COVER SHEET

9 1 4 4 7 - - - - - - -

SEC Registration Number

S E M I R A R A   M I N I N G   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   B U I L D I N G
2 2 8 1   P A S O N G   T A M O   E X T E N S I O N
M A K A T I   C I T Y

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

Atty. John R. Sadullo

(Contact Person)

888-3622

(Company Telephone Number)

1 2   3 1

(Fiscal Year)

1 7 - Q

(Form Type)

Month *Day*

(Annual Meeting[1])

(Secondary License Type, If Applicable)

CRMD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

[1] First Monday of May of each year.

SEC Number : 91447
File Number : _________

SEMIRARA MINING CORPORATION
Company's Full Name

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

888-3550 to 888-3565
Telephone Number

For the Period Ending June 30, 2009
Period Ended

QUARTERLY REPORT FORM 17-Q
Form Type

SEC FORM 17-Q

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

1. For the quarter period ended **June 30, 2009**

2. Commission Identification Number **91447**

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

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

   SEMIRARA MINING CORPORATION

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

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

7. Address of issuer's principal office Postal Code

   3rd Floor, DMCI Plaza, 1231
   2281 Chino Roces Avenue, Makati City

8. Registrants telephone Number, including area code:
   +63 2 8883550 to +63 2 8883565

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

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

Title of each class	Number of shares of common Stock Outstanding
Common Stock, P1.00 par value	277,572,800 shares

11. 296,875,000 shares are listed in the Philippine Stock Exchange

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

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

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SEMIRARA MINING CORPORATION
Balance Sheets
As of June 30, 2009

	(Unaudited) 30-Jun-09	(Audited) December 31,2008
ASSETS		
CURRENT ASSETS		
Cash	395,010,287	26,579,217
Short-term Investment	241,688,216	985,829,945
Trade Receivables - net	826,039,026	1,752,706,066
Receivable from Related Parties	17,537,307	6,607,698
Other Receivable-net	120,284,612	117,357,894
Inventories - net	879,946,804	1,383,220,166
Other Current Assets	261,624,378	241,130,039
Total Current Assets	2,742,130,630	4,513,431,025
NONCURRENT ASSETS		
Property, Plant and Equipment - net	1,976,968,703	1,106,064,258
Investment and Advances	248,231,759	223,231,759
Other Noncurrent Assets - net	362,479,067	268,729,876
Total Noncurrent Assets	2,587,679,529	1,598,025,894
TOTAL ASSETS	**5,329,810,159**	**6,111,456,919**
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts and Other Payables	1,533,011,419	1,142,401,450
Current Portion of Long Term Debt	152,161,609	389,233,320
Income Taxes Payable	57,858,482	58,060,461
Dividend Payable		-
Payable to related parties	53,775,824	45,761,873
Customer's Deposit	1,206,858	1,206,858
Total Current Liabilities	1,798,014,192	1,636,663,962
NONCURRENT LIABILITIES		
Long Term Debt - net of current portion	138,824,655	137,065,242
Pension Liability	9,498,998	9,498,998
Asset Retirement Obligation	13,204,317	13,204,317
Deferred Tax Liability	14,125,154	14,125,154
Total Noncurrent Liabilities	175,653,124	173,893,711
TOTAL LIABILITIES	1,973,667,317	1,810,557,673
STOCKHOLDERS' EQUITY		
Capital Stock - common stock	296,875,000	296,875,000
Additional Paid-In Capital	1,576,796,271	1,576,796,271
Retained Earnings	2,011,362,831	2,956,119,235
	3,885,034,102	4,829,790,506
Treasury Shares, at cost	(528,891,260)	(528,891,260)
TOTAL STOCKHOLDERS' EQUITY	3,356,142,842	4,300,899,246
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**5,329,810,159**	**6,111,456,919**

SEMIRARA MINING CORPORATION
Income Statement
For the period ending June 30, 2009 and 2008
For the quarter ending June 30, 2009 and 2008

