer software (Note 10)	**5,074,823**	8,008,218
	₱3,419,424,664	₱3,904,928,117

10. Other Noncurrent Assets

	2022	2021
Environmental guarantee fund (Note 26)	**₱13,607,307**	₱13,607,307
Computer software	**4,389,135**	9,014,410
Others	**13,710,986**	13,475,332
	₱31,707,428	₱36,097,049

Environmental guarantee fund
Environmental guarantee fund represents the funds designated to cover all costs attendant to the operation of the Multi-party Monitoring Team of the Parent Company's environmental unit.

Computer software
Movements in computer software account follow:

	2022	2021
At Cost		
At January 1	**₱86,006,769**	₱78,604,564
Additions	**449,548**	7,402,205
At December 31	**86,456,317**	86,006,769
Accumulated Amortization		
At January 1	**76,992,359**	68,984,141
Amortization (Notes 9, 18 and 19)	**5,074,823**	8,008,218
At December 31	**82,067,182**	76,992,359
	₱4,389,135	₱9,014,410

Others
Others include various types of deposits which are recoverable over more than one (1) year.

11. **Trade and Other Payables**

	2022	2021
Trade:		
Payable to suppliers and contractors	**₱6,285,502,066**	₱6,095,522,859
Related parties (Note 16)	**105,102,914**	340,898,910
Payable to Department of Energy (DOE) (Note 24)	**2,169,246,696**	2,059,611,932
Accrued expenses and other payables	**361,408,001**	173,839,260
	₱8,921,259,677	₱8,669,872,961

Trade payable to suppliers and contractors
Trade payable to suppliers and contractors arises from progress billing of completed work as of cut-off period. The amount includes liabilities amounting to ₱3,839.70 million (US$68.42 million) and ₱3,584.93 million ($70.61 million) as of December 31, 2022 and 2021, respectively, to various foreign suppliers for open account purchases of equipment and equipment parts and supplies (see Note 26).

Trade payables are noninterest-bearing and are normally settled on 30 to 360-day credit terms.

Payable to DOE
Payable to DOE represent the share of DOE in the gross revenue of the Parent Company's coal production computed in accordance with the Coal Operating Contract between the Parent Company and DOE dated July 11, 1977, and as amended on January 16, 1981 (see Note 24).

Accrued expenses and other payables
Details of the accrued expenses and other payables account follow:

	2022	2021
Taxes, permits and licenses (Note 23)	**₱336,502,992**	₱73,315,629
Association dues	**8,850,290**	9,368,821
Interest (Note 12)	**7,497,477**	25,636,362
Salaries and wages	**5,222,560**	62,417,754
Dividends (Note 28)	**3,334,682**	3,100,694
	₱361,408,001	₱173,839,260

Accrued expenses and other payables are noninterest-bearing and are normally settled within the next 12 months.

12. **Short-term and Long-term Debt**

Short-term debt
On March 9, 2020, the Parent Company availed unsecured short-term loan amounting to ₱2,000.00 million from a local bank which bears 4.50% interest rate and used primarily to finance the Parent Company's capital expenditures and working capital requirements. This was fully paid in 2021.

Interest expense on these short-term loans recognized under 'Finance cost' amounted to ₱2.39 million in 2021 (nil in 2022) (see Note 20).

Long-term debt

	2022	2021
Principal	**₱952,000,000**	₱3,376,000,000
Less unamortized debt issue cost	**3,943,709**	12,396,736
	948,056,291	3,363,603,264
Less current portion of long-term debt	**222,395,026**	1,731,009,368
	₱725,661,265	₱1,632,593,896

Details of the local bank loans are as follows:

Loan Type	**Year of Availment**	**Outstanding Balance 2022**	**Outstanding Balance 2021**	**Maturity**	**Interest Rate**	**Payment Terms**	**Covenants**
Peso loan 1	2020	**₱952,000,000**	₱1,176,000,000	Various quarterly maturities starting 2020 until 2027	Floating rate to be repriced every 3 months based on 3-months "PDST-R2" plus a spread of one-half of one percent (0.5%)	Payable in 25 equal quarterly installment payments; amount of installment - Php56 million	Current Ratio not less than 1:1 and Debt-Equity Ratio not to exceed 2:1
Peso loan 2	2019	–	2,200,000,000	Various quarterly maturities starting 2020 until 2027	Floating rate to be repriced every 3 years	Interest payable every 3 months, Principal to be paid every 3 months	Debt to equity ratio (DER) of not greater than 70:30, a post dividend debt service ratio (DSCR) of 1.1x.
		₱952,000,000	₱3,376,000,000				

Peso loan 2 was pre-terminated in 2022.

The movements in unamortized debt issue cost as of December 31, 2022 and 2021 are as follows:

	2022	2021
Balance at beginning of year	**₱12,396,736**	₱21,744,945
Amortization (Note 20)	**(8,453,027)**	(9,348,209)
Balance at end of year	**₱3,943,709**	₱12,396,736

All bank loans are clean and are compliant with loan covenants.

Interest expense on long-term debt recognized under ‘Finance cost’ amounted to ₱128.67 million and ₱188.27 million in 2022 and 2021, respectively (see Note 20).

The remaining borrowing facility that can be drawn as of December 31, 2022 and 2021 amounted to ₱12,988.64 million and ₱13,315.65 million, respectively.

The principal maturities of long-term debt as of December 31, 2022 and 2021 follow:

	2022	2021
Within one year	**₱224,000,000**	₱1,736,500,000
More than one year	**728,000,000**	1,639,500,000
	₱952,000,000	₱3,376,000,000

13. Provision for Decommissioning and Site Rehabilitation Costs

	2022	2021
At January 1	**₱298,756,686**	₱254,525,082
Effect of changes in estimates (Note 9)	**(21,589,768)**	36,556,722
Actual usage	**(5,739,744)**	–
Accretion of interest (Note 20)	**14,517,965**	7,674,882
At December 31	**₱285,945,139**	₱298,756,686

This provision has been established based on the Parent Company's internal estimates. Assumptions based on the current regulatory requirements and economic environment have been made, which management believes are reasonable bases upon which to estimate the future liability. These estimates are reviewed annually to take into account any material changes to the assumptions (see Note 3).

Discount rates used by the Parent Company to compute for the present value of liability for decommissioning and mine site rehabilitation cost was 6.65% in 2022 and 4.82% in 2021.

Assumptions based on current economic environment have been made, which management believes are reasonable bases upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions.

However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in return, will depend upon future coal prices, which are inherently uncertain.

There are currently two (2) mine sites identified with coal deposits – Molave and Narra. In October 2022, Narra resumed its operation which was non-operational since March 2019 due to implementation of geotechnical solutions on the continuous increase of water seepage in Narra pit. The Panian mine site has been depleted and its operation was closed in September 2016. All mine sites are located in Semirara Island, Province of Antique.

The Parent Company revised its mine work program based on the current conditions of the mining operations. Management revisited certain procedures, practices and assumptions on its existing rehabilitation plan (e.g., timing of mining operations, reforestation requirements, movement of the overburden) which resulted to adjustment in the previously estimated provision for decommissioning and mine site rehabilitation costs.

Resulting changes in estimate pertaining to mine sites amounted to (₱21.59 million) and ₱36.56 million, which was recognized as adjustment to 'Mining properties and mining equipment' under Property, Plant and Equipment account in 2022 and 2021, respectively (see Note 9).

14. **Capital Stock**

The details of the Parent Company's capital stock as of December 31, 2022 and 2021 are as follows:

	Shares	Amount
Authorized - ₱1 par value		
Balance at beginning and end of year	10,000,000,000	₱10,000,000,000
Issued and outstanding		
Capital stock		
Balance at beginning and end of year	4,264,609,290	4,264,609,290
Treasury shares		
Balance at beginning and end of year	(14,061,670)	(739,526,678)
	4,250,547,620	₱3,525,082,612

Treasury shares
As of December 31, 2022 and 2021, the Parent Company has bought-back shares of 14,061,670 shares for a total consideration of ₱739.53 million. This is presented as treasury shares in the parent company statements of financial position.

The unappropriated retained earnings amounting to ₱31,140.44 million and ₱15,322.63 million as of December 31, 2022 and 2021, respectively, are restricted for the payment of dividends to the extent of the cost of the shares held in treasury and recognized deferred tax assets which did not flow through profit or loss (see Note 15).

Below is the summary of the Parent Company's track record of registration of securities with the SEC as of December 31, 2022:

	Number of shares registered	**Number of holders as of yearend**
December 31, 2020	4,250,547,620	731
Add: Movement	–	10
December 31, 2021	4,250,547,620	741
Add: Movement	–	(5)
December 31, 2022	**4,250,547,620**	**736**

15. **Retained Earnings**

As of December 31, 2022 and 2021, retained earnings amounted to ₱38,789.63 million and ₱23,051.82 million, respectively.

The Parent Company's retained earnings are restricted for the payment of dividends to the extent of the cost of the shares held in treasury, recognized deferred tax assets and net unrealized foreign exchange gains (except on cash) recognized in profit or loss as of December 31, 2022 and 2021.

The Parent Company's retained earnings available for dividend declaration as of December 31, 2022 and 2021 amounted to ₱31,140.44 million and ₱15,322.63 million, respectively.

Cash Dividends
On October 17, 2022, the Parent Company's BOD authorized the Parent Company to declare and distribute special cash dividends of ₱3.50 per share or ₱14,876.92 million to stockholders of record as of October 31, 2022 and payable on November 15, 2022.

On March 31, 2022, the Parent Company's BOD authorized the Parent Company to declare and distribute regular cash dividends of ₱1.50 per share or ₱6,375.82 million to stockholders of record as of April 18, 2022 and payable on April 28, 2022.

On October 11, 2021, the Parent Company's BOD authorized the Parent Company to declare and distribute special cash dividends of ₱1.75 per share or ₱7,300.57 million to stockholders of record as of October 25, 2021 and payable on November 9, 2021.

On March 25, 2021, the Parent Company's BOD authorized the Parent Company to declare and distribute regular cash dividends of ₱1.25 per share or ₱5,452.98 million to stockholders of record as of April 13, 2021 and payable on April 23, 2021.

Appropriations
On October 28, 2022, the BOD approved the re-appropriation of ₱5,300.00 million from the appropriated retained earnings as of 2020 for capital expenditures and power expansion projects which are expected to be completed by 2026.

On October 28, 2021, the BOD approved the appropriation of ₱1,500.00 million from the unappropriated retained earnings as of December 31, 2021 for other investments of the Parent Company. This appropriation is intended for the renewable energy investments of the Parent Company which are expected to be completed by 2026.

16. Related Party Transactions

The Parent Company in its regular conduct of business has entered into transactions with related parties. Related parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making the financial and operating decisions, the parties are subject to common control or the party is an associate or a joint venture. The Parent Company has affiliates under common control of DHI and Dacon Corporation.

The significant transactions with related parties are as follows:

		2022			
		Amount/ Volume	**Receivable (Payable)**	**Terms**	**Conditions**
Trade receivables (Note 5)					
Subsidiaries					
Coal sales	(a)	**₱5,377,685,820**	**₱1,024,626,118**	**30 days, noninterest-bearing**	**Unsecured, no impairment**
Transfer of materials and reimbursement of shared and pre-operating expenses	(b)	**14,302,272**	**660,160,832**	**Noninterest-bearing, due and demandable**	**Unsecured, has impairment provision**
Entities under common control					
Coal sales	(a)	**936,967,262**	**862,122,326**	**30 days, noninterest-bearing**	**Unsecured, no impairment**
Transfer of materials and reimbursement of shared and pre-operating expenses	(c)	**13,494,725**	**74,928,568**	**Noninterest-bearing, due and demandable**	**Unsecured, no impairment**
			₱2,621,837,844		

		2022			
		Amount/ Volume	**Receivable (Payable)**	**Terms**	**Conditions**
Trade payables (Note 11)					
Entities under common control					
Repairs and maintenance services	(d)	**(₱28,226,998)**	**(₱21,689,620)**	**30 days for monthly billings and portion after expiration of retention period, noninterest-bearing**	**Unsecured**
Mine exploration, rental and marine vessel operation and management	(e)	**(176,612,602)**	**(62,393,850)**	**30 days noninterest-bearing**	**Unsecured**
Office, parking and warehouse rental expenses	(f)	**(1,469,610)**	**(1,785,076)**	**30 days, noninterest-bearing**	**Unsecured**
Aviation services	(g)	**(33,968,706)**	**(14,480,563)**	**30 days, noninterest-bearing**	**Unsecured**
Purchases of raw materials	(h)	**(1,024,645)**	**(3,800,335)**	**30 days, noninterest-bearing**	**Unsecured**
Others	(c)	**(518,057)**	**(953,470)**	**30 days, noninterest-bearing**	**Unsecured**
			(₱105,102,914)		

		2021			
		Amount/ Volume	Receivable (Payable)	Terms	Conditions
Trade receivables (Note 5)					
Subsidiaries					
Coal sales	(a)	₱5,423,467,345	₱2,986,562,901	30 days, noninterest-bearing	Unsecured, no impairment
Transfer of materials and reimbursement of shared and pre-operating expenses	(b)	22,308,962	659,674,745	Noninterest-bearing, due and demandable	Unsecured, has impairment provision
Entities under common control					
Coal sales	(a)	193,838,467	62,074,857	30 days, noninterest-bearing	Unsecured, no impairment
Transfer of materials and reimbursement of shared and pre-operating expenses	(c)	54,695,598	61,433,843	Noninterest-bearing, due and demandable	Unsecured, no impairment
			₱3,769,746,346		

		2021			
		Amount/ Volume	Receivable (Payable)	Terms	Conditions
Trade payables (Note 11)					
Entities under common control					
Repairs and maintenance services	(d)	(₱44,297,953)	(₱49,916,619)	30 days for monthly billings and portion after expiration of retention period, noninterest-bearing	Unsecured
Mine exploration, rental and marine vessel operation and management	(e)	(110,976,310)	(239,006,451)	30 days noninterest-bearing	Unsecured
Office, parking and warehouse rental expenses	(f)	(517,392)	(315,466)	30 days, noninterest-bearing	Unsecured
Aviation services	(g)	(21,209,834)	(48,449,269)	30 days, noninterest-bearing	Unsecured
Purchases of raw materials	(h)	(751,564)	(2,775,692)	30 days, noninterest-bearing	Unsecured
Others	(c)	(435,413)	(435,413)	30 days, noninterest-bearing	Unsecured
			(₱340,898,910)		

a. The Parent Company has entered into purchase commitment with SCPC for the supply of coal. On December 22, 2011, the Parent Company renewed the contract agreement wherein the Parent Company shall supply and SCPC shall purchase minimum volume of 1,100,000 metric tons +/- 10% up to the maximum quantity of 2,400,000 MT of coal that shall take effect from July 1, 2011 until December 31, 2022. Further, both parties agreed on the amendment of Semirara coal specification, pricing, and price adjustments.

   The Parent Company has entered also into purchase commitment with SLPGC for the supply of coal. The agreement will be effective up to 10 years from March 1, 2016. The Parent Company shall supply and SLPGC shall purchase minimum volume of 525,000 MT +/- 10% up to maximum quantity of 1,050,000 MT of coal. Further, both parties agreed on the amendment of Semirara coal specification, pricing, and price adjustments.

   The Parent Company has coal sales to DMCI Masbate Power Corporation (DMPC), an entity under common control of DMCI-HI, intended for DMPC's thermal-fired power plant.

   The receivables from coal sales are included in receivables under 'Trade receivables - related parties' in the parent company statements of financial position (see Note 5).

b. Reimbursement of shared pre-operating expenses advanced by the Parent Company to its subsidiaries. These include contracted services, licenses, permit fees, notarial fees, documentary stamp taxes, transfer of materials and other operating expenses.

c. Reimbursement of shared expenses advanced by the Parent Company to its affiliates. These include contracted services, share in rental expenses, office materials and supplies, and maintenance and renewal expenses of information systems.

d. The Parent Company contracted DMCI for various repairs and maintenance services for the plane runway and mine site cut-off walls at Semirara Island.

e. DMC CERI had transactions with the Parent Company for services rendered relating to the Parent Company's coal operations. These include services for the confirmatory drilling for coal reserve and evaluation of identified potential areas, exploratory drilling of other minerals within Semirara Island, and fresh water well drilling for industrial and domestic supply under an agreement. Expenses incurred for said services are included in 'Outside services' under 'Cost of sales' in the parent company statements of comprehensive income (see Note 18).