	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	For the period		For the quarter	
	2009	2008	2009	2008
Revenue:				
Sales	6,355,744,365	4,748,186,813	3,124,302,758	2,584,902,676
Cost of Sales:				
Cost of Coal Sold	4,576,499,954	3,428,928,189	2,128,523,496	1,670,619,475
Shipping, Loading and Hauling Cost	247,651,966	196,265,186	118,602,198	111,694,238
	4,824,151,920	3,625,193,375	2,247,125,694	1,782,313,712
Gross Profit	1,531,592,445	1,122,993,438	877,177,064	802,588,963
Operating Expenses:				
Government Share	633,857,097	433,263,732	376,418,185	368,643,733
General and Adm. Expenses	114,704,752	65,285,737	54,891,010	38,790,122
	748,561,849	498,549,469	431,309,195	407,433,855
INCOME FROM OPERATIONS	783,030,596	624,443,968	445,867,869	395,155,108
Other (Income)Expense				
Other (Income) Charges	(55,562,752)	(49,646,112)	(24,018,960)	(52,458,646)
Interest and Financing Charges	12,452,739	54,254,728	2,626,278	28,158,763
Foreign Exchange (Gain) Loss	(3,926,894)	(18,085,848)	(4,492,619)	(20,035,687)
	(47,036,907)	(13,477,232)	(25,885,302)	(44,335,570)
NET INCOME BEFORE TAX	830,067,503	637,921,200	471,753,170	439,490,678
PROVISION FOR INCOME TAX	109,387,477	194,642,553	57,858,480	136,126,506
NET INCOME AFTER TAX	720,680,026	443,278,647	413,894,690	303,364,171
EARNINGS PER SHARE (EPS)	2.596	1.597	1.491	1.093

Basis of EPS:
EPS = NET INCOME(LOSS) FOR THE PERIOD/NO. OF OUTSTANDING SHARES
Wherein:
Wtd Average Outstanding Shares = 277,572,800 (as of June 30, 2008)

Wtd Average Outstanding Shares = 277,572,800 (as of June 30, 2009)

SEMIRARA MINING CORPORATION
Statement of Changes in Stockholders' Equity
For the periods ended June 30, 2009 and 2008

	(UNAUDITED)	
	2009	2008
CAPITAL STOCK		
Common stock - P1 par value		
Authorized- 1,000,000,000 shares in 2009 and 2007		
Issued and outstanding - 296,875,000 in 2009 and 2008		
Balance at beginning of the quarter	296,875,000	296,875,000
Additional issuance of common stock	-	-
Balance at end of the quarter	296,875,000	296,875,000
ADDITIONAL PAID-IN CAPITAL, beginning of the quarter	1,576,796,271	1,576,796,271
Add: Premium on subscribed capital stock	-	-
Balance at the end of the quarter	1,576,796,271	1,576,796,271
RETAINED EARNINGS		
Appropriated		
Balance at beginning of the quarter	700,000,000	1,500,000,000
Appropriation during the quarter	-	-
Balance at end of the quarter	700,000,000	1,500,000,000
Unappropriated		
Balance at beginning of the quarter, as previously stated	897,468,141	799,634,919
Appropriation during the quarter	-	-
Balance at beginning of the quarter as restated	897,468,141	799,634,919
Net income during the quarter	413,894,690	303,364,171
Dividends		-
Appropriation for future capital expenditures	-	-
Balance at end of the quarter	1,311,362,831	1,102,999,090
	2,011,362,831	2,602,999,090
COST OF SHARES HELD IN TREASURY	(528,891,260)	(528,891,260)
TOTAL STOCKHOLDERS' EQUITY	3,356,142,842	3,947,779,101

SEMIRARA MINING CORPORATION
Statement of Cashflows
For the period ended June 30, 2009 and 2008