   DMC CERI also provides service requirements needed by the Parent Company to operate and maintain barges, vessels and tugboats for the purpose of transporting coal. This is inclusive of full and complete supervision of all employees and personnel assigned to perform such services. It also covers hauling and transportation of spare parts, materials, sand and gravel and other cargoes for its use at its coal operation. Expenses incurred for these services are included in 'Hauling and shiploading costs' under 'Cost of sales' in the parent company statements of comprehensive income (see Note 18).

   Furthermore, DMC CERI provides labor services relating to coal operations including those services rendered by consultants. Expenses incurred for said services are included in 'Direct labor' under 'Cost of sales' in the parent company statements of comprehensive income (see Note 18).

Labor costs related to manpower services rendered by DMC CERI represent salaries and wages of personnel, including consultants, incurred in rendering services to Parent Company in its coal operations. Under existing arrangements, payments of salaries and wages are given directly to personnel concerned. Expenses incurred for said services are included in 'Direct labor' under 'Cost of Sales' in the parent company statements of comprehensive income (see Note 18).

In 2020, marine vessels were sold to DMC CERI for ₱620.58 million, of which ₱13.39 million remained uncollected as of December 31, 2022.

f. DMC Urban Property Developers, Inc. (DMC-UPDI) had transactions with the Parent Company representing long-term lease on land, warehouse space and other transactions necessary for the coal operations. Rental expenses on warehouse space are included in 'Cost of Sales' under 'Outside services', while payments related to lease of land are accounted as reduction to lease liabilities upon adoption of PFRS 16 (see Notes 18 and 22).

g. Royal Star Aviation Inc. provides maintenance services and hangarage for the Parent Company's aircraft use to transport supplies, employees and visitors in and out the mine site. The related expenses are included in 'Cost of sales' under 'Production overhead' in the parent company statements of comprehensive income (see Note 18).

h. Transactions with other affiliates pertain to supply of various raw materials

Terms and conditions of transactions with related parties
Except as indicated otherwise, the outstanding accounts with other related parties shall be settled in cash. The transactions are made at terms and prices agreed upon by the parties. The Parent Company has approval process and established limits when entering into material related party transactions.

There have been no guarantees or collaterals provided or received for any related party receivables or payables. These accounts are non-interest bearing and are generally unsecured. Impairment assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates. As of December 31, 2022 and 2021, there were no impairment losses recognized on related party balances.

Compensation of key management personnel of the Parent Company amounted to ₱126.92 million and ₱92.11 million in 2022 and 2021, respectively.

There are no other agreements between the Parent Company and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Parent Company's pension plan.

17. Pension Plan

The Parent Company has a funded, noncontributory defined benefit plan covering substantially all of its regular employees. The latest actuarial valuation is as of December 31, 2022. Provisions for pension liabilities are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. The Parent Company updates the actuarial valuation every year by hiring the services of a third party professionally qualified actuary.

The Parent Company accrues retirement costs (included in 'Pension liability' of the parent company statements of financial position) based on an actuarially determined amount using the projected unit credit method.

The funds are administered by a trustee bank under the supervision of the BOD of the plan. The BOD is responsible for the investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of the significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the plan's objectives, benefit liability and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy). The BOD delegates the implementation of the investment policy in accordance with the investment strategy as well as various principles and objectives to an Investment Committee, which consists of members of the BOD, the President and Senior Vice President and Chief Risk, Compliance and Performance Officer. The Vice President and Chief Finance Officer oversees the entire investment process.

Under the existing regulatory framework, Republic Act (RA) 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Provisions for pension liability are established for benefits payable in the form of retirement pensions. Benefits are dependent on years of service and the respective employee's final compensation. The Parent Company updates the actuarial valuation every year by hiring the services of a third party professionally qualified actuary.

There are no plan amendments, curtailments or settlements in 2022 and 2021.

The cost of defined benefit pension plans and the present value of the net pension liability are determined using actuarial valuations.

The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension liabilities for the defined benefit plan are shown below:

	2022	2021
Discount rate	**7.16%**	5.01%
Salary increase rate	**3.00%**	3.00%
Weighted average duration of defined benefit obligation	**4.6 years**	5.8 years

The following table summarizes the components of pension expense in the parent company statements of comprehensive income:

	2022	2021
Current service cost	**₱54,192,594**	₱52,038,208
Interest expense related to defined benefit liability	**22,350,059**	14,843,872
Interest income related to plan assets	**(19,303,610)**	(8,703,664)
	₱57,239,043	₱58,178,416

The above pension expense is included in 'Direct labor' under 'Cost of sales' and 'Personnel costs' under 'Operating expenses' in the parent company statements of comprehensive income (see Notes 18 and 19).

The following tables provide analyses of the movement in pension liability recognized on parent company statements of financial position:

	2022	2021
Defined benefit liability at beginning of year	**₱446,108,970**	₱399,028,804
Current service cost	**54,192,594**	52,038,208
Interest expense	**22,350,059**	14,843,872
Remeasurement losses (gains) of arising from:		
Changes in financial assumptions	**(48,967,759)**	(35,892,622)
Changes in demographic assumptions	**(26,370,126)**	(33,325)
Experience adjustments	**14,643,524**	57,295,858
Benefits paid from plan assets	–	(16,468,693)
Benefits directly paid by the Parent Company	**(20,108,229)**	(24,703,132)
Defined benefit liability at end of year	**₱441,849,033**	₱446,108,970

	2022	2021
Fair value of plan assets at beginning of year	**₱385,301,593**	₱70,378,814
Contributions	–	343,649,990
Remeasurement losses arising from return on plan assets	**(60,615,487)**	(20,962,182)
Interest income	**19,303,610**	8,703,664
Benefits paid from plan assets	–	(16,468,693)
Fair value of plan assets at end of year	**₱343,989,716**	₱385,301,593

	2022	2021
Net pension liability at beginning of year	**₱60,807,377**	₱328,649,990
Net pension expense	**57,239,043**	58,178,416
Remeasurement losses recognized in OCI	**(78,874)**	42,332,093
Contributions	–	(343,649,990)
Benefit payments	**(20,108,229)**	(24,703,132)
Net pension liability at end of year	**₱97,859,317**	₱60,807,377

The Parent Company is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund are at the Parent Company's discretion. However, in the event a benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable from the Parent Company to the Retirement Fund.

The composition and fair value of plan assets as at the end of reporting date are as follows:

	2022	2021
Cash and cash equivalents	**₱38,584,675**	₱71,547,558
Equity instruments		
Financial institutions	**85,606,431**	36,782,490
Debt instruments		
Government securities	**214,791,490**	273,013,653
Unquoted debt securities	**3,821,780**	2,475,888
Receivables	**1,185,340**	1,482,004
	₱343,989,716	₱385,301,593

Trust fee in 2022 and 2021 amounted to ₱163,942 and ₱193,824, respectively.

The composition of the fair value of the plan assets includes:

- *Cash and cash equivalents* - include savings and time deposit with affiliated bank and special deposit account with Bangko Sentral ng Pilipinas.

- *Investment in equity securities* - includes investment in common and preferred shares of financial institute and real estate traded in the Philippine Stock Exchange.

- *Investment in debt securities - government securities* - includes investment in Philippine Retail Treasury Bonds and Fixed Rate Treasury Notes.

- *Investments in unquoted debt securities* includes investment in long-term debt notes and retail bonds.

- *Receivables* pertain to interest and other receivables on the investments in the fund.

The management performs a study of how to match its existing assets versus the net pension liability to be settled. The overall investment policy and strategy of the Parent Company's defined benefit plan is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risks of the plan. The Parent Company's current guiding strategic investment strategy consists of 64% and 71% of debt instruments, 11% and 19% of cash and cash equivalents, 25% and 10% of equity instruments and 0% and 0% of others as of December 31, 2022 and 2021, respectively.

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the Defined Benefit Obligation (DBO) at the reporting date after first adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged. The sensitivities were expressed as the corresponding change in the DBO.

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

		Increase (decrease) in DBO	
		2022	2021
Discount rates	+1%	**(₱19,014,664)**	(₱24,089,494)
	-1	**21,269,047**	27,300,298
Future salary increases	+1%	**21,954,159**	27,582,845
	-1	**(19,922,256)**	(24,756,442)

Shown below is the maturity analysis of the undiscounted benefit payments up to 10 years:

	2022	2021
Less than 1 year	**₱234,902,344**	₱214,686,318
More than 1 year to 5 years	**118,588,776**	107,302,894
More than 5 years to 10 years	**186,700,550**	143,926,572
	₱540,191,670	₱465,915,784

18. **Cost of Sales**

	2022	2021
Cost of coal (Note 6)		
Fuel and lubricants	**₱9,563,169,000**	₱5,870,558,942
Materials and supplies	**5,646,778,768**	5,944,136,728
Depreciation and amortization (Notes 9, 10 and 22)	**3,016,987,577**	3,206,865,763
Direct labor (Notes 17)	**2,209,076,854**	1,983,360,152
Production overhead (Note 16)	**1,357,783,356**	703,504,465
Outside services (Note 16)	**328,903,702**	536,425,711
	22,122,699,257	18,244,851,761
Hauling and shiploading costs (Notes 9 and 16)	**1,261,473,919**	1,508,840,872
	₱23,384,173,176	₱19,753,692,633

In 2021, the Parent Company recognized provision for inventory obsolescence amounting ₱168.54 million which is included in "Materials and supplies' under cost of coal in the parent company statements of comprehensive income.

19. **Operating Expenses**

	2022	2021
Government share (Note 24)	**₱15,963,371,469**	₱6,354,771,211
Personnel costs (Note 17)	**386,593,336**	330,495,272
Office expenses	**119,764,036**	72,268,381
Professional fees	**40,407,734**	24,976,018
Depreciation and amortization (Notes 9 and 22)	**25,793,750**	32,968,961
Transportation and travel	**21,360,578**	16,317,265
Entertainment, amusement and recreation	**15,644,134**	14,904,722
Taxes and licenses	**8,931,947**	7,237,709
Others	**226,948,418**	21,882,644
	₱16,808,815,402	₱6,875,822,183

Others include the accrued interest on the 2020 income tax due amounting to ₱184.00 million (see Note 23). Others also pertain to various expenses such as advertising and utilities.

20. Finance Costs

	2022	2021
Interests on:		
Long-term debt (Note 12)	**₱128,672,672**	₱188,267,033
Amortization of debt issuance cost (Note 12)	**8,453,027**	9,348,209
Accretion of decommissioning and site rehabilitation costs (Note 13)	**14,517,965**	7,674,882
Lease liabilities (Note 22)	**3,513,741**	4,457,214
Short-term debt (Note 12)	**–**	2,391,700
Bank charges	**156,888,600**	91,389,459
	₱312,046,005	₱303,528,497

21. Finance Income

	2022	2021
Interests on (Note 4):		
Cash equivalents	**₱333,664,796**	₱10,854,589
Cash in banks	**9,198,316**	2,760,677
	₱342,863,112	₱13,615,266

22. Leases

Parent Company as a lessee

The Parent Company has lease contracts for various items of land at the mine site and office spaces used in its operations. Leases of land generally have lease terms between 10 to 20 years, while office spaces generally have lease terms of two (2) to seven (7) years. The Parent Company also has certain leases of warehouse and office spaces with lease terms of 12 months or less. The Parent Company applies the 'short-term lease' recognition exemption for these leases.

On August 1, 2019, the Parent Company entered into a lease agreement of office spaces with a third-party lessor. The lease is for a period of five (5) years and one (1) month starting August 1, 2019 and ending on August 31, 2024, subject to a 10% annual escalation.

Set out below the movement in the Parent Company's right-of-use assets and lease liabilities in 2022 and 2021:

	Right-of-use Assets	
	2022	2021
At Cost		
Beginning and ending balance	**₱83,015,068**	₱83,015,068
Accumulated Amortization		
Beginning balance	**38,492,608**	24,854,785
Amortization (Notes 18 and 19)	**12,495,262**	13,637,823
Ending balance	**50,987,870**	38,492,608
	₱32,027,198	₱44,522,460

	Lease Liabilities	
	2022	2021
Beginning balance	**₱50,755,445**	₱62,788,518
Accretion of interest (Note 20)	**3,513,741**	4,457,214
Payments	**(18,926,848)**	(16,490,287)
Ending balance	**35,342,338**	50,755,445
Less current portion of lease liabilities	**13,706,237**	12,574,892
Noncurrent portion of lease liabilities	**₱21,636,101**	₱38,180,553

In 2022 and 2021, rent expense recognized from short-term leases amounting to ₱4.65 million and ₱4.96 million was included under 'Cost of Sales' and 'Operating Expenses' in the parent company statements of comprehensive income (see Notes 18 and 19).

The lease liabilities were measured at the present value of the remaining lease payments discounted at the Parent Company's weighted average incremental borrowing rate of 3.20% in 2022 and 2021.

As of December 31, 2022 and 2021, future minimum lease payments under operating leases are as follows:

	2022	2021
Within one year	**₱16,198,750**	₱16,088,633
After one year but not more than 5 years	**27,559,635**	38,747,008
More than 5 years	**–**	5,011,377
	₱43,758,385	₱59,847,018

23. **Income Tax**

	2022	2021
Current	**₱898,392,068**	₱15,093,458
Deferred	**254,441,451**	72,311,444
Final	**58,895,077**	2,348,497
	₱1,211,728,596	₱89,753,399

The current provision for income tax includes the accrual of income tax due in its 2020 income amounting to ₱897.30 million.

The reconciliation of the statutory income tax rate to the effective income tax rate shown in the parent company statements of comprehensive income follow:

	2022	2021
Statutory income tax rate	**25.00%**	25.00%
Adjustments for:		
Nondeductible expense	**0.89**	0.04
Adjustment of prior year income taxes due to change in tax rate (CREATE)	**–**	0.19
Tax-exempt income	**(22.69)**	(24.66)

(Forward)

	2022	2021
Interest income subjected to final tax - net of nondeductible interest expense	**(0.03)**	–
Effective income tax rate	**3.17%**	0.57%

The Parent Company has the following net deferred tax assets (liabilities) as of December 31, 2022 and 2021:

	2022	2021
Deferred tax assets on:		
Pension liability (Note 17)	**₱96,704,138**	₱94,731,448
Allowance for inventory obsolescence (Note 6)	**57,512,862**	57,512,862
Allowance for doubtful accounts (Note 5)	**22,530,585**	22,530,585
Lease liabilities (Note 22)	**6,348,719**	9,492,442
	183,096,304	184,267,337
Deferred tax liabilities on:		
Right-of-use assets	**(7,323,379)**	(9,548,634)
Unrealized foreign exchange gains	**(300,561,661)**	(45,046,270)
	(307,885,040)	(54,594,904)
	(₱124,788,736)	₱129,672,433

The movements in net deferred tax assets in 2022 and 2021 are as follows:

	2022	2021
January 1	**₱129,672,433**	₱191,400,854
Charged to profit or loss	**(254,441,451)**	(72,311,444)
Charged to other comprehensive income	**(19,718)**	10,583,023
December 31	**(₱124,788,736)**	₱129,672,433

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used.

Corporate Recovery and Tax Incentive for Enterprise (CREATE) Act

On March 26, 2021, Republic Act No. 11534, Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, was signed into law and took effect on April 11, 2021. The CREATE Act introduces reforms to the corporate income tax and incentive systems by implementing changes to the current tax regulations. Some of these changes, which became effective beginning July 1, 2020, are as follows:

- Reduction in the RCIT rate from 30% to 20% for entities with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million (excluding the value of land on which the business entity's office, plant and equipment are situated);
- Reduction in the RCIT from 30% to 25% for all other corporations;
- Reduction in the MCIT rate from 2% to 1% of gross income for 3 years or until June 30, 2023;
- Repeal of the imposition of 10% improperly accumulated earnings tax (IAET).

Board of Investments (BOI) Incentives

Parent Company

In relation to the Parent Company's operation in Panian mine site, on September 26, 2008, the BOI issued in favor of the Parent Company a Certificate of Registration as an Expanding Producer of Coal in accordance with the provisions of the Omnibus Investments Code of 1987. Pursuant thereto, the Parent Company shall be entitled to the following incentives, among others:

On August 31, 2012 and February 24, 2016, BOI has granted the Parent Company Certificates of Registration as New Producer of Coal in accordance with the provisions of the Omnibus Investments Code of 1987 in relation to the operation in Narra Minesite (formerly Bobog) (Certificate of Registration No. 2012-183) and Molave Minesite (Certificate of Registration No. 2016-042). Pursuant thereto, the Parent Company shall be entitled to the following incentives for the two Certificates of Registration, among others:

a. ITH for four (4) years from January 2015 and January 2017 for Narra minesite and Molave minesite, respectively, or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

b. Income qualified for ITH availment shall not exceed by more than 10% of the projected income represented by the Parent Company in its application provided the project's actual investments and employment match the Parent Company's representation in the application.

On October 24, 2019, the BOI approved the request for suspension of Narra Mine until the slope stability of the Narra mine to resume production is ensured, as follows:

a. the suspension of mining operation of Narra Mine under its Certificate of Registration No. 2012-183 dated August 31, 2012, subject to the capping of ITH incentive of Molave mine to 9,697,165 MT under BOI Certificate of Registration No. 2016-042 dated February 24, 2016, which is the highest attained production volume for the last three (3) years of operation; and,

b. the suspension of the corresponding ITH under its Certificate of Registration No. 2012-183 dated August 31, 2012.

On November 28, 2019, the BOI approved the Parent Company's application for extension for one (1) year for ITH incentive. The approved bonus year under Certificate of Registration No. 2016-042 is for the period October 15, 2020 to October 14, 2021 using the Indigenous Raw Material Criterion pursuant to Executive Order No. 226.

The Parent Company received a letter from the BOI dated February 28, 2020, stating that the BOI per Board Resolution No. 04-14, Series of 2020, approved the motion for reconsideration of the Parent Company and that the portion of BOI Board Resolution No. 31-07, Series of 2019, capping the incentive of Molave mine to 9,697,165 MT be amended. The annual coal production rate of 16 million metric tons as specified in the Amended Environmental Compliance Certificate issued by the Department of Environment and Natural Resources-Environmental Management Bureau (DENR-EMB) shall be imposed upon the Parent Company's two (2) projects under BOI Certificate of Registration No. 2012-183 dated August 31, 2012 and BOI Certificate of Registration No. 2016-042 dated February 24, 2016 as New Producer of Coal, pursuant to the provisions under the Executive Order No. 226. Any revenue arising from the coal production in excess of 16 million metric tons annual production rate shall not be entitled to ITH incentive.

On July 12, 2021, the Parent Company applied for another extension of one (1) year of ITH incentive for Molave Mine. On December 16, 2021, the BOI approved the Parent Company's application for extension for one (1) year of ITH incentive for Molave Mine.

The approved bonus year under Certificate of Registration No. 2016-042 is for the period October 15, 2021 to October 14, 2022 using the net foreign exchange earnings criterion pursuant to Executive Order No. 226.

On July 2, 2020, through Board Resolution No. 12-13, Series of 2020, the BOI approved the request for deferment of the ITH incentive availment for taxable year 2020, noting that the operation has been affected or disrupted by COVID-19 pandemic and since the project has not fully enjoyed the incentives granted to it for reasons beyond the Company's control pursuant to Article 7(14) of Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987, as amended, subject to the following:

(1) the income tax due for the taxable year covered by the deferment period shall be paid by the Parent Company;

(2) the Parent Company will only be entitled to ten (10) months of ITH incentive in the next taxable year since the deferment period, taxable year 2020, is the project's last year of ITH availment period;

(3) that this deferment shall not prejudice the project's approved bonus year under Certificate of Registration No. 2016-042 for the period October 15, 2020 to October 14, 2021 using the Indigenous Raw Material Criterion pursuant to Art. 39(a)(ii) of E.O. 226 pursuant to Board Resolution No. 31-07, Series of 2019. Noting the deferment of its ITH incentive for taxable year 2020, the bonus year shall correspondingly be amended from October 15, 2021 to October 24, 2022.

The Parent Company has not availed of this deferment of the ITH incentive in 2020.

In 2022, the BOI provided the Parent Company the option to amend the ITH incentive (bonus) expiration year to October 2023 subject to the Parent Company paying the Taxable Year 2020 income tax due amounting to ₱897.30 million and the related interest.

In 2022, the Parent Company recognized ₱897.30 million of income tax due on its income in 2020, as part of its provision for current income tax.

In January 2023, the Parent Company settled the income tax due for the Taxable Year 2020 at ₱1,088.46 million inclusive of interest amounting to ₱191.16 million. Hence, the ITH incentive (bonus) will expire beginning October 2023 and the income from the registered activities of the BOI project (Molave mine pit) from October 2023 will be subjected to regular corporate tax of 25%.

The BOI corrected the ITH availment period of the BOI project pursuant to Art. 39(a)(1)(iii) of E.O. 226 under Certificate of Registration No. 2016-042 from October 15, 2021 to October 14, 2022 to October 15, 2022 to October 14, 2023.

The Parent Company availed of incentive in the form of ITH on its income under registered activities. The income under registered activities amounted to ₱36,375.37 million, and ₱14,316.71 million in 2022 and 2021, respectively.

24. **Coal Operating Contract with DOE**

On July 11, 1977, the Government, through its former Energy Development Board, awarded a 35-year COC to a consortium led by Vulcan Industrial & Mineral Exploration Corporation and Sulu Sea Oil Development Corporation that subsequently assigned said COC to then Semirara Coal Corporation, now the Parent Company, on April 7, 1980. On July 27, 1977, Presidential Decree (PD) 972 was amended by PD 1174 thereby: (a) increasing coal operators' maximum cost recovery from an amount not exceeding 70% to 90% of the gross proceeds from production; and (b) increasing the amount of a special allowance for Philippine corporations from an amount not exceeding 20% to 30% of the balance of the gross income, after deducting all operating expenses. As a result, the Parent Company's COC was subsequently amended on January 16, 1981 reflecting said changes.

On May 13, 2008, the DOE granted the Parent Company's request for an extension of its COC for another 15 years or until July 14, 2027.

On November 12, 2009, the COC was amended further, expanding its contract area to include Caluya and Sibay Islands, Antique, covering an additional area of 3,000 hectares and 4,200 hectares, respectively.

On August 6, 2018, the contract area in Caluya Islands was expanded and the COC was amended further to include an additional area of 13,000 hectares.

On April 29, 2013, the DOE issued a new COC to the Parent Company, granting the Parent Company the exclusive right to conduct exploration, development and coal mining operations in the municipality of Bulalacao, province of Oriental Mindoro, up to a maximum of 36 years from its effective date. The COC covers two coal-bearing parcels of land covering areas of 2,000 and 5,000 hectares, respectively. On November 9, 2021, the COC was voluntarily relinquished by the Parent Company.

On June 7, 2013, the DOE issued a new COC to the Parent Company, which grants the Parent Company the exclusive right to conduct exploration, development and coal mining operations in the municipalities of Maitum and Kiamba, province of Sarangani, up to a maximum of 36 years from its effective date. The COC covers a coal-bearing parcel of land covering area of 5,000 hectares. On January 18, 2019, the old COC was voluntarily relinquished by the Parent Company.

In return for the mining rights granted to the Parent Company, the Government is entitled to receive annual royalty payments consisting of the balance of the gross income after deducting operating expenses, operator's fee and special allowance. The DOE, through the Energy Resources Development Bureau, approved the exclusion of coal produced and used solely by the Parent Company to feed its power plant used for mining operations in determining the amount due to DOE.

Royalty dues for DOE's share under this contract, amounted to ₱15,963.37 million and ₱6,354.77 million in 2022 and 2021, respectively, included under 'Operating expenses' in the parent company statements of comprehensive income (see Note 19). The related payable to DOE amounting to ₱2,169.25 million and ₱2,059.61 million as of December 31, 2022 and 2021, is included under the 'Trade and other payables' account in the parent company statements of financial position (see Note 11).

25. **Contingencies and Commitments**

The Parent Company is a party to certain proceedings and legal cases with other parties in the normal course of business. The ultimate outcome of these proceedings and legal cases cannot be presently determined. Management, in consultation with its legal counsels, believes that it has substantial legal and factual bases for its positions and is currently of the opinion that the final resolution of these claims will not have a material effect on the financial statements.

The Parent Company is also contingently liable with respect to certain taxation matters, lawsuits and other claims which are being contested by management, the outcome of which are not presently determinable. Management believes that the final resolution of these claims will not have a material effect on the parent company financial statements.

There is no resulting provision in 2022, 2021 and 2020 for these lawsuits, claims and assessments based on management's assessment. The other information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, are not disclosed on the grounds that it can be expected to prejudice the outcome of pending lawsuits, claims and assessments.

a. *Effectivity of Revenue Regulations (RR) 1-2018*

On January 5, 2018, RR 1-2018 took effect pursuant to the effectivity of the Tax Reform for Acceleration and Inclusion (TRAIN) law beginning January 1, 2018. Among others, the new tax law raised the excise tax rates on domestic and imported coal from ₱10.0 per metric ton (MT) to ₱50.0 per MT in the first year of implementation, ₱100.0/MT in the second year, and ₱150.0/MT in the third and succeeding years. Based also on the RR, coal produced under coal operating contracts entered into by the Government pursuant to PD No. 972, as well as those exempted from excise tax on mineral products under other laws, shall now be subject to the applicable rates beginning January 1, 2018.

On February 21, 2018, the Parent Company requested for a clarification on this with the tax bureau and submitted a supplemental letter explaining why the excise tax provisions on coal under the TRAIN law will not apply to the Parent Company under the terms and conditions of its COC with the DOE. In response, on December 17, 2018, Revenue Memorandum Circular (RMC) No. 105-2018 was issued, clarifying the payment of excise tax on domestic coal sales and specifically identifying the Parent Company as merely a collecting agent (the Parent Company collected from customers and remitted to the tax bureau). The RMC did not provide for the excise tax treatment of export coal sales (per RMC, this will be tackled in a separate revenue memorandum issuance), but management believes that the Parent Company is similarly not liable for this under the terms of its existing COC. Given this, management believes that both the timing and the amount of excise tax on exported coal that will be due from the Parent Company, if any, are uncertain as of December 31, 2022 and 2021 and will only be confirmed when the said issuance will be issued by the tax bureau.

b. *DOE Resolution on Violation of Accreditation of Coal Traders*

On May 23, 2019, the trial shipment of 4,768.737 MT of the Parent Company was shipped and delivered to Gold Anchorage Stevedoring and Arrastre Services, Inc. (GASAI). On June 6, 2019, the Parent Company received an Order dated June 4, 2019 from the DOE directing the Parent Company to: (a) File a verified Answer within 30 days from receipt; and (b) cease and desist from doing coal trading activities and operations. Order also states that the coal trader accreditation of the Parent Company is suspended until further notice.

On July 5, 2019, the Parent Company filed its Verified Answer arguing that: (a) sale and delivery of coal to GASAI was done in good faith; (b) the cease and desist order (CDO) and suspension is disproportionately severe under the circumstances as it should only be directed to trading done with GASAI; and c) imposition of fines is only applicable to those entities who are not accredited.

On July 10, 2019, the Parent Company wrote the DOE requesting deferment of the that implementation of the CDO and/or suspension pending resolution of the DOE.

On July 12, 2019, the DOE held in abeyance the imposition of the implementation of the CDO subject to the following conditions:

a. Order of abeyance is effective only for 30 days or until resolution of the Answer, whichever comes earlier;
b. the Parent Company to continue with its existing coal contracts, but shall not enter as party to any new coal supply agreement; and,
c. the Parent Company should faithfully comply with its commitments and obligations as an accredited coal trader.

On November 19, 2019, the Parent Company received the DOE Resolution dated October 15, 2019 imposing the following penalties:

- Suspension of coal trading activities for 1 month, except to the Parent Company-owned and other powerplants with existing coal supply agreements; and,
- Monetary penalty of ₱1.74 million.

On November 20, 2019, a motion for reconsideration to the Resolution dated October 15, 2019 was filed with the following prayer:

- The Resolution is null and void as it was issued in violation of the DOE Rules of Procedure; and,
- The CDO and Resolution are onerous and overbroad in scope as it was applied to unrelated transactions (not GASAI's) and inconsistent with the objectives of the Accreditation Guidelines.

On November 25, 2019, an amended motion for reconsideration was filed by the Parent Company.

On January 3, 2020, the Parent Company received letter from the DOE dated December 26, 2019 directing the former to file its position paper relative to the CDO in which the Parent Company filed on January 10, 2020.

On March 16, 2021, DOE modified its October 15, 2019 resolution as follows:

- Ordering payment of a fine of P610,000.00 instead
- Removal of the penalty of one-month suspension of the coal trader accreditation.

The Parent Company paid the penalty on March 31, 2021.

26. **Financial Risk Management Objectives and Policies**

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

The Parent Company's financial liabilities comprise trade and other payables, short-term and long-term debt and lease liabilities, and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as pension liability, income tax payable, and other statutory liabilities). The main purpose of these financial liabilities is to raise finance for the Parent Company's operations. The main risks arising from the Parent Company's financial instruments are price risk, interest rate risk, liquidity risk, foreign currency risk and credit risk.

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

The sensitivity analyses have been prepared on the following basis:

- Price risk - movement in one-year historical coal prices
- Interest rate risk - market interest rate on loans
- Foreign currency risk - annual movement in the foreign exchange rates

The assumption used in calculating the sensitivity analyses of the relevant parent company statement of comprehensive income item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held as of December 31, 2022 and 2021.

Price risk
Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The price that the Parent Company can charge for its coal is directly and indirectly related to the price of coal in the global coal market. In addition, as the Parent Company is not subject to domestic competition in the Philippines, the pricing of all of its coal sales is referenced to coal indices such as New Castle Index and Indonesian Coal Index. Global thermal coal prices are affected by numerous factors outside the Parent Company's control, including the demand from customers which is influenced by their overall performance and demand for electricity. Prices are also affected by changes in the global supply of coal and may be affected by the price of alternative fuel supplies, availability of shipping vessels as well as shipping costs.

As the coal price is reset on a periodic basis under coal supply agreements, this may increase its exposure to short-term coal price volatility.

There is no assurance that global coal prices will remain higher than pre-pandemic level or that domestic and international competitors will not seek to replace the Parent Company in its relationship with its key customers by offering higher quality, better prices or larger guaranteed supply volumes, any of which would have a materially adverse effect on the Parent Company's profits.

To mitigate this risk, the Parent Company continues to improve the quality of its coal and diversify its market from power industry, cement industry, other local industries and export market. This will allow flexibility in the distribution of coal to its target customers in such manner that minimum target average price of its coal sales across all its customers will still be achieved (i.e., domestic vs export). Also, in order to mitigate any negative impact resulting from price changes, it is the Parent Company's policy to set minimum contracted volume for customers with long term supply contracts for each given period (within the duration of the contract) and pricing is negotiated on a monthly basis to even out the impact of any fluctuation in coal prices, thus, protecting its target margin.

The excess volumes are allocated to spot sales which may command different price than those contracted already since the latter shall follow pricing formula per contract.

Nevertheless, on certain cases temporary adjustments on coal prices with reference to customers following a certain pricing formula are requested in order to recover at least the cost of coal if the resulting price is abnormally low vis-à-vis cost of production (i.e. abnormal rise in cost of fuel, foreign exchange rates).

Below are the details of the Parent Company's coal sales to the domestic market and to the export market (as a percentage of total coal sales volume):

	2022	2021
Domestic market	**51.99%**	38.09%
Export market	**48.01%**	61.91%

The following table shows the effect on income before income tax should the change in the prices of coal occur based on the inventory of the Parent Company as of December 31 with all other variables held constant. The change in coal prices used in the simulation assumes fluctuation from the lowest and highest price based on one-year historical price movements in 2022 and 2021.

	Effect on income before income tax Increase (decrease)	
Change in coal price	**2022**	2021
Based on ending coal inventory		
Increase by 19% in 2022 and 83% in 2021	**₱1,088,406,194**	₱916,186,257
Decrease by 19% in 2022 and 83% in 2021	**(1,088,406,194)**	(916,186,257)
Based on coal sales volume		
Increase by 18% in 2022 and 155% in 2021	**9,880,537,599**	12,103,657,136
Decrease by 18% in 2022 and 155% in 2021	**(9,880,537,599)**	(12,103,657,136)

Interest rate risk
The Parent Company's exposure to the risk of changes in market interest rates relates primarily to the Parent Company's long-term debt with floating interest rates. The Parent Company's policy is to manage its interest cost using a mix of fixed and variable rate debts.