	(Unaudited) 2009	(Unaudited) 2008
CASHFLOWS FROM OPERATING ACTIVITIES		
Net income before tax	830,067,502	637,921,200
Prior period adjustment		
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	571,563,886	664,200,541
Interest and financing charges	12,452,739	54,254,728
Loss on disposal/retirement/write-off of assets	(33,863,711)	(44,713,500)
Pension liability provision (net of amortization)	-	
Net unrealized foreign exchange losses	146,405	(20,049,589)
Provision for income taxes		(194,642,553)
Equity in net losses of associates		
Pension Expense	1,501,247	
Interest income	513,026	(30,309,727)
Operating income before working capital changes	1,382,381,094	1,066,661,100
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	912,810,712	(165,237,231)
Inventories	358,661,386	605,843,986
Other assets - financial lease		(699,716,715)
Other current assets	16,837,285	(36,073,681)
Increase (decrease) in:		
Accounts payable and accrued expenses	440,213,675	(627,589,882)
Financial lease liability		603,659,305
Customer's deposit	-	49,602,262
Net cash generated from operations	3,110,904,152	797,149,144
Interest received	(37,844,650)	22,652,611
Income tax paid	(109,589,457)	85,062,868
Interest paid	(63,704,097)	(34,621,713)
Net cash provided by operating activities	2,899,765,949	870,242,910
CASHFLOWS FROM INVESTING ACTIVITIES		
Short term investment placements	-	
Additions to property, plant and equipment	(1,997,785,865)	245,722,770
Additions to investment	(25,000,000)	(144,128,793)
Proceeds from sale of assets	16,180,844	44,713,500
Decrease (Increase) in other non-current assets	(93,749,191)	(1,370,171)
Net cash provided by (used in) investing activities	(2,100,354,212)	144,937,306
CASHFLOWS FROM FINANCING ACTIVITIES		
Loan availment	435,396,446	311,155,756
Repurchased shares of stocks (treasury shares)	-	
Proceeds from sale and leaseback of equipment	717,612,378	754,304,960
Payment of dividend	(1,665,436,428)	(1,017,856,174)
Debt repayment	(670,708,743)	(747,828,411)
Increase (decrease) in payable to related parties	8,013,951	
Net cash provided by (used in) financing activities	(1,175,122,396)	(700,223,869)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(375,710,660)	314,956,347
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,012,409,162	1,650,806,337
CASH AND CASH EQUIVALENTS AT END OF YEAR	636,698,502	1,965,762,684

1. Summary of Significant Accounting policies

Basis of Preparation
The financial statements have been prepared using the historical cost basis. The Company's functional and presentation currency is the Philippine Peso.

Statement of Compliance
The accompanying financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

New PFRS, Amendment to PAS and Philippine Interpretations effective in 2007
The Company has adopted the following new Philippine Financial Reporting Standards (PFRS) and amended Philippine Accounting Standards (PAS) and Philippine Interpretations during the year. Adoption of these revised standards and Philippine Interpretations did not have any effect on the financial statements of the Company. These, however, give rise to additional disclosures.

- PFRS 7 *Financial Instruments: Disclosures*
- PAS 1 *Amendment - Presentation of Financial Statements*

- Philippine Interpretation IFRIC 7 - *Applying the Restatement Approach Under PAS 29, Financial Reporting in Hyperinflationary Economies*
- Philippine Interpretation IFRIC 8 *Scope of PFRS 2*
- Philippine Interpretation IFRIC 9 *Reassessment of Embedded Derivatives*
- Philippine Interpretation IFRIC 10 *Interim Financial Reporting and Impairment*

The principal effects of these changes are as follows:

PFRS 7 - *Financial Instruments: Disclosures*
PFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces PAS 30, *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*, and the disclosure requirements in PAS 32, *Financial Instruments: Disclosure and Presentation*. It is applicable to all entities that report under PFRS.

The Company adopted the amendment to the transition provisions of PFRS 7, as approved by the Financial Reporting Standards Council, which gives transitory relief with respect to the presentation of comparative information for the new risk disclosures about the nature and extent of risks arising from financial instruments. Accordingly, the Company does not need to present comparative information for the disclosures required by paragraphs 31-42 of PFRS 7, unless the disclosure was previously required under PAS 30 or PAS 32. Adoption of PFRS 7 resulted in additional disclosures, which are included throughout the financial statements. Adoption of this standard resulted in the inclusion of additional disclosures such as market risk sensitivity analysis, contractual maturity analysis of financial liabilities and aging analysis of financial assets that are past due but not impaired (Note 28).