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

	Interest	December 31, 2022 Within 1 year	More than 1 year to 2 years	More than 2 years to 3 years	More than 3 years to 4 years	More than 4 years	Carrying Value
Cash in banks and cash equivalents	**0.05% to 6.00%**	**₱15,530,389,652**	**₱–**	**₱–**	**₱–**	**₱–**	**₱15,530,389,652**
Peso (PHP) long-term debt at floating rate[1]							
a. 1,400.00 million loan	**Floating rate to be repriced every 3 months**	**₱279,461,205**	**₱264,915,019**	**₱250,183,136**	**₱235,544,101**	**₱56,711,835**	**₱1,086,815,296**

[1] *includes future interest payable amounting to ₱134.82 million*

	Interest	December 31, 2021 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	0.005% to 1.75%	₱4,606,481,679	₱–	₱–	₱–	₱–	₱4,606,481,679
Peso (PHP) long-term debt at floating rate[1]							
a. 1,400.00 million loan	Floating rate to be repriced every 3 months	₱294,100,240	₱279,461,205	₱264,915,019	₱250,183,136	₱292,255,936	₱1,380,915,536
b. 2,750.00 million loan	Fixed annual interest rate of 4.57% per annum to be repriced after 3 years	1,592,867,006	170,758,777	163,504,302	156,118,801	290,277,636	2,373,526,522
		₱1,886,967,246	₱450,219,982	₱428,419,321	₱406,301,937	₱582,533,572	₱3,754,442,058

[1] *includes future interest payable amounting to ₱378.44 million*

The following table demonstrates the sensitivity of the Parent Company's income before tax to a reasonably possible change in interest rates on December 31, 2022 and 2021, with all variables held constant, through the impact on floating rate borrowings (amounts in thousands):

	Effect on income before income tax Increase (decrease)	
Basis points	**2022**	2021
+100	**₱9,520**	₱33,760
–100	**(9,520)**	(33,760)

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

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

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

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

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

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

The tables below summarize the maturity profile of the Parent Company's financial assets and financial liabilities as of December 31, 2022 and 2021 based on contractual payments.

	2022					
	On Demand	Within 1 year	Beyond 1 to 2 years	Beyond 2 to 3 years	Beyond 3 years	Total
Financial assets						
Cash in banks and cash equivalents	**₱15,530,389,652**	**₱–**	**₱–**	**₱–**	**₱–**	**₱15,530,389,652**
Receivables						
Trade						
Outside parties	**6,351,073,802**	**–**	**–**	**–**	**–**	**6,351,073,802**
Related parties	**2,621,837,844**	**–**	**–**	**–**	**–**	**2,621,837,844**
Others[1]	**137,733,103**	**–**	**–**	**–**	**–**	**137,733,103**
Environmental guarantee fund	**–**	**–**	**–**	**–**	**13,607,307**	**13,607,307**
	₱24,641,034,401	**₱–**	**₱–**	**₱–**	**₱13,607,307**	**₱24,654,641,708**
Financial liabilities						
Trade and other payables						
Trade						
Suppliers and contractors	**₱6,285,502,066**	**₱–**	**₱–**	**₱–**	**₱–**	**₱6,285,502,066**
Related parties	**105,102,914**	**–**	**–**	**–**	**–**	**105,102,914**
Accrued expenses and other payables[2]	**24,905,009**	**–**	**–**	**–**	**–**	**24,905,009**
Lease liabilities		**16,198,750**	**12,525,506**	**5,011,376**	**10,022,753**	**43,758,385**
Peso long-term debt at floating rate[3]						
1,400.00 million loan		**279,461,205**	**264,915,019**	**250,183,136**	**292,255,936**	**1,086,815,296**
	₱6,415,509,989	**₱295,659,955**	**₱277,440,525**	**₱255,194,512**	**₱302,278,689**	**₱7,546,083,670**

[1] *excludes advances to officers, employees and others amounting to ₱24.19 million which are considered as nonfinancial assets*
[2] *excludes statutory liabilities amounting to ₱336.50 million*
[3] *includes future interest payable amounting to ₱134.82 million*

	2021					
	On Demand	Within 1 year	Beyond 1 to 2 years	Beyond 2 to 3 years	Beyond 3 years	Total
Financial assets						
Cash in banks and cash equivalents	₱4,606,481,679	₱–	₱–	₱–	₱–	₱4,606,481,679
Receivables						
Trade						
Outside parties	4,347,425,217	–	–	–	–	4,347,425,217
Related parties	3,769,746,346	–	–	–	–	3,769,746,346
Others[1]	53,480,761	–	–	–	–	53,480,761
Environmental guarantee fund	–	–	–	–	13,607,307	13,607,307
	₱12,777,134,003	₱–	₱–	₱–	₱13,607,307	₱12,790,741,310
Financial liabilities						
Trade and other payables						
Trade						
Suppliers and contractors	₱6,095,522,859	₱–	₱–	₱–	₱–	₱6,095,522,859
Related parties	340,898,910	–	–	–	–	340,898,910
Accrued expenses and other payables[2]	100,523,631	–	–	–	–	100,523,631
Lease liabilities	–	8,044,317	8,044,316	16,198,750	27,559,635	59,847,018
Peso long-term debt at floating rate[3]						
1,400.00 million loan	–	294,100,240	279,461,205	264,915,019	542,439,072	1,380,915,536
2,750.00 million loan	–	1,592,867,006	170,758,777	163,504,302	446,396,437	2,373,526,522
	₱6,536,945,400	₱1,895,011,563	₱458,264,298	₱444,618,071	₱1,016,395,144	₱10,351,234,476

[1] *excludes advances to officers, employees and others amounting to ₱13.02 million which are considered as nonfinancial assets*
[2] *excludes statutory liabilities amounting to ₱73.32 million*
[3] *includes future interest payable amounting to ₱378.44 million*

Foreign currency risk
Majority of revenues generated in 2022 and 2021 are in US$. Substantially all of capital expenditures in 2022 and 2021 are in US$.

The Parent Company manages this risk by matching receipts and payments in the same currency and monitoring. Approximately, 54.81% and 60.35% of the Parent Company's sales in 2022 and 2021, respectively, were denominated in US$ whereas approximately 33.41% and 28.81% of the debts as of December 31, 2022 and 2021, respectively, were denominated in US$.

Information on the Parent Company's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents follow:

	December 31, 2022		December 31, 2021	
	US Dollar	**Peso Equivalent**	US Dollar	Peso Equivalent
Assets:				
Cash and cash equivalents	**$157,222,597**	**₱8,823,332,129**	$43,893,214	₱2,228,458,459
Trade receivables	**26,361,264**	**1,479,394,136**	51,175,956	2,598,203,262
Liabilities:				
Trade payables	**(68,422,914)**	**(3,839,893,943)**	(70,611,155)	(3,584,928,360)
Net exposure	**$115,160,947**	**₱6,462,832,322**	$24,458,015	₱1,241,733,361

The exchange rates used were ₱56.12 to US$1 and ₱50.77 to US$1 in 2022 and 2021, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Parent Company's income before income tax (due to changes in the fair value of monetary assets and liabilities) in 2022 and 2021:

	Currency	Increase (decrease) in Philippine Peso/ Foreign exchange rate	Effect on profit before tax
2022	**USD**	**7.51%**	**₱8,648,587**
		(7.51)	**(8,648,587)**
2021	USD	1.76%	430,461
		(1.76)	(430,461)

There is no impact on the Parent Company's equity other than those already affecting profit or loss. The movement in sensitivity analysis is derived from current observations on fluctuations in dollar average exchange rates.

The Parent Company recognized net foreign exchange gains amounting to ₱1,015.44 million and ₱340.93 million for the years ended December 31, 2022 and 2021, respectively, arising from the translation of the Parent Company's cash and cash equivalents, trade receivables and trade payables.

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Parent Company manages and controls credit risk by doing business with recognized, creditworthy third parties, thus, there is no requirement for collateral. It is the Parent Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Parent Company evaluates the financial condition of the local customers before deliveries are made to them.

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

With respect to the credit risk arising from other financial assets of the Parent Company, which comprise cash and cash equivalents, other receivables and environmental guarantee fund, the exposure to credit risk arises from default of the counterparty with a maximum exposure to credit risk equal to the carrying amount of the financial assets as of reporting date. The Parent Company does not hold any collateral or other credit enhancement that will mitigate credit risk exposure. The Parent Company transacts only with institutions or banks and third parties that have proven track record in financial soundness. The management does not expect any of these institutions to fail in meeting their obligations.

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

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

	2022			
	12-month ECL	**Lifetime ECL Not Credit Impaired**	**Lifetime ECL Credit Impaired**	**Total**
Cash in banks and cash equivalents	**₱15,530,389,652**	**₱–**	**₱–**	**₱15,530,389,652**
Receivables:				
Trade receivables – outside parties	–	**6,314,961,295**	**36,112,507**	**6,351,073,802**
Trade receivables – related parties	–	**2,421,791,635**	**200,046,209**	**2,621,837,844**
Others*	–	**131,917,744**	**5,815,359**	**137,733,103**
Environmental guarantee fund	–	**13,607,307**	–	**13,607,307**
	₱15,530,389,652	**₱8,882,277,981**	**₱241,974,075**	**₱24,654,641,708**

**Excludes advances to officers, employees and others amounting to ₱24.19 million which are considered as nonfinancial assets*

	2021			
	12-month ECL	Lifetime ECL Not Credit Impaired	Lifetime ECL Credit Impaired	Total
Cash in banks and cash equivalents	₱4,606,481,679	₱–	₱–	₱4,606,481,679
Receivables:				
Trade receivables - outside parties	–	4,311,312,710	36,112,507	4,347,425,217
Trade receivables - related parties	–	3,569,700,137	200,046,209	3,769,746,346
Others*	–	47,665,402	5,815,359	53,480,761
Environmental guarantee fund	–	13,607,307	–	13,607,307
	₱4,606,481,679	₱7,942,285,556	₱241,974,075	₱12,790,741,310

**Excludes advances to officers, employees and others amounting to ₱13.02 million which are considered as nonfinancial assets*

Capital Management
The primary objective of the Parent Company's capital management strategy is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Parent Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Parent Company may adjust the dividend payment to shareholders or issue new shares.

No changes were made in the objectives, policies and processes from the previous years.

The Parent Company manages its capital using Debt-to-Equity ratio, which is interest-bearing loans divided by equity, and EPS. The following table shows the Parent Company's capital ratios as of December 31, 2022 and 2021:

	2022	2021
Interest-bearing loans	**₱948,056,291**	₱3,363,603,264
Total equity	**48,856,114,674**	33,118,236,322
Debt-to-Equity ratio	**1.94%**	10.16%

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

The Parent Company considers short-term and long-term debt as 'interest-bearing loans' in determining debt-to-equity ratio.

The following table shows the components of the Parent Company's capital as of December 31, 2022 and 2021:

	2022	2021
Total paid-up capital	**₱10,940,136,701**	₱10,940,136,701
Acquisition of treasury shares	**(739,526,678)**	(739,526,678)
Net remeasurement losses on pension plan	**(134,135,992)**	(134,195,148)
Retained earnings - unappropriated	**31,989,634,530**	16,251,821,447
Retained earnings - appropriated	**6,800,000,000**	6,800,000,000
	₱48,856,108,561	₱33,118,236,322

Earnings per Share (EPS)

	2022	2021
Net income	**₱36,990,557,295**	₱15,637,700,926
Divided by the weighted average number of common shares outstanding	**4,250,547,620**	4,250,547,620
Basic/Diluted Earnings per Share	**₱8.70**	₱3.68

There have been no other transactions involving common shares or potential common shares between the reporting date and the date of authorization of the parent company financial statements.

The Parent Company is not subject to any externally imposed capital requirements.

27. Fair Values

Fair Value Information
The fair values of cash and cash equivalents, receivables, environmental guarantee fund, trade and other payables, and short-term debt approximate their respective carrying values due to short-term nature of transactions.

Long-term debt and lease liabilities
Estimated fair values are based on the discounted value of future cash flows using the applicable rates for similar types of debt.

In 2022 and 2021, interest rate for long-term debt and lease liabilities ranges from 3.20% to 4.84%, 2.67% to 2.76%, respectively.

Fair Value Hierarchy
The Parent Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As of December 31, 2022 and 2021, the Parent Company does not have financial instruments measured at fair value.

28. Notes to Parent Company Statements of Cash Flows

Supplemental disclosure of noncash investing activities follows:

	2022	2021
Adjustment in property, plant and equipment due to change in estimate of provision in decommissioning and mine site rehabilitation costs (Note 9)	**(₱21,589,768)**	₱36,556,722
Noncash additions to property, plant and equipment (Notes 9 and 11)	**1,302,565,600**	113,911,562

Changes in liabilities arising from financing activities are as follows:

	For the year ended December 31, 2022			
	January 1, 2022	**Net cash flows**	**Others**	**December 31, 2022**
Long-term debt (Note 12)	**₱3,363,603,264**	**(₱2,424,000,000)**	**₱8,453,027**	**₱948,056,291**
Lease liabilities (Note 22)	**50,755,445**	**(18,926,848)**	**3,513,741**	**35,342,338**
Dividends payable (Note 11)	**3,100,694**	**(21,252,510,224)**	**21,252,744,212**	**3,334,682**
	₱3,417,459,403	**(₱23,695,437,072)**	**₱21,264,710,980**	**₱986,733,311**

	For the year ended December 31, 2021			
	January 1, 2021	Net cash flows	Others	December 31, 2021
Short-term debt (Note 12)	₱2,000,000,000	(₱2,000,000,000)	₱–	₱–
Long-term debt (Note 12)	3,853,255,055	(499,000,000)	9,348,209	3,363,603,264
Lease liabilities (Note 22)	62,788,518	(16,490,287)	4,457,214	50,755,445
Dividends payable (Note 11)	1,193,054	(12,751,642,860)	12,753,550,500	3,100,694
	₱5,917,236,627	(₱15,267,133,147)	₱12,767,355,923	₱3,417,459,403

Others include noncash changes pertaining to amortization of deferred financing cost (see Note 12), cash dividend declaration by the Parent Company (see Note 15), additions to lease liabilities and accretion of related interest (see Note 22).

29. **Operating Segments**

Segment Information

The Parent Company is engaged in surface open cut mining of thermal coal and is managed by the Chief Operating Officer (COO) as a single business unit. The COO monitors the operating results of the Parent Company for the purpose of making decisions about resource allocation and performance assessment. The Parent Company performance is evaluated based on revenue and net income before tax which are measured similarly as in the parent company financial statements.

The following information presents the operating assets and liabilities of the Parent Company as of December 31, 2022 and 2021:

	2022			
	Mining	**Power Generation**	**Others**	**Total**
Segment assets	**₱43,253,537,579**	**₱–**	**₱–**	**₱43,253,537,579**
Investments in subsidiaries	**–**	**16,876,250,000**	**36,875,000**	**16,913,125,000**
	₱43,253,537,579	**₱16,876,250,000**	**₱36,875,000**	**₱60,166,662,579**
Segment liabilities	**₱10,237,708,991**	**₱–**	**₱–**	**₱10,237,708,991**
Deferred tax liability - net	**124,788,736**	**–**	**–**	**124,788,736**
Long-term debt	**948,056,291**	**–**	**–**	**948,056,291**
	₱11,310,554,018	**₱–**	**₱–**	**₱11,310,554,018**
Cash flows arising from (used in):				
Operating activities	**₱34,857,900,176**	**₱–**	**₱–**	**₱34,857,900,176**
Investing activities	**(1,521,801,319)**	**–**	**–**	**(1,521,801,319)**
Financing activities	**(23,695,430,959)**	**–**	**–**	**(23,695,430,959)**
Other disclosures				**–**
Capital expenditures	**₱2,521,116,118**	**₱–**	**₱–**	**₱2,521,116,118**

	2021			
	Mining	Power Generation	Others	Total
Segment assets	₱28,519,234,622	₱–	₱–	₱28,519,234,622
Investments in subsidiaries	–	16,876,250,000	36,875,000	16,913,125,000
Deferred tax assets	129,672,433	–	–	129,672,433
	₱28,648,907,055	₱16,876,250,000	₱36,875,000	₱45,562,032,055

(Forward)

	2021			
	Mining	Power Generation	Others	Total
Segment liabilities	₱9,080,192,469	₱–	₱–	₱9,080,192,469
Short-term and long-term debt	3,363,603,264	–	–	3,363,603,264
	12,443,795,733	₱–	₱–	12,443,795,733
Cash flows arising from (used in):				
Operating activities	₱15,329,220,165	₱–	₱–	₱15,329,220,165
Investing activities	(1,289,534,610)	–	–	(1,289,534,610)
Financing activities	(15,267,133,147)	–	–	(15,267,133,147)
Other disclosures				
Capital expenditures	₱2,480,324,573	₱–	₱–	₱2,480,324,573

1. Capital expenditures consist of additions of property, plant and equipment.
2. All noncurrent assets other than financial instruments are located in the Philippines.
3. Others pertain to SCI and SCIPDI which are engaged in manufacturing and economic zone development, respectively.

Disaggregation of Revenue Information

Set out below is the disaggregation of revenue from contracts with customers and results of operations of the Parent Company for the years ended December 31, 2022 and 2021:

	2022	2021
Local coal sales	**₱34,487,499,200**	₱16,364,528,636
Export coal sales	**41,854,016,190**	24,677,105,057
	₱76,341,515,390	₱41,041,633,693

Substantially all revenues from external customers are from open cut mining and sales of thermal coal. Local and export classification above is based on the geographic location of the customer.

All of the Parent Company's sales of coal are revenue from contracts with customers and are recognized at point in time.

30. Other Matters

Provisions and Contingent Liabilities

The Parent Company is contingently liable with respect to certain taxation matters, lawsuits and other claims which are being contested by management, the outcome of which are not presently determinable. Management believes that the final resolution of these claims will not have a material effect on the parent company financial statements. The information usually required by PAS 37 is not disclosed as it will prejudice the outcome of the lawsuits and claims.

SGV
Building a better working world

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**INDEPENDENT AUDITOR'S REPORT
ON THE SCHEDULE OF RECONCILIATION
OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION**

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

We have audited in accordance with Philippine Standards on Auditing, the parent company financial statements of Semirara Mining and Power Corporation (the Company) as at December 31, 2022 and 2021 and for the years then ended, and have issued our report thereon dated February 27, 2023, which contained an unqualified opinion on those basic parent company financial statements. Our audits were made for the purpose of forming an opinion on the basic parent company financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not part of the basic parent financial statements. This has been subjected to the auditing procedures applied in the audit of the basic parent financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic parent financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jennifer D. Ticlao

Jennifer D. Ticlao
Partner
CPA Certificate No. 109616
Tax Identification No. 245-571-753
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 109616-SEC (Group A)
Valid to cover audit of 2022 to 2026 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-110-2020, November 27, 2020, valid until November 26, 2023
PTR No. 9566008, January 3, 2023, Makati City

February 27, 2023

SEMIRARA MINING AND POWER CORPORATION

SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022

Unappropriated Retained Earnings, beginning		₱16,251,821,447
Adjustments:		
Deferred tax asset that reduced the amount of income tax expense of prior periods		(184,267,337)
Unrealized foreign exchange loss - net (except those attributable to cash and cash equivalent)		(5,398,954)
Treasury shares		(739,526,678)
Unappropriated retained earnings, as adjusted to available for dividend distribution, as at December 31, 2021		15,322,628,478
Net income actually earned/realized during the period:		
Net income during the period closed to retained earnings	₱36,990,557,295	
Less: Nonactual/unrealized income net of tax		
Equity in net income of associate/joint venture	–	
Unrealized foreign exchange gains-net (except those attributable to Cash and Cash Equivalent)	–	
Unrealized actuarial gain	–	
Fair value adjustment (M2M gains)	–	
Fair value adjustment of Investment Property resulting to gain	–	
Adjustment due to deviation from PFRS/GAAP-gain	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	1,171,033	
Deferred tax asset that reduced the amount of income tax expense		
Add: Non-actual losses	–	
Depreciation on revaluation increment (after tax)	–	
Adjustment due to deviation from PFRS/GAAP-loss	–	
Loss on fair value adjustment of investment property (after tax)	81,171,261	
Net income actually earned during the period		37,070,557,523
Less:		
Cash dividend declarations during the period		(21,252,744,212)
Stock dividend declarations during the period		–
Appropriations of retained earnings during the period		–
Reversals of appropriations		–
Effects of prior period adjustments		–
Treasury shares		–
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION		₱31,140,441,789

SEMIRARA MINING AND POWER CORPORATION

SEC 17-A Annex A Reporting Template

Sustainability Reporting Guidelines for Publicly Listed Companies

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Annex A: Reporting Template

1. CONTEXTUAL INFORMATION

Company Details	
Name of Organization	Semirara Mining and Power Corporation
Location of Headquarters	2F DMCI Plaza. 2281 Chino Roces Avenue Extension Makati City, Philippines 1231
Location of Operations	Semirara Island, Caluya Municipality, Antique, Philippines Calaca, Batangas, Philippines
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Our 2023 Annual and Sustainability Report covers the sustainability performance of Semirara Mining and Power Corporation and its operating power subsidiaries through the following business segments: • COAL – Semirara Mining and Power Corporation (SMPC) • POWER - SEM-Calaca Power Corporation (SCPC) and Southwest Luzon Power Generation Corporation (SLPGC)
Business Model, including Primary Activities, Brands, Products, and Services	Since DMCI Holdings bought the controlling shares of Semirara Coal Corporation (SCC), now renamed Semirara Mining and Power Corporation (SMPC) in 1997, the company has transformed from a coal company to a leading vertically integrated coal energy company in the Philippines. SMPC capped its 25th year with extraordinary, performance breaking records and made history with all-time high financial results in 2022. Currently, SMPC accounts for 99% of the country's coal production, and is the only Philippine power producer that owns and mines its fuel. The company supplies coal to power plants, cement plants, and small boiler users in the food, textile, and cement industries, providing Filipinos with affordable and reliable power. Over the years, it also successfully developed an export market in the Asia Pacific region.
Reporting Period	01 January 2022 to 31 December 2022
Highest Ranking Person responsible for this report	Maria Cristina C. Gotianun President and Chief Operating Officer

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

2. MATERIALITY PROCESS

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[1]
SMPC adheres to the Global Reporting Initiative Standards (GRI) as its sustainability reporting framework, as well as the guidance provided by the GRI on stakeholder engagement and materiality. **Stakeholder Engagement** Stakeholder engagement is essential to integrating the concerns and priorities of our stakeholders into our sustainability approach. We identified key stakeholders and engaged with them through consultations, surveys, and focus group discussions. These engagements provide insights into stakeholder issues and concerns that we can add to our sustainability agenda and create appropriate and timely responses for. In 2022, we continued to measure our ESG impacts on our key stakeholders. This included an Economic Impact Assessment in Semirara Island through focus group discussions, surveys, and consultations conducted by a third-party expert. To get insights from our employees and improve employee value proposition, we solicited feedback and recommendations through Organizational Climate Surveys. We also inform, educate, and communicate to the general public and our key stakeholders through social media, allowing interested groups to learn more about the company, our ESG programs, and its impacts. Individuals may also send general inquiries to SMPC Empowering Others's official Facebook page. **Our Stakeholder Groups Consulted** • Investors & Shareholders • Employees • Customers • Suppliers, Contractors, and Business Partners • Regulators and Government Agencies • Local Government Units • Host Communities & Non-Government Organizations **MATERIALITY** Guided by the revised GRI standards, we sustain meaningful stakeholder engagement activities that aid in our materiality process. Issues identified from internal and external engagements are collected and assessed for their potential and actual impacts on the economy, environment, and society. These engagements included meetings with LGU leaders and an economic and social impact assessment survey. After assessing our impacts, we finalized our list of material topics and aligned them with our sustainability strategies. Topics that are associated with high likelihood and severity impacts are considered material. We identified 20 material topics, which we align with our sustainability practices and programs. We reaffirmed our material topics in 2022. **Our Material Topics Identified** **ECONOMIC** **ENVIRONMENTAL** **SOCIAL**

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

Economic Performance Market Presence Indirect Economic Impact	Energy Water Materials	Employment Training and Education Labor/Management Relations
	Biodiversity Emissions Water and effluents Supplier Environmental Assessment Mine Rehabilitation	Occupational Health & Safety Local Communities Customer Health & Safety Security Practices Emergency and Disaster Resilience Diversity and equal opportunity

The 2022 SMPC Annual and Sustainability Report will be posted in the company website.

3. ECONOMIC

Economic Performance

When our business performs well, this success also advances economic growth in our host communities. We pay our mining royalties to the national government. These royalties are then allocated to the provincial and municipal governments of Antique and Caluya and our barangay host communities in Tinogboc and Semirara.

Direct Economic Value Generated and Distributed

Disclosure (In PhP, millions)	2022	2021	2020
Direct Economic Value Generated	91,730	52,680	28,614
Revenue	91,068	52,423	28,251
Interest Income	412	21	56
Other Income	251	235	307
Economic Value Distributed	69,449	42,473	24,515
Operating cost	25,309	18,926	13,515
Employee benefits and wages	3,019	2,655	1,856
Payment to providers of capital	22,150	13,615	6,402
Payment to government	18,886	7,165	2,699
Community investments	84.55	112	43
Economic Value Retained	22,280	10,207	4,099

Market Presence

Through local hiring, we provide opportunities for meaningful work in our host communities. About 56% of our mine site employees are from Semirara Island and Caluya, while 4% are from the provinces of Aklan, Antique, Capiz, Iloilo, and Mindoro. When it comes to the composition of our power plant employees, 84% of them are residents of the province of Batangas.

We are the largest employer in Semirara Island, with an accumulated payroll that amounted to PHP2.60 billion in 2022. Compared to the local minimum wage, we have an average pay ratio of 1:1.

A large part of our management team comes from the local community. In our power segment, 56% of the management team are Batangas residents. On top of that, our entire Board of Directors and all our key officers are Filipino citizens.

Year	Segment	No. of Employees	Aklan, Antique, Capiz, Iloilo, and Mindoro	Calaca and Balayan, Batangas
2022	Coal	3,785	64%	
2022	Power	596		67%
2022	**Total**	**4,381**	**55%**	**9%**
2021	Coal	3,450	57%	
2021	Power	493		61%
2021	**Total**	**3,943**	**50%**	**8%**
2020	Coal	3,169	56%	
2020	Power	498		61%
2020	**Total**	**3,667**	**48%**	**9%**

Indirect Economic Performance

SDP spend (In millions, PhP)	2022	To date (2022)
Education	12.94	628.31
Environmental stewardship	43.51	309.62
Economic empowerment	22.29	500.30
Emergency preparedness	5.80	154.69
Total	**84.55**	**1,592.91**

Road

Our infrastructure investments in 2022 include the building and maintenance of roads to pave the way for the island's growing economic needs.

PhP 11.76 million	12.8 Km
Maintenance of road network in Semirara Island	Length of maintained road network

Transportation

We fund land and sea transportation to support the busy economy of the island. This transportation infrastructure is used to transport cargo by SMPC workers and host community members.

Thanks to relaxed travel restrictions in 2022, we were able to continue the commercial operations of our passenger boat, the MV Maria Cristina, which has a seating capacity of 186. From April to May 2022, the vessel carried around 2,000 passengers. While the boat underwent repairs in the third quarter of the year, it resumed operations in late November 2022. Since 2016, the vessel has helped more than 112,000 passengers travel along the Semirara – Bulalacao and Semirara – San Jose routes.

Another transport service that we handle is our free shuttle system, which serves SMPC employees and Semirara Island residents. Each day, six scheduled bus trips can carry about 1,600 people. We spend around PHP585,000 each year to keep this shuttle service running.

Fostering education

Through our partnership with the Divine Word School of Semirara Island, Inc. (DWSSII) and the Semirara Training Center, Inc., we provide our community with opportunities to further their education.

These opportunities come in the form of scholarships, financial aid, and training for school staff. We provide scholarships to the children of our mine site workers so that they can study at DWSSII. We also financially support DWSSII's K-12 students and provide training assistance to the school's teachers and personnel.

3,648
DWSSII graduates since 2003

Aside from providing basic education in our communities, we also have a Balik-Eskwela Program that offers an Alternative Learning System (ALS) for our employees and out-of-school youth. The program enables these enrollees to continue their education and obtain high school diplomas. In 2022, 46 students were enrolled in the program. This was also done in partnership with the Arnold Janssen Foundation.

Aside from supporting students, we also believe that postgraduate education is important to the professional development of teachers. We help Semirara Island's public and private school educators pursue a Master of Arts (MA) in Education degree free of charge. Seven of our 59 scholars finished their degrees in 2022.

Collegiate Scholars

2022	Number of Scholars	Total amount granted. (In million, PhP)
Consolidated	88	6.80
Coal	44	3.06
Power	44	3.74

Community health

The health and wellness of our community are important to us. To fortify the local healthcare system, we put up the Semirara Infirmary where our employees' and island residents' medical needs will be attended to. We also, provide medical services, as well as annual health programs on infant care, infection prevention, nutrition, etc.

The infirmary is manned by a team of dedicated healthcare workers including 6 physicians, 2 dentists, 5 medical technologists, 1 radiologic technologist, 1 X-ray technologist aide, and 15 nurses.

In the first quarter of 2022, we completed the rehabilitation of the infirmary. In December 2022, the infirmary received the License to Operate from the Department of Health (DOH).

We also hold webinars for the barangay health workers of our host communities to increase awareness about common health issues. To promote healthy living, our Information, Education and Communication (IEC) team ran sessions on COVID-19 prevention, tuberculosis, and heart attack. We have also hosted webinars on disaster risk reduction and management so that our host communities stay prepared for natural disasters and other emergencies.

15
Bed capacity of the SMPC Infirmary

Stakeholder Group	2022	2022%	2021	2021%	2020	2020%
Employees	16,349	58%	14,465	57%	9,047	53%
Employee Dependents	6,404	23%	4,840	19%	3,920	23%
Community Residents	5,562	19%	6,048	24%	4,018	24%
Total	**28,315**	**100%**	**25,353**	**100%**	**16,985**	**100%**

Supporting local entrepreneurship

Beyond generating jobs and royalties, we supported livelihood formation in Semirara Island through the construction of a Commissary (2009), Food Court (2013) and Wet Market (2013). These commercial facilities have since provided opportunities for local entrepreneurs to sell their products and services to the community.

Before the pandemic, Micro, Small, and Medium Enterprises (MSMEs) on the island experienced steady growth. Despite the setbacks caused by the pandemic, local businesses have shown signs of recovery following the easing of restrictions.

416
Registered MSME's in Semirara Island

Enhancing skills training

We continue to partner with Semirara Training Center, Inc. (STCI), a non-stock, nonprofit center accredited by the Technical Education and Skills Development Authority (TESDA), committed to providing excellent vocational education and teaching marketable skills to the people of Semirara Island and surrounding communities such as Caluya and Sibay. This is part of our efforts to build self-sufficiency and promote livelihood in the island.

STCI plays a huge role in developing the skills portfolios of our personnel and host community residents. Some enrollees are also graduates of DWSSII's Senior High School Technical Vocational Livelihood Track, and others hail all the way from Mindanao.

Enrollees of STCI can specialize in welding, automotive servicing, industrial electricity, and machining, which are essential specialties for our business and can land enrollees in fulfilling jobs here and abroad. In fact, about 44% of STCI's graduates have either been hired by SMPC, employed by our contractors, or built rewarding careers overseas.

1,345
STCI graduates since 2006

Community skills training from 2019 to 2022

Training	2019 - 2022
Automotive Servicing	47
Machine Shop Practice	4
Shielded Metal Arc Welding	74
Electrical Installation and Maintenance	18
Automotive (NC II)	42

Scaffolding Erection Training (NC II)	28
Pipefitting	25
Scaffolding Refreshers Course	30
Total	**268**

4. CLIMATE-RELATED RISKS AND OPPORTUNITIES[2]

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities	Disclose the actual and potential impacts[2] of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	Disclose how the organization identifies, assesses, and manages climate-related risks	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material
Recommended Disclosures			
Our Strategy and Sustainability Committee assists the Board in setting climate strategies and develops a roadmap for business sustainability in a low-carbon economy. The Committee considers the implications of climate change, ESG trends, and investor and stakeholder expectations. It guides major plans of action pursued by management. The ESG Sustainability Group aims to ensure that the executive leadership calibrates, coordinates, manages, and communicates	PHP1.5 billion Retained Earnings Appropriation for Climate Investment Our current carbon-related and climate action response is focused on mitigation, such as offsets, the adoption of energy-efficient technology, and energy conservation. We strengthen our restoration efforts and management of natural and modified ecosystems included in our nature-based solutions on climate action through active partnerships with different stakeholders. We applied energy-efficient technology in our operations to	We have embedded our climate-related risk identification and assessment in our Group Enterprise Risk Management (ERM) framework. This process includes integrating identified climate-related risks into our current risk taxonomy, risk categories, and types as well as in our adaptation and business continuity plan.	We measure, monitor, and report our Scope 1, 2 and 3 GHG emissions, water consumption, and energy efficiency. In 2022, we engaged, a professional services firm, for the capacity building and baseline accounting of our Scope 3 GHG emissions generated from the upstream and downstream activities.