PAS 1 *Amendments to - Presentation of Financial Statements*
The amendment to PAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. Adoption of the Amendments resulted to the inclusion of additional disclosures on capital management (Note 28).

Philippine Interpretation IFRIC 7 - *Applying the Restatement Approach under PAS 29 Financial* This Philippine Interpretation requires entities to apply PAS 29, *Financial Reporting in Hyper-inflationary Economies*, in the reporting period in which an entity first identifies the existence of hyperinflation in the economy of its functional currency as if the economy had always been hyperinflationary. This Philippine Interpretation is not applicable to the Company.

Philippine Interpretation IFRIC 8 - *Scope of PFRS 2*
This interpretation requires PFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. The adoption of this Philippine Interpretation will not impact the financial statements as the Company has no share-based payments.

Philippine Interpretation IFRIC 9 - *Reassessment of Embedded Derivatives*
Philippine Interpretation IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Company has no embedded derivative requiring separation from the host contract, the Philippine Interpretation had no impact on the financial position or performance of the Company.

Philippine Interpretation IFRIC 10 - *Interim Financial Reporting and Impairment*
The Company adopted Philippine Interpretation IFRIC 10 as of January 1, 2007, which requires that an entity must not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the Company had no impairment losses in interim period that was reversed, the Philippine Interpretation had no impact on the financial position or performance of the Company.

Future Changes in Accounting Policies

The following are the Philippine Interpretations and accounting standards that have been issued but effective for financial statements after January 1, 2007. The Company did not early adopt this Philippine Interpretations and accounting standards.

- PAS 1, *Presentation of Financial Statements* (Revised) *(effective for annual periods beginning on or after January 1, 2009).* The revised standard requires that the statement of changes in stockholders' equity includes only transactions with owners and all non-owner changes are presented in equity as a single line with details included in a separate statement.

In addition, the amendment to PAS 1 provides for the introduction of a new statement of comprehensive income that combines all items of income and expense recognized in the statement of income together with 'other comprehensive income'. The revisions specify what is included in other comprehensive income, such as actuarial gains and losses on defined benefit pension plans and changes in the asset revaluation reserve. Entities can choose to present all items in one statement, or to present two linked statements, a separate statement of income and a statement of comprehensive income. The Company will assess the impact of the Standard on its current manner of reporting all items of income and expenses.

- PAS 23, *Borrowing Costs (effective for annual periods beginning on or after January 1, 2009)*

The Standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements of the Standard, the Company will adopt this as a prospective change. Accordingly, borrowing costs will be capitalized on qualifying assets with a commencement date after January 1, 2009. The adoption of this standard has no impact on the Company's financial statements.

- Philippine Interpretation IFRIC 11, *PFRS 2 - Group and Treasury Share Transactions (effective for annual periods beginning on or after March 1, 2007).* This Philippine Interpretation requires arrangements whereby an employee is granted rights to a Company's equity instruments to be accounted for as an equity-settled scheme by the Company even if: (a) the Company chooses or is required to buy those equity instruments (e.g. treasury shares) from another party, or (b) the shareholders of the Company provide the equity instruments needed. It also provides guidance on how subsidiaries, in their separate financial statements, account for such schemes when their employees receive rights to equity instruments of the parent. The adoption of this Philippine Interpretation will have no impact on the Company's financial statements.

- Philippine Interpretation IFRIC 12, *Service Concession Arrangements (effective for annual periods beginning on or after January 1, 2008).* This Philippine Interpretation outlines an approach to account for contractual arrangements arising from entities providing public services. It provides that the operator should not account for the infrastructure as property, plant and equipment, but recognize a financial asset and/or an intangible asset. This Philippine Interpretation will not have an impact on the financial statements of the Company since the Company is not involved in providing public services.

- PFRS 8, *Operating Segments (effective for annual periods beginning on or after January 1, 2009).* This amendment was issued as part of the convergence project with the US Financial Accounting Standards Board. This new standard replaces PAS 14, *Segment Reporting,* and adopts a management approach to segment reporting as required in the US Standard SFAS 131 - *Disclosures about Segments of an Enterprise and Related Information*. The information reported would be that which management uses internally for evaluating the performance of operating segments and allocating resources to those segments. This information may be different from that reported in the balance sheet and statement of income and entities will need to provide explanations and reconciliations of the differences. The Company will assess the impact of the adoption of this standard.

- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes (effective for annual periods beginning on or after July 1, 2008).* This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted, and therefore, part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Company expects that this Interpretation will have no impact on the Company's financial statements as no such schemes currently exist.

- Philippine Interpretation IFRIC 14 *PAS 19*, *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after January 1, 2008).* This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under PAS 19 *Employee Benefits*. The Company expects that this Interpretation will have no impact on the financial position or performance of the Company as all defined benefit schemes are currently in deficit.

<u>Revenue Recognition</u>
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sale of coal
Revenue from coal sales is recognized upon delivery when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Revenue from local and export coal sales are denominated in Philippine Pesos and US Dollars, respectively.

Rendering of services
Service fees from coal handling activities are recognized as revenue when the related services have been rendered.

Interest income
Interest income is recognized as interest accrues (using the effective interest 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 asset).

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of changes in value and are free of any encumbrances.

Financial Instruments
Date of recognition
The Company recognizes a financial asset or a financial liability on the balance sheet when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments
All financial assets are initially recognized at fair value. Except for securities at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Company classifies its financial assets in the following categories: securities at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) investments, and loans and receivables. The Company classifies its financial liabilities as financial liabilities at FVPL and other liabilities. The classification depends on the purpose for which the investments were acquired and whether these are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

Determination of fair value
The fair value for financial instruments traded in active markets at the balance sheet date is based on its quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation methodologies. Valuation methodologies include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

Day 1 profit
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 Company recognizes the difference between the transaction price and fair value (a Day 1 profit) in the statement of 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 statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' profit amount.

Loans and Receivables
Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not designated as AFS or financial assets at FVPL. These are included in current assets if maturity is within 12 months from the balance sheet date otherwise; these are classified as noncurrent assets. This accounting policy relates to the balance sheet caption "Short-term cash investments" and "Receivables".

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate and transaction costs. The amortization is included in "Interest income" in the statement of income. The Company's loans and receivables consist mainly of receivable from customers and related parties.

Other financial liabilities
Other financial liabilities include interest bearing loans and borrowings. All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, short-term and long-term debts are subsequently measured at amortized cost using the effective interest method.

Gains and losses are recognized under the "Other income" and "Other expense" accounts in the statement of income when the liabilities are derecognized or impaired, as well as through the amortization process under the "Interest expense" account.

Impairment of Financial Assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss

event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Loans and receivables

For loans and receivables carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets’ original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the statement of income during the period in which it arises. Interest income continues to be recognized based on the original effective interest rate of the asset. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery has been realized.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, customer type, customer location, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

Derecognition of Financial Assets and Liabilities

Financial Assets

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 rights to receive cash flows from the asset have expired;

- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or

- the Company has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risk and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires.

Where 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 statement of income.

Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and the Company intends to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Inventories

Inventories are valued at the lower of cost or 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 all 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 component of total minesite cost, all other production related costs are charged to production cost.

Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. Costs also include decommissioning and site rehabilitation cost. The initial cost of property, plant and equipment comprises its purchase price, including non-refundable import duties, taxes 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.

Property, plant and equipment that were previously stated at fair values are reported at their deemed cost.

Construction in progress, included in property, plant and equipment, is stated at cost. This includes the cost of the construction of property, plant and equipment and other direct costs.

Depreciation and amortization of assets commences once the assets are put into operational use.

Depreciation and amortization of property, plant and equipment are computed on a straight-line basis over the following estimated useful lives (EUL) of the respective assets or the remaining contract period, whichever is shorter:

Conventional and continuous mining properties and equipment	**2 to 13 years**
Power plant and buildings	**10 to 17 years**
Roads and bridges	**17 years**

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization 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. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of income in the year the item is derecognized.