[2] For this disclosure, impact refers to the impact of climate-related issues on the company.

climate and ESG focus areas with our internal and external stakeholders. The Group escalates material sustainability issues to the Strategy and Sustainability Committee and senior management for appropriate disposition.	reduce our carbon emissions coming from electricity consumption. Our carbon transition roadmap, which will be our long-term plan, is in the research and development phase. Informing this process is our continuous monitoring of new and emerging climate trends and related legislation to assess their impact on business sustainability and future growth. We have improved our GHG accounting capacity and started to determine our Scope 3 emissions which can help us achieve and manage a low carbon performance in all covered scopes of GHG emissions moving forward.		

Relevant TCFD Recommended Disclosures

Risk	Potential Financial Impact
PHYSICAL	
Acute and Chronic Physical Events Impact of extreme weather events such as intense rainfall, cyclones, and flooding	**La Nina Phenomenon** Short term (1-5 years) Most of the surveyed climate models suggest that La Nina is likely to continue until Jan-Feb-Mar 2023. La Nina increases the likelihood on having above normal rainfall conditions across most areas of the country. Adverse impacts such as flooding, and landslide are still expected over vulnerable areas and sectors of the country. Due to this phenomenon Semirara Island, Caluya, Antique is projected to receive above normal rainfall conditions which has the potential to directly impact our coal production. **Tropical Cyclones**

	Short term (1-5 years) Based on the historical tropical cyclone tracks of Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA). The probability of a tropical typhoon passing the area of Caluya, Antique is high during the months of October to December. Aside from mining disruptions, cyclones also have potential to cause damages to capital assets, support facilities, telecommunications and supply chain routes.
TRANSITION	
Policy and Regulatory Potential for new laws to increase cost, related to compliance or cause disruptions to the business.	**Local policy and regulation with actual and potential impact to SMPC:** **Republic Act 9513 Renewable Energy Act of 2008, Department of Energy (DOE) Circular No. DC2017-12-0015 Renewable Portfolio Standards (RPS) Rules for On-Grid Areas** On 10 September 2021, the Department conducted the virtual Public Consultation on adopting the adjusted annual incremental RE percentage or the "Adjusted Km", increasing from 1% to 2.52% starting 2023, to meet the aspirational target of at least 35% in the total Power Generation Mix by 2030 and more than 50% by 2040. Short term (1-5 years]) Mandated electric power industry participants to source or produce a specified portion of their electricity requirements from eligible renewable energy (RE) sources. Adjusted annual increment from 1% to 2.52% starting 2023. SMPC sells directly to generation companies, retail customers, distribution utilities, and the spot market, none of whom have required that a fraction of the supplied electricity come from RE sources. While the RPS law reduces the potential market opportunities for thermal power sales, we are prepared to procure electricity from RE producers to meet the said requirement. **DoE solicits comments on draft coal handling, transport, storage, and distribution rules.** Short term (1-5 years) Once effective, the majority of the requirements are expected to be applicable for both coal and power segments. SMPC is currently assessing the draft rules preparing its compliance plan including the potential need for additional capital and operational expenditures. **19th Congress, Senate Bill 157 Introduced by Senator Win Gatchalian** **An Act Providing for a National Energy Policy and Framework for a Clean and Just Energy Transition in the Country, and Appropriating Funds Therefore** Short term (1 -5 years) SMPC will closely monitor the progress of this bill as this will directly impact the company's business strategy, profitability, and expansion opportunities.

	The current version proposes the implementation of a moratorium on new fossil fuel plants and the phase out of existing assets. **Executive Order No. 171 Temporary Modifying the Rates of Import Duty on Various Products Under Section 1611 of Republic Act No. 10863, Otherwise known as the "Customs Modernization and Tariff Act."** Short term (1-5 years) SMPC will closely monitor the development of this executive order as this has the potential to impact SMPC's local market share. Independent power producers (IPPs) in the country are asking for a permanent zero tariff on all types of coal imports from non-ASEAN countries to diversify sources of coal outside of Indonesia and ensure energy security in the country. The total coal importation is 31.24 million metric tons based on 2021 data. The power industry utilizes 89.02%. Indonesia accounts for 97.68 percent of local coal supply and 2.32% from Australia, Russia, and Vietnam. The power industry is looking at diversifying sources to include Russia, Colombia, and South Africa, but which are slapped with seven percent import tariff. Coal imports from Australia and Vietnam are already at zero percent tariff. **International policy and regulation with actual and potential impact to SMPC** **Carbon Tax** Short term (1-5 years) SMPC will closely monitor the development of the carbon tax regulations in the region as this has direct potential impact in its profitability once adopted by the Philippines and other countries that hosts our customers. Singapore currently leads the region in implementation, priced at USD 5/tCO_2e up to 2023. Indonesia delayed the implementation of the law charging USD 2.1/tCO_2e.
Technology Innovations that support the transition to a low carbon economy and energy efficiency.	Costs to adopt low-carbon technology and processes. Limited access to parts and service availability of coal-fired plants by gradual divestment of international original equipment manufacturers (OEMs) and suppliers. Alternative suppliers for critical parts can be sourced from other countries in the region (i.e., China and India).
Markets Change in coal and power market and customer behavior.	Despite record high profits for coal producers from Q3 of 2021 to 2022 governments, banks, investors, and mining companies worldwide continue to show lack of appetite to increase investment in thermal coal. On the contrary domestic production has been ramped up by countries with reserves to reduce external reliance and to soften the blow increasing prices of natural gas and fossil fuels.
Divestment and Reputation	**Natural gas development in the Philippines** Long term (10+ Years)

Stigmatization of sector, global shift of investors and capital market from coal energy investments, and negative stakeholder feedback.	With the incoming depletion of Malampaya gas field by 2027, the Philippines' reliance on local gas output is expected to come to an end. It is projected that in 2025 onwards the country may exclusively depend on imported LNG. Importation will cause the country to be significantly exposed to price volatility pending long-term supply agreements. Under the country's roadmap for a clean energy scenario, the government aims to transition to a cleaner energy and low-carbon future, which considers increasing the contribution of natural gas power generation as a transition fuel through the establishment of LNG receiving terminals and regasification facilities. To date, seven LNG projects are moving ahead, two of which are slated for commissioning by first half of 2023. SMPC will closely monitor the development of natural gas infrastructure and facilities in the Philippines for its potential impact on our power plant assets. SMPC may also study the cost-benefit of converting the boiler of its coal-fired assets to utilize natural gas. **Greenwashing** Short term (1-5 years) Companies worldwide have been called out for making unsubstantiated or misleading claims about the environmental benefits of a product, service, technology, or practice. As a publicly listed company, we in SMPC will remain vigilant in disclosing our ESG performance and its relative impact on society and maintain transparency at the level which is beneficial for both internal and external stakeholders.
Opportunity	Potential Financial Impact
Resource efficiency Use of more efficient mine equipment and modes of transport, recycling.	**Republic Act 11285 Energy Efficiency Law** Short term (1-5 years) Improved profitability through operational cost-efficiency. Since 2021, we have reduced around 22.54 million kilowatt hours of electricity through our implemented energy efficiency and conservation projects.
Energy source Diversification through the implementation of pilot renewable energy projects.	**Carbon Capture Utilization and Storage (CCUS)** Long term (10+ Years) Consistent with the Coal Road Map of DOE, SMPC is currently monitoring the development of CCUS projects, especially those that reside within the vicinity of the ASEAN region. In the event of carbon tax implementation in the Philippines. SMPC's need to avail of CCS projects will be accelerated. In terms of direct emissions, more than 70% is attributable to our power segment, making it exposed to this policy/legal risk. **Biomass Co-firing in Coal Power Plants** Short term (1-5 years)

	SMPC is monitoring companies implementing the technology in Indonesia, South Korea, and Japan. Benchmark data on operational efficiency and emission reduction potential can be used to assess the feasibility of each type of biofuel including its local supply. In the Philippines biomass resources includes rice (hull, and straw), corn (cobs, and stalks), coconut (shell, husk, and fronds), sugarcane (bagasse) and manure (hog and chicken). SMPC currently operates CFB plants in Calaca, Batangas, and Caluya, Antique. CFB are common test technology for cofiring.
Resilience Financing and investment requirements for long-lived fixed assets	**Energy Transition Mechanism (ETM)** Long term (10+ years) With the shift in initial Asian Development Bank (ADB) concept of an “acquire and retire” model to a “refinance and accelerate retirement model” landmark ETM agreements in the Philippines and Indonesia have been gaining traction in 2022. Although not being considered as an opportunity at present, SMPC will continue to monitor the development of the program as it matures and becomes viable for our thermal powerplant assets in the future.
Products and services Potential for new product	**Gasification. Converting coal to dimethyl ether (DMS), a substitute for Liquified Petroleum Gas (LPG)** Short term (1-5 years) SMPC will closely monitor the development of this technology for its potential for diversification, product development, and a window for SMPC’s transition towards the low carbon economy.

5. ENVIRONMENT

Energy

We manage our energy consumption responsibly, and we monitor our energy usage for heavy equipment, power generating facilities, and other resources. Our cost-efficient energy-saving upgrades have also aligned us closer to ISO 50001 Energy Management System standards and allowed us to comply with Republic Act 11285 or the Energy Efficiency and Conservation Act. Our coal segment also completed its first external energy audit in December 2022.

In 2022, we saved around 12.27 million KwH of electricity. This achievement was made possible through continued boiler water conditioning, condenser vacuum improvement for Unit 3, mechanical stoker improvement, rainwater collection, and replacing desktop units to laptops.

Reduced water seepage in 2022 decreased our total energy usage for the Coal segment by 2%, or approximately 230 thousand GJ as compared to 2021. Total power generated by our power plants in Calaca, Batangas, fell by 6%, or 911 thousand GJ versus the prior year. This was due to the unplanned shutdown of Unit 2, which also lessened the Power segment's consolidated operating hours by 7%.

Energy Source (In millions, GJ)	2022	2021	2020
Renewable	-	-	-
Non-Renewable (Includes gasoline, diesel, bunker fuel, coal & oil)	23.37	24.53	26.01
Electricity Consumption	1.17	1.34	0.56
Electricity Sold	12.96	14.54	15.86
Total Energy Consumption	11.57	11.33	10.71

Water and Effluents

Using water prudently helps us minimize our impact on the water resources we share with our local communities. Through water management practices, we ensure equitable access to water supply in the areas where we operate. We regularly monitor and test our water resources to ensure that our water sustainability practices are effective.

We withdraw water from several adjacent sources before treating and using it. To get water for our power-generating steam turbines, we demineralize river water. Through our desalination plant at Semirara Island, treated water is used to generate power or for domestic use by our employees. Before we discharge our water into the sea, it also undergoes treatment.

Semirara Mine Site

To lessen our freshwater usage, we tap alternative water sources. These sources include a rainwater collection system that accumulates water reserves in Sanglay, which provide for our operational and administrative needs at the mine site.

The overall increase in surface water withdrawal was mainly due to the additional households from our newly hired equipment operators and the needs of our agro model farm.

Our rainwater collection systems continued to decrease the stress on groundwater resources as we withdrew more than 2.16 Megaliters of water in 2022. We also completed the installation of rainwater collectors for five schools and daycare centers. Moving forward, we aim to replicate this initiative in other schools of the host municipality.

Calaca Power Plant Site

With lower gross generation, the power segment's water withdrawal went down by 14% in 2022. Despite the prolonged shutdown of Unit 2, the complex was able to prevent major water leaks throughout the year. To maintain the integrity of tubes and prevent corrosion, we continued to conduct fill and drain procedures for Unit 2.

Effluents Management

To reduce our water-related impacts, we use pollution control facilities to treat our effluents. Our water treatment processes comply with Republic Act No. 9275 (Clean Water Act) and DENR Administrative Order No. 2016-08 (Water Quality Guidelines and General Effluent Standards of 2016).

Most of our water discharge is from our power plants' cooling water. Our Calaca Plant has facilities to treat this water discharge, such as its neutralization pond, oil-water separator pond, and coal sedimentation pond. In our mining facilities, we treat wastewater using the following facilities: pocket sumps, settling ponds, cooling canals, and oil and water separators. Through our treatment process, we return about 95% of the water withdrawn from Balayan Bay, Batangas, and 92% from Ilugao Bay, Semirara Island. The small percentage of unreturned water is caused by condensation and unaccounted water use from sources such as cleaning and fire hydrants.

New facilities for wastewater treatment were installed during the year. We opened two settling ponds for the Narra and Molave pits to intercept silt generated from mining operations. We also operated our new septage treatment plant that will manage the sludge from operations and support facilities like housing and offices.

We periodically assess and monitor our effluents through in-house monitors and third-party monitoring. Our environmental unit monitors the quality of our effluents monthly, while on a quarterly basis, this is done by a DENR-accredited third party. The results of these assessments are validated by a Multi-partite Monitoring Team (MMT).

In 2022, we successfully conducted all third-party ambient and effluent quality monitoring activities. Our power segment also performed an internal water leak audit each month to ensure that withdrawn water was used efficiently.

Water withdrawal (in Megaliters)

Coal Operations	2022	2021	2020
Surface Water			
Bunlao Spring	193	98	140
Sanglay Spring	1,304	1,202	366
Sanglay Lake	559	549	441
Rainwater collection system	2.16	2.71	0.66

Ground Water			
Puntod Deep Wells	51	58	164
Unong Deep Wells	-		-
Fresh Water Well No. 6	57		129
Sea Water			
Ilugao Bay	36,123	36,876	32,654
Third-Party	-		-
Total	**38,290**	**38,785**	**33,896**

Power Operations	2022	2021	2020
Surface Water			
Dacanlao River	1,291	1,790	1,326
Ground Water			
Groundwater	52	42	92
Sea Water			
Balayan Bay*	770,852	893,991	905,987
Third-Party	-	-	-
Total	**772,195**	**895,823**	**907,405**

Corporate Office	2022	2021	2020
Third party	1.46	1.32	1.43

Water Consumption (in Megaliters)	2022	2021	2020
Coal Operations	2,364	2,346	2,255
Power Operations	1,344	1,823	1,408
Corporate Office	0.33	0.29	0.28
Total	**3,708**	**4,170**	**3,664**

Water Discharge

Water Discharge (In Megaliters)	Discharge	Location	2022	2021	2020
Coal	Sea Water	Ilugao Bay	35,926	36,439	31,640
Power	Sea Water	Balayan Bay	770,852	894,000	905,997
Corporate	Drainage	Makati City	1.13	1.04	1.12
Total			***806,779**	**930,440**	**937,637**

**The majority represents cooling water returned to Balayan and Ilugao Bay. Also includes effluents from the desalination plant in Semirara Island.*

Materials

The DOE's Coal Operating Contract No. 5 authorizes us to prudently explore, develop, and extract coal resources in Semirara Island. We use coal as a primary product and as a source of low-cost energy. Aside from coal, our power plants also use gasoline and diesel.

We have a number of strategies for storing our materials safely. Our power segment stocks the lowest amount of coal possible to be able to meet market and customer demands. This method of coal stocking prevents coal-related hazards, spontaneous combustion, and waste control. We also store our diesel and gasoline at our restricted fuel depot in Semirara Island to support operational requirements and mitigate supply chain disruption.

Our non-renewable materials usage in tons and liters decreased by 1% and 2%, respectively. The prolonged shutdown of Unit 2 in 2022 caused a great decline in materials used that are crucial to power plant operations, including coal, oil, and limestone. There was also a 3.4-million-liter decrease in fuel consumption because of the temporary halt of operation in the Narra pit during the first quarter of 2022. Moreover, our diesel-fed mining equipment operated at a longer period in higher elevation at the Molave pit.

Materials Used by Weight or Volume	Unit	Description	2022	2021	2020
Renewable	tons / liters	None	-	-	-
Non-Renewable	In millions, tons	Coal, light and heavy oil, limestone, hydrazine hydrate, and liquefied petroleum gas (LPG)	2.8	2.8	3.2
	in millions, liters	Diesel, and gasoline	221.8	225.6	219.1

Biodiversity

We focus on optimizing carbon sequestration, restoration, and biodiversity offsets. We help re-establish biodiversity of affected ecosystems and habitats in rehabilitated areas. We seek multistakeholder partnerships to promote climate resilience and action.

The Semirara Marine Hatchery Laboratory (SMHL) is our flagship program for marine biodiversity. Established in 2010, the facility is dedicated to spearheading marine rehabilitation efforts and utilizing advanced technology to enhance Semirara Island's marine ecosystem and long-term fishing viability. It is one of the few facilities worldwide which propagates bivalve mollusks and is the only private facility in the Philippines that breeds eight species of giant clams. Our giant clam propagation program was a runner-up in the ASEAN Energy Awards in 2015.

We collaborate and engage with local government units, government agencies, and communities to protect and enhance sustainable marine life in the Marine Protected Areas and sanctuaries of Semirara Island; Barangay Carenahan, Batangas; and the Dacanlao and Cawong Rivers.

We engage with our stakeholders on biodiversity topics through on- site Information, Education, and Communication (IEC) campaigns. Moreover, we monitor the impact of our business activities on marine ecosystems through our Marine Ecology Assessment and with the help of stakeholders who monitor the surrounding coastal environment.

Our power subsidiaries, SCPC and SLPGC, provided training sessions for Barangay Carenahan sea patrollers to strengthen their skills in assessing the health of the reefs in Balayan. We also conducted capacity- building sessions on overfishing prevention and seaweed farming as an alternative livelihood. Our Cawong and Dacanlao River clean-ups have been held in partnership with the DENR-EMB Region IV-A and local communities since 2012. We performed six river and four coastal clean-up activities in 2022.

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	None	
Habitats protected or restored	*	ha
IUCN[3] Red List species and national conservation list species with habitats in areas affected by operations	**(list)	

**See table 1 for details*
***See table 2 for details*

Table 1: Summary of Protected Areas Established in Caluya Antique, Calaca & Balayan, Batangas

HABITATS PROTECTED OR RESTORED *(304-3)*	Area (in hectares)
Semirara Island, Antique	
Marine Protected Area (MPA), Barangay Tinogboc, Caluya, Antique	49.77
Marine Protected Area (MPA), Barangay Alegria, Caluya, Antique	87.95
Marine Protected Area (MPA), Barangay Semirara, Caluya, Antique *Including the Semirara Marine Hatchery and Laboratory*	150.00
Biodiversity Conservation Center	2.00
Mangrove Sanctuary, Magtang River, Barangay Harigue, Sibay Island, Caluya Antique	4.00
SMPC Reforested Areas	1,141.08
Mangrove Forests, Semirara Island	192.32
Total	**1,627.12**
Calaca and Balayan, Batangas	
Dacanlao and Cawong Rivers*	0.16
Marine Protected Area, Barangay Carenahan	6.57
Total	**6.73**
Grand total	**1,633.85**

**Estimated adopted riverbank is 3 kilometers*

Table 2: IUCN Red List species and national conservation list species with habitats in areas affected by operations – Semirara Island, Caluya, Antique

IUCN Red List	COMMON NAME	SCIENTIFIC NAME
Least Concern	Agoho	Casuarina equisetifolia
Vulnerable	Molave	Vitex parviflora
Vulnerable	Kalingag	Cinnamomum mercadoi
Vulnerable	Philippine duck	Anas luzonica
Least Concern	Philippine hanging parrot	Loriculus philippensis
Near Threatened	Long-tailed macaque	Macaca fascicularis ssp. philippensis

Mine Rehabilitation

In 2022, we completed the largest and fastest open pit mine rehabilitation in the Philippines. Following the Panian pit's closure in 2016, we expedited the South Panian pit's rehabilitation, completing the process in under two years instead of the original 10-year plan. This remarkable accomplishment earned SMPC the ASEAN Energy Award in 2021.

[3] International Union for Conservation of Nature

Transforming the mined-out area from an elevation of 260 meters below sea level to 5 to 11 meters above sea level, we have cultivated a rolling terrain with over 400,000 seedlings of endemic and native trees.

We undertake a responsible, science-based program that ensures sustainable restoration and beneficial land use after mining operations have ceased.

Panian Mine Rehabilitation	
Total rehabilitated area	400 ha
Manhours	11.5 million
Total volume of backfilled materials	452 million BCM

North Panian Mine	
Area	234 Ha
Volume of backfilled materials	304 million, BCM
Elevation after backfilling	40 Meters above sea level
Elevation prior to backfilling	-260 Meters above sea level
Rehabilitation spend	PhP 1.66B

South Panian Mine	
Surviving trees planted	418,657
Captive bird reintroduced	66
Backfilling cover	100%

Emissions

We monitor our emissions through a management system that is founded on globally accepted frameworks, strengthened through technology, and made efficient by control facilities. We monitor our GHG emissions. We control levels of particulate matter and pollutants such as nitrogen oxides (NOx), and sulfur oxide (SOx) using technology. Our equipment for controlling emissions includes electrostatic precipitators, limestone injections, wet scrubbers, cyclone separators, and covered coal yards. For our mining operations, we manage fugitive emissions, by using watering sprinklers, dust suppressors, mobile water trucks, and atomizers.

We monitor stack emissions for Units 1, 3, and 4 during the year. Meanwhile, the monitoring of Unit 2's stack emissions resumed in the second half of the year after its repair activities.

Meanwhile, our coal mining seepage control program resulted in lower manageable water levels through continued water pumping maintenance and supplemental grouting at a lesser scale. These strategies consequently reduced 1% of power plant emissions compared to those of last year.

Our primary emission contributor was fugitive emissions, taking up 46% of our total emissions. Meanwhile, mine truck and shovel operations were responsible for 34% of our emissions.

Our power segment's GHG Scope 1 emission decreased by 6% in 2022, owing to a 1% decline in materials and a 13% decline in electricity consumption.

We seek opportunities to optimize our operations, manage energy consumption, and incrementally reduce our GHG emissions. Our Energy Efficiency & Conservation (EEC) projects resulted in a 17,900

tCO_2e reduction during the year. Another project in the pipeline is the installation of a low vacuum economizer for Unit 1, with a target emissions reduction of around 100,000 tCO_2e.

Aside from engineering interventions, we are keen on pursuing partnerships with local or foreign organizations to expand our nature-based carbon sequestration initiatives and offsets.

GHG Emission Accounting

In 2022, We established our baseline Scope 3 GHG emissions as a step towards the development of a carbon transition plan. We identified our material Scope 3 categories using information from a series of company-wide activities and engagements such as workshops, document reviews, interviews, and technical training. Our calculation for our baseline Scope 3 emissions includes carbon dioxide (CO_2), methane (CH_4), and nitrous oxide (N_2O). Including these compounds in our baseline is aligned with our calculations of our Scope 1 and 2 emissions.

Our GHG accounting practices follow these standards:

- ISO 14064-01:2018 Standards
- Greenhouse Gas Protocol Standards
- Intergovernmental Panel on Climate Change (IPCC) Guidelines
- Ambient and Source Emissions Standards

Emission factors and global warming potential (GWP) rates used were sourced from the following:

- IPCC's Fifth Assessment Report
- Science Based Targets' Setting 1.5C-aligned Science-based Targets: Quick Start Guide for Electric Utilities
- The Carbon Disclosure Project

	2022	2021	2020
*Direct (Scope 1) GHG Emissions (In millions, tCO_2e)	5.54	5.80	6.31

** Direct GHG emissions from source that are owned or controlled by SMPC, including emissions generated by its power plants, coal stockyard, and mining equipment.*

Type	2022	2021	2020
**Energy indirect (Scope 2) GHG emissions (In tCO_2e)	21,926	18,506	15,210

***Indirect GHG emissions from purchased electricity*

Type	2022
***Other indirect (Scope 3) GHG emissions (In millions, tCO_2e)	31.12

****All indirect emissions not included in Scope 2 that occurs in SMPC's value chain, including upstream and downstream emissions*

Wastes

Our solid waste management program and practices aim to promote circularity, the sustainable use of natural resources, and the safe disposal of waste materials. Our comprehensive waste management process covers waste generation, segregation, collection, and disposal.

Coded trash bins are placed inside our workplaces to promote waste segregation. Here, we collect the recyclables in the Materials Recovery Facilities (MRF) before being sold to recyclers. Aside from MRFs and storage facilities, we maintain our composting facility for biodegradable materials.

Our commitment to sustainable business practices is evident in our use of locally available materials, such as coal fly ash and bottom ash. By repurposing these materials, we not only reduce our environmental footprint but also contribute to a more circular economy within the mining industry.

Our Power segment's waste management practices include the efficient collection of its coal fly ash for repurpose of a third-party company. Coal fly ash is reused as a sustainable alternative to traditional concrete and cement admixture. Waste is minimized, thus conserving the use of natural resources and avoiding an environmentally costly end-product.

Coal (In tons)

Waste composition	Waste generated	Waste diverted from disposal	Waste directed to disposal
Hazardous	1,700	1,587	130
Nonhazardous	970	626	345

Power (In tons)

Waste composition	Waste generated	Waste diverted from disposal	Waste directed to disposal
Hazardous	37.17	-	20.61
Nonhazardous	33.88	14.05	15.14

<u>Supplier Environmental Assessment</u>

We accredit suppliers through an environmental assessment based on ecological and social criteria. We consider the sustainability of each supplier's waste management strategies, procurement practices, energy-saving technology, if any, and other efforts to lessen their environmental footprint.

<u>New Suppliers Screened Using Environmental Criteria</u>

There were 7 new suppliers screened using environmental criteria as part of our supplier accreditation process in 2022.

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:
http://www.semiraramining.com/corporate_governance/content/Supplier_and_Contractor_Policy

Do you consider the following sustainability topics when accrediting suppliers?

Disclosure	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	Y	• Criteria per Supplier Accreditation • Our Expectations of Suppliers, Contractors, and Business Partners
Forced labor	Y	
Child labor	Y	
Human rights	Y	
Bribery and corruption	Y	

6. SOCIAL

Employment

Our employees are our most valuable asset. Our human resources strategy is focused on developing our people to lead, excel, and deliver. We aim to empower and equip our workforce with the relevant competencies to achieve our business objectives.

We maintain an employee value proposition of providing career opportunities for growth and development in our organization, as well as competitive rewards and benefits that are aligned with individual performance and business performance.

We enable our people to perform consistently and competently in a competitive landscape by fostering a fair, judicious, and merit-based work culture that is inclusive and collaborative. We recruit, train, and compensate our workforce to strengthen organizational efficiency, accelerate skills development, and enhance employee performance.

Employee Data

Disclosure	Quantity	Units
Total number of employees[4]	4,381	
a. Number of female employees	310	#
b. Number of male employees	4,071	#
Attrition rate[5]	0.10	rate
Ratio of lowest paid employee against minimum wage	1:1	ratio

New Employee Hires and Employee Turnover

News hires breakdown	Coal	Power	Consolidated
By Age Group			
Under 30 years old	419	27	446
30-50 years old	289	89	378
Over 50 years old	18	6	24
Total	**726**	**122**	**848**
By Gender			
Male	626	120	746
Female	100	2	102
Total	**726**	**122**	**848**
By Region			
Luzon	106	121	227
Visayas	449	0	449
Mindanao	171	1	172
Total	**726**	**122**	**848**

Turnover breakdown	Coal	Power	Consolidated
By Age Group			

[4] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)

[5] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

Under 30 years old	228	3	231
30-50 years old	127	8	135
Over 50 years old	32	13	45
Total	**387**	**24**	**411**
By Gender			
Male	327	20	347
Female	60	4	64
Total	**387**	**24**	**411**
By Region			
Luzon	60	24	84
Visayas	236	0	236
Mindanao	91	0	91
Total	**387**	**24**	**411**

Employee Benefits

	Minesite		Power		Corporate	
	Percentage of male employees who availed:	Percentage of female employees who availed:	Percentage of male employees who availed:	Percentage of female employees who availed:	Percentage of male employees who availed:	Percentage of female employees who availed:
Life insurance	0.40%	0%	0%	0%	0%	0%
Health care (aside from PhilHealth)	4%	1%	98%	97%	3%	9%
Disability and invalidity coverage	0%	0%	0%	0%	0%	0%
Parental leave	2%	6%	0%	0%	2%	2%
Retirement provisions (aside from SSS)	1%	0%	2%	5%	0%	0%
SSS	42%	27%	18%	20%	7%	10%
PhilHealth	6%	5%	1%	2%	3%	9%
Pag-Ibig	24%	10%	18%	11%	5%	3%
Vacation leaves	21%	14%	90%	98%	65%	60%
Sick leaves	29%	21%	91%	67%	52%	41%
Housing assistance (aside from Pag-Ibig)	5%	7%	0%	0%	0%	0%
Stock ownership	0%	0%	0%	0%	0%	0%
Further education support	0%	0%	1%	2%	0%	0%

Telecommuting	0%	0%	0%	0%	5%	0%
Flexible working hours	0%	0%	0%	0%	100%	100%
Bereavement	0.60%	1%	2%	3%	3%	2%

Training and Development

SMPC implements training needs assessments to create skills development plans and interventions tailor-fitted to the current needs of our employees.

Our interventions include training, shadowing, coaching, mentoring, on-the-job practice, and stretch assignments. Managers regularly revisit individual employee development plans set at the start of the performance year to ensure the alignment of interventions and the progress of their employees.

The increase in average training hours was due to implementation of hybrid learning set up in 2022 across all sites. This way, employees can join live sessions anywhere using mobile devices. We also have an E-Learning Management System that allows employees to take training courses at their own pace.

SMPC's talent review process is designed to prepare potential candidates to become leaders and subject-matter experts. We also conduct regular talent reviews and training evaluation to gauge our employee's development. Furthermore, our performance management system comprehensively measures productivity, competency, compliance, and other areas for development of employees at all levels in the organization.

Average Training Hours Per Employee Per Gender

Disclosure	Quantity	Units
Total training hours provided to employees	429,702	Hours
Average training hours provided to employees	98	Hours
a. Female employees	101	hours/employee
b. Male employees	87	hours/employee

Labor/Management Relations

We care about our employees' physical, interpersonal, and emotional well-being at work. We have a roster of well-being programs includes the following:

- COVID-19 Awareness and Prevention Campaign
- Code of Conduct and Discipline Annual Orientation
- Virtual Town Hall Meeting
- Government Benefits Awareness
- Share A Love Program
- River and Coastal Cleanup
- LEAP (Leadership Engagement to Accelerate Performance)
- Project Wellness
- Employee Recognition Year end awards

We believe in fostering a workplace culture where everyone feels they are heard. Good communication across the organization is cultivated by maintaining an active internal communications system. Regularly communicate company milestones, organizational announcements, and relevant industry updates in our internal channels to keep everyone well-informed. Additionally, we conduct employee engagement activities to mitigate job strain and foster collaboration. Leaders also provide feedback through team huddles, as often as needed, and share relevant organizational updates through an annual town hall session.

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	0.53	%
Number of consultations conducted with employees concerning employee-related policies	1	#

Occupational Health and Safety

SMPC promotes a culture of safety in the workplace, with both the coal and power segments adhering to the following ISO standards: 45001:2018 since 2020. This safety standard aims to improve our occupational safety and health (OSH) measures.

We recognize the risks involved in the nature of our business and seek to reduce work-related incidents by improving our workplace with careful risk monitoring and assessments, implementing safety mechanisms and procedures, and regular monitoring with external assurance. We strategically allocate our resources to ensure that our safety and health standards are met.

Guided by risk assessments conducted regularly by our Occupational Health (OH) team, SMPC addresses health hazards from chemicals, fumes, dust, and noise through site implementations of dust suppression systems, fume hoods, work schedule adjustments, and wearing personal protective equipment. SMPC culture of safety is instilled in our employees through safe work practices and sufficient training hours in preparation for on-site responsibilities.

Work-Related Injuries

Disclosure	Quantity	Units
Manhours worked	18.64	Million Man-hours
No. of work-related injuries	63	#
No. of work-related fatalities	0	#
No. of work-related ill-health	121	#
No. of safety drills	82	#

Local Community

We maintain good relationships with our host communities, and our 5 Es Social Development Program (SDP) centers on social inclusion and promoting the sustainable growth of Semirara Island's economy. Our programs are all geared towards upholding long-term self-sufficiency for our host communities. We aim to lessen poverty by improving food security, skills training, nutrition, and family income. We also aligned our SDP to the Barangay Development Plans (BDPs) in Semirara Island to remain relevant to the sustainable development needs of our stakeholders.

We are constantly looking for ways to upscale and accelerate our livelihood projects, especially for fisherfolks, seaweed farmers, women, and those most vulnerable to COVID-19. We hold regular consultations with our stakeholders to evaluate the programs and look for collaboration opportunities. With continuity being a key factor in the success of social development, we tap into other possible capacity-building programs for target beneficiaries.

Operations with Local Community Engagement, Impact Assessments, and Development Programs

We have implemented local community engagement, impact assessments, and/or development programs in all operational sites of our Coal and Power segments.