Mine Exploration and Development Costs

Cost incurred for exploration and development of mining properties are deferred as incurred. These deferred costs are charged to expense when the results of the exploration activities are determined to be negative or not commercially viable. When exploration results are positive or commercially viable, these deferred costs are capitalized under "Conventional and continuous mining properties and equipment".

Mine development costs are derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is included in the statement of income in the year the item is derecognized.

Decommissioning and Site Rehabilitation Costs

The Company is legally required to fulfill certain obligations as required under its Environmental Compliance Certificate (ECC) issued by Department of Environment and Natural Resources (DENR). The Company recognizes the present value of the liability for these obligations and capitalizes the present value of these costs as part of the balance of the related property, plant and equipment accounts which are depreciated on a straight-line basis over the EUL of the related property, plant and equipment or the contract period, whichever is shorter. The ARO was determined based on PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The Company recognizes the liability for these obligations as *"Provision for the decommissioning and site rehabilitation"* in the balance sheet.

Intangible Assets

Intangible assets acquired separately are capitalized at cost and these are shown as part of the other noncurrent assets account in the balance sheet. The useful lives of intangible assets with finite lives are assessed at the individual asset level. An intangible asset with finite life is amortized over its useful life. Periods and method of amortization for intangible assets with finite useful lives are reviewed annually or earlier where an indicator of impairment exists. The Company considered its software cost as its intangible assets.

Software Cost

Costs incurred to acquire computer software (not an integral part of its related hardware) and bring it to its intended use are capitalized as part of intangible assets. These costs are amortized over their estimated useful lives ranging from 3 to 5 years. Costs directly associated with the development of identifiable computer software that generate expected future benefits to the Company are recognized as intangible assets. All other costs of developing and maintaining computer software programs are recognized as expense as incurred.

Gains or losses arising from the 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 statement of income when the asset is derecognized.

Impairment of Non-financial Assets

The Company assesses at each reporting date whether there is an indication that an asset 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. 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.

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 that 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, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Interest on borrowed funds used to finance the construction of building to the extent incurred during the period of construction is capitalized as part of the cost of building. The capitalization of these borrowing costs as part of the cost of building: (a) commences when the expenditures and borrowing costs are being incurred during the construction and related activities necessary to prepare the building for its intended use are in progress; and (b) ceases when substantially all the activities necessary to prepare the property for its intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on the applicable weighted average borrowing rate.

Interest expense on loans is recognized using the effective interest method over the term of the loans.

Pension Expense

The Company has a noncontributory defined benefit retirement plan.

The retirement cost of the Company is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current period. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs.

The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using prevailing interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited to or charged against income when the net cumulative unrecognized actuarial gains and losses at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Past-service costs, if any, are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.
The retirement benefits of officers and employees are determined and provided for by the Company and are charged against current operations.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less past service costs not yet recognized, if any, and less the fair value of the plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the sum of any past service costs not yet recognized, if any, and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Income Tax

Current Tax

Current income tax assets and liabilities for the current and prior periods 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 balance sheet date.

Deferred Income tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or 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 profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from excess minimum corporate income tax (MCIT) and unused net operating loss carry over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused NOLCO can be utilized except:

- where the deferred tax asset relating to the deductible temporary differences arises 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 profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Provisions

Provisions are recognized only when the 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 balance sheet date and adjusted to reflect the current best estimate.

Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating lease. Fixed lease payments are recognized on a straight line basis over the lease term.

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 the fulfillment is dependent on a specified asset; or (d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

Operating lease payments are recognized as an expense in the statement of income on a straight basis over the lease term.

Foreign Currency Translation

The Company's financial statements are presented in Philippine pesos, which is the functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. However, monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate at the balance sheet date. All differences are taken to the statement of income during the period of retranslation.

Earnings Per Share (EPS)

Basic EPS is computed by dividing earnings applicable to common stock by the weighted average number of common shares outstanding after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year. The Company has no outstanding dilutive potential common shares.

Contingencies

Contingent liabilities are not recognized in the 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 financial statements but disclosed when an inflow of economic benefits is probable.

Events After Balance Sheet Date

Post year-end events up to the date of the auditors' report that provides additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Any post year-end event that is not an adjusting event is disclosed when material to the financial statements.

2. Significant Accounting Estimates, Judgments and Assumptions

Judgment

In the process of applying the 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 financial statements:

Contingencies

The Company is currently involved in various legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Company's defense in these matters and is based upon an analysis of potential results. The Company currently does not believe that these proceedings will have a material adverse affect on its financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings.

Revenue recognition

The Company's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of the revenues and receivables.

The Company's sales arrangement with its customers includes reductions of invoice price to take into consideration charges for penalties and bonuses. These estimates are based on actual final coal quality analysis on delivered coal using American Standards for Testing Materials (ASTM) standards.

There is no assurance that the use of estimates may not result in material adjustments in future periods.

Estimates and Assumptions

The key assumptions concerning the future and other sources of estimation uncertainty at the balance sheet 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.

Estimating allowance for doubtful accounts

The Company maintains an allowance for doubtful accounts at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to debtors' ability to pay all amounts due according to the contractual terms of the receivables being evaluated. The Company reviews the age and status of receivables and identifies accounts that are to be provided with allowance. This is performed regularly.

The amount and timing of recorded doubtful accounts for any period would differ if the Company made different judgments or utilized different estimates. An increase in the allowance for doubtful accounts would increase the recorded operating expenses and decrease the current assets.

Estimating stock pile inventory quantities

The Company estimates the stock pile inventory by conducting a topographic survey which is performed by in house surveyors. The survey is conducted on a monthly basis with a reconfirmatory survey at year end. The process of estimation involves a predefined formula which considers an acceptable margin of error of plus or minus 3%. Thus, an increase or decrease in the estimation threshold for any period would differ if the Company utilized different estimates and this would either increase or decrease the profit for the year.

Estimating allowance for write down in spare parts and supplies

The Company estimates its allowance for inventory write down in spare parts and supplies based on periodic specific identification. The Company provides 100% allowance for write down on items that are specifically identified as obsolete.

The amount and timing of recorded inventory write down for any period would differ if the Company made different judgments or utilized different estimates. An increase in the allowance for inventory write down would increase the Company's recorded operating expenses and decrease its current assets.

Estimating decommissioning and site rehabilitation costs
The Company is legally required to fulfill certain obligations under its DENR issued ECC when it abandons depleted mine pits. These costs are accrued based on in-house estimate, which incorporates estimates of the amount of obligations and interest rates, if appropriate. The Company recognizes the present value of the liability for these obligations and capitalizes the present value of these costs as part of the balance of the related property and equipment accounts, which are being depreciated and amortized on a straight line basis over the useful life of the related asset or the lease term. Assumptions used to compute the decommissioning and site rehabilitation costs are reviewed and updated annually.

The amount and timing of the recorded obligations for any period would differ if different judgments were made or different estimates were utilized. An increase in decommissioning and site rehabilitation costs would increase the recorded operating expenses and increase noncurrent liabilities.

Estimating useful lives of property, plant and equipment and intangible assets

The Company estimated the useful lives of its property, plant and equipment and intangible assets based on the period over which the as sets are expected to be available for use. The Company reviews annually the estimated useful lives of property, plant and equipment and intangible assets based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned.

A reduction in the estimated useful lives of property, plant and equipment and intangible assets would increase the recorded depreciation, depletion and amortization expense and decrease noncurrent assets.

Estimating impairment for nonfinancial assets
The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- 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; and
- significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset’s net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm’s length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that can materially affect the financial statements. The nonfinancial assets of the Company include property, plant and equipment and software cost.

Deferred income tax assets

The Company reviews the carrying amounts of deferred income tax assets at each balance sheet date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient income will be available to allow all or part of the deferred income tax assets to be utilized. However, there is no assurance that the Company will generate sufficient taxable profit to allow all or part of its deferred income tax assets to be utilized.

Estimating pension and other employee benefits

The determination of the obligation and cost of retirement and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates, expected returns on plan assets and salary increase rates and price for the retirement of pension (Note 18). Actual results that differ from the Company's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While the Company believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and related obligations.

The Company also estimates other employee benefits