Operations with Significant Actual and Potential Negative Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (If applicable) *	Does the particular operations have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Job creation	• Semirara Island, Caluya, Antique • Calaca, Batangas	Persons with disabilities Elderly Solo parents BOP; Class D and E	N	None identified	The hiring of competent local applicants
Earth moving activities from coal mining	• Semirara Island, Caluya, Antique		N	None identified	• Mine rehabilitation • Reforestation • Pocket sumps and settling ponds to mitigate potential siltation.
Power generation	• Semirara Island, Caluya, Antique • Calaca, Batangas	Children and youth Elderly Persons with disabilities Solo parents BOP; Class D and E	N	None identified	Electricity produced is shared with local communities in the island. Installation and operation of pollution control facilities to mitigate emission and discharge. Provide electricity to the Luzon and Visayas grid. Installation and operation of pollution control facilities to mitigate

					emission and discharge. Completed the life extension program for Units 1 and 2
Desalination Plant	• Semirara Island, Caluya, Antique	Children and youth Elderly Persons with disabilities Solo parents BOP; Class D and E	N	None identified	Water produced by our desalination plant for our employee & industrial needs minimizes impact on community ground water resource
SME growth	Semirara Island		N	None identified	Support local suppliers for inclusive growth.

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: None

Certificates	Quantity	Units
FPIC process is still undergoing	Not applicable	#
CP secured	Not applicable	#

Customer Health and Safety

As part of our customer health and safety thrust, we provide access for inspection of our facilities, coal production, and loading procedures. For transparency, we also allowed customer visits during the year and ensured their safety through proper protective equipment and adherence to travel and site safety protocols.

Immediate concerns of customers include the potential risk of foreign materials and the high moisture content of coal deliveries. For potential risk of foreign materials, a combination of controls to prevent metals, such as crusher installation and metal detectors, are done. Maintaining moisture content is attainable through managed loading during the rainy season.

If more information about our processes is necessary, our coal stockyard management orientation informs our customers about the management and designs of our coal stockpiles, along with our preventative measures.

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	4	#
No. of complaints addressed	4	#

*Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.

Emergency and Disaster Resilience

To mitigate disasters and accidents, our Emergency Preparedness and Response (EPR) plan includes disaster resilience measures that involve key stakeholders, regulators, and first responders in our drills.

To comply with the prevailing quarantine protocols in 2022, our Corporate Office EHSS Committee shifted towards tabletop and virtual EPR drills to refresh emergency preparedness knowledge while maintaining a safe distance from other attendees. We also extend our safety and health protocols to the community. Our ERT assesses the community's disaster resilience needs and joins the local Barangay Disaster Operation Center (BDOC) in sharing safety practices.

	No. of drills
Emergency Preparedness & Response (EPR) Drills Conducted in 2022	82

Diversity and Equal Opportunity

We ensure equal employment opportunities and do not discriminate based on gender, race, age, religion, and physical abilities. Our gender demographic imbalance is attributed to the nature of our operations.

Disclosure	Quantity	Units
% of female workers in the workforce	7	%
% of male workers in the workforce	93	%
Number of employees from indigenous communities and/or vulnerable sector*	21	#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

Security Practices

SMPC operates critical energy installations that fuel both local and foreign supply chains. Operations of this scale & magnitude require fit-for-purpose security services for the protection of its people and assets.

All internal and external security personnel are to conform with relevant regulations and be trained in the aspects of providing security services including respecting the human rights of employees, business partners, and host communities.

	Percentage
Security personnel trained in human rights.	85%

7. UN SUSTAINABLE DEVELOPMENT GOALS

We answer the call to contribute towards sustainable development and address global social and environmental issues. We aim to prioritize sustainability programs that enhance the positive impacts and mitigate the negative impacts of our operations.

Product or Service Contribution to UN SDGs

Key products and services and their contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Coal and Energy	**SDG 7- Affordable and Clean Energy** • SMPC contributes to the country's progress by providing base load power that is affordable.	• Our vertically integrated coal energy operations result to significant CO_2 emissions. • Our coal mining operations require extraction activity that affects land use, biodiversity and water resources in the affected areas.	• Two of our four power plant units utilize Circulating Fluidized Bed (CFB) technology which results to lower emission of pollutants. • We comply with the environmental, safety and health conditionalities, standards and limits prescribed by the Department of Energy and the DENR. • We undertake progressive mine rehabilitation through backfilling and reforestation. • We adopt a science-based land restoration program that includes land function analysis, carbon stocking through terrestrial and mangrove reforestation, and biodiversity projects, among others.

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of their subsidiaries may be disclosed.*

8. ADDITIONAL TOPIC AND DISCLOSURE

Socioeconomic Compliance

To meet our stakeholder obligations, we operate ethically and responsibly. We comply with external mandates, and our internal regulations focus greatly on the economic, environmental, and social aspects of our operations. Our Governance, Risk, and Compliance (GRC) framework also helps us uphold fair governance and robust risk management.

We hold regular stakeholder consultations through our Multi-partite Monitoring Team (MMT) established pursuant to our DENR- Environmental Compliance Certificate (ECC). We also publish annual and quarterly reports to the DOE, Energy Regulatory Commission (ERC), and other regulators and commit to balanced reporting.

We comply with rules imposed by the industry regulators and the DOE along with our ECC. In showing leadership through transparency, we report incidents of non-compliance to the relevant government bodies and regulators.

Case Reference	Case Description	Status
EMB Case No. 2022-04-0501	SMPC received a DENR Order docketed as "In the Matter of Administrative Violation of Presidential Decree No. 1586 [Establishing an Environmental Impact Statement System, Including Other Environmental Management Related Measures and for Other Purposes] and its Implementing Rules and Regulations; Semirara Mining and Power Corporation, Respondent, EMB Case No. 2022-04-0501." The order directed SMPC to settle the fine of One Million Four Hundred Thousand Pesos (PHP1,400,000.00) within fifteen (15) days for the alleged violation of its Environmental Compliance Certificate (ECC) terms and conditions with reference no. ECC-CO-2001-0001.	SMPC paid a penalty amounting to PhP 1.4M

SEMIRARA MINING AND POWER CORPORATION

SEC 17-A Annex B
Corporate Governance Disclosures
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1. **Board of Directors' Responsibility for Internal Controls and Risk Management Systems**

SEMIRARA MINING & POWER CORPORATION

SEMIRARA MINING AND POWER CORPORATION

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

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

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

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

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

February 27, 2023

Isidro A. Consunji
Chairman and Chief Executive Officer

Antonio Jose U. Periquet, Jr.
Audit Committee Chairperson

Rogelio M. Murga
Risk Committee Chairperson

2. 2022 Attestation of Internal Control and Compliance System

SEMIRARA MINING & POWER CORPORATION

2022 ATTESTATION OF INTERNAL CONTROL AND COMPLIANCE SYSTEM

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

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

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

ISIDRO A. CONSUNJI
Chairman and Chief Executive Officer

MARIA CRISTINA C. GOTIANUN
President and Chief Operating Officer

JUNALINA S. TABOR
Senior Vice President, Chief Risk, Compliance, and Performance Officer

LEAH ANNE A. AGDUYENG
Internal Audit Head

3. Audit Committee Annual Report to the Board of Directors 2022

SEMIRARA MINING & POWER CORPORATION

SEMIRARA MINING AND POWER CORPORATION

AUDIT COMMITTEE REPORT TO THE BOARD OF DIRECTORS
For the Year Ended December 31, 2022

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

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

In 2022, the Audit Committee accomplished the following in compliance with its Charter:

1. The members of the Audit Committee are composed of three (3) Board members, all are Independent Directors.
2. The Chairman of the Audit Committee is an Independent Director.
3. The Committee had six (6) full Committee meetings on February 3, February 22, May 6, August 2, September 20, and October 28, 2022, which included a private session with the external audit SGV Partner on February 22, 2022.
4. Recommended to the Board the reappointment of SGV & Co. as external auditor in 2022 based on SGV's performance, independence, qualifications and with due regard of Management's feedback.
5. Discussed with SGV team the audit areas of emphasis, related party transactions, and fraud, if any.
6. Reviewed and approved SGV's 2022 SGV engagement plan, scope, and fees.
7. Discussed with SGV and Management significant financial reporting issues, audit observations, audit engagement plan and overall quality of the financial reporting process as well as regulatory updates in financial and tax reporting.
8. Reviewed, approved and endorsed for Board approval the quarterly unaudited and annual audited consolidated financial statements of Semirara Mining and Power Corporation and its Subsidiaries as of and for the year ended December 31, 2022, ensuring that financial statements are in accordance with the required accounting and reporting standards

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

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

11. Discussed with Internal Audit (IA) in a private session on September 20, 2022 the specific areas of concerns and challenges regarding compliance requirements.

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

13. Reviewed and discussed IA's 2021 annual report and results of assurance engagement work done during the period.

14. Reviewed and approved IA's 2022 risk-based Annual Plan for SMPC Group, work activity, budget, resources and continuing professional development plan including subsequent revisions.

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

16. Conducted evaluation of the internal audit function and the Internal Audit Head's performance for improvement and effectiveness; and noted the 2021 Attestation of Internal Controls and Compliance and IA's 2021 Organizational Confirmation Independence.

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

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

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

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

21. The Committee Chairman and members attended the virtual Annual Stockholders' Meeting on May 2, 2022.

Based on the reviews and discussions referred to above, and subject to the limitations on the Committee's roles and responsibilities referred to above, the Audit Committee recommends to the Board of Directors the inclusion of the Company's audited consolidated financial statements as of and for the year ended December 31, 2022 in the Company's Annual Report to the Shareholders and for filing with the Securities and Exchange Commission.

February 27, 2023

Antonio Jose U. Periquet, Jr.
Chairman, Audit Committee

4. Risk Committee Annual Report to the Board of Directors 2022

SEMIRARA MINING AND POWER CORPORATION

RISK COMMITTEE
ANNUAL REPORT TO THE BOARD OF DIRECTORS
For the Year Ended December 31, 2022

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

Members

The Committee, chaired by an Independent Director, is comprised of five (5) Board members, three (3) of whom are Independent Directors.

Meetings

The Committee held two (2) meetings on July 7 and October 11, 2022.

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

Risk Committee

Rogelio M. Murga
Chairperson
Independent Director

Honorio O. Reyes-Lao
Member, Independent Director

Ferdinand M. dela Cruz
Member, Independent Director

Isidro A. Consunji
Member, Executive Director

Maria Cristina C. Gotianun
Member, Executive Director

Work Done and Issues Addressed:

In 2022, the Committee accomplished the following in compliance with its Charter:

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

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

February 27, 2023

Rogelio M. Murga
Chairman, Risk Committee

5. Corporate Governance Committee Annual Report to the Board of Directors 2022

SEMIRARA MINING AND POWER CORPORATION

CORPORATE GOVERNANCE COMMITTEE REPORT TO THE BOARD OF DIRECTORS

For the Year Ended December 31, 2022

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

Members

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

Meetings

During the period, the Committee held four (4) meetings, with a quorum on February 24, March 14, April 4 and October 11, 2022. The meetings were presided by the Committee Chairperson and attended by Corporate Governance, Legal, and Human Resources and Organizational Development key management officers.

Corporate Governance Committee

Honorio O. Reyes-Lao
Chairperson
Independent Director

Rogelio M. Murga
Member, Lead Independent Director

Ferdinand M. dela Cruz
Member, Independent Director

Work Done and Issues Addressed:

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

Nomination and Selection

- Reviewed with the Corporate Secretary the nomination process, criteria, qualifications and final selection of the Board nominees for directorship as stated in the Amended By-Laws, Manual on Corporate Governance and pertinent SEC rules and ensured that they met the requisite qualifications by taking into account their experiences, knowledge and expertise meet the needs of the Board and are aligned to SMPC Group's strategy.

Succession Planning and Leadership

- Reviewed and discussed with management the talent development and quality people retention, succession management and organizational development.
- Reviewed and discussed with management the key management position movements.

- Reviewed the quality of Directors aligned with the SMPC's strategic directions and the specific skills or expertise that they should possess to achieve the Company's strategy, and ensured that these skills are being met.
- Approved the nomination for directorship of the candidates, all being qualified for election at the Company's Annual Stockholders' Meeting.

Governance

- Exercised oversight of the company's corporate governance practices and reviewed the recommendations from the ASEAN corporate governance scorecard.
- Reviewed the proposed amendments to the Corporate Governance Charter to include provisions for oversight of environmental, social and governance (ESG) matters.

Board and Executive Remuneration and Performance Evaluation

- Reviewed Board remuneration
- Reviewed the CEO performance evaluation results including climate-related ESG metrics
- Reviewed the Board of Directors Performance Assessment results.

As a result of its works during the year ended December 31, 2022, the Corporate Governance Committee has acted in accordance with its Board-approved Charter.

February 27, 2023

Honorio O. Reyes-Lao
Chairman, Corporate Governance Committee

6. Shareholdings and Trades of Directors 2022

DIRECTORS AND SENIOR MANAGEMENT	Number of Shares As of Jan. 1, 2022	Acquired	Disposed	Nature of Ownership	Number of Shares As of Dec. 31, 2022
Directors					
Isidro A. Consunji Executive Director, Chief Executive Officer	24,144 24,509,770	- 4,770,000	- -	Direct Indirect	24,144 29,279,770
Jorge A. Consunji Non-Executive Director	500,144 5,175,704	- -	- -	Direct Indirect	500,144 5,175,704
Herbert M. Consunji Non-Executive Director	29,920 -	-	- -	Direct Indirect	29,920 -
Cesar A. Buenaventura Non-Executive Director	142,120 -	50,000 -	- -	Direct Indirect	192,120 -
Josefa Consuelo C. Reyes Non-Executive Director	412,400 8,653,998	- -	- -	Direct Indirect	412,400 8,653,998
Maria Cristina C. Gotianun Executive Director, President and Chief Operating Officer	1,428 23,112,937	- 2,726,600	- 2,624,792	Direct Indirect	1,428 23,214,745
Ma. Edwina C. Laperal Non-Executive Director	4,188 13,572,083	- 1,360,000	- -	Direct Indirect	4,188 14,932,083
Ferdinand M. dela Cruz Independent Director	53,900 -	- -	- -	Direct Indirect	53,900 -
Rogelio M. Murga Independent Director	40,040 -	- -	- -	Direct Indirect	40,040 -
Honorio O. Reyes-Lao Independent Director	1,328,040 682,480	- -	- -	Direct Indirect	1,328,040 682,480
Antonio Jose U. Periquet, Jr. Independent Director	- 4,333,000	- -	- -	Direct Indirect	- 4,333,000
Key Officers					
Junalina S. Tabor SVP & Chief Risk, Compliance and Performance Officer	- -	- -	- -	Direct Indirect	- -
Carla Cristina T. Levina VP & Chief Finance Officer	- -	- -	- -	Direct Indirect	- -
John R. Sadullo VP-Legal & Corporate Secretary	- -	- -	- -	Direct Indirect	- -

Jose Anthony T. Villanueva VP - Marketing for Coal	3,000 55,560	- -	- -	Direct Indirect	3,000 55,560
Ruben P. Lozada VP- Mining Operations & Resident Manager	475,200 -	- -	- -	Direct Indirect	475,200 -
Andreo O. Estrellado VP- Power Market & Commercial Operations	- -	- -	- -	Direct Indirect	- -

7. Related Party Transactions 2022

SMPC's actual related party transactions in 2022 were approved and conducted in arm's length term and within the threshold defined in our Material Related Party Transaction Policy, which is 10% or higher of the Company's consolidated asset based on its latest audited financial statements.

In Million PhP

PARENT/SUBSIDIARIES /AFFILIATES	Coal & Freight	Freight and Logistics	Aviation Services	Operations & Maintenance	Construction & Equipment	Total
Within the Group:						
Sem-Calaca Power Corporation	3,396	-	-	-	-	**3,396**
Southwest Luzon Power Generation Corporation	2,895	-	-	-	-	**2,895**
Others*	2	-	-	-	-	**2**
With Affiliates:						
DMC Construction Equipment Resources, Inc.	313	887	-	351	-	**1,551**
DM Consunji, Inc.	58	-	-	-	125	**183**
DMCI Power Corporation	4	-	-	324	-	**328**
Royal Start Aviation	-	-	72	-	-	**72**
DMCI Masbate Power Corporation	937	-	-	-	-	**937**
Others**	42	-	-	-	-	**42**
Total	**7,647**	**887**	**72**	**675**	**125**	**9,406**

**Advances to non-operating subsidiaries.*

*** Material purchases from Wire Rope Corporation and rental with Asia Industries Inc.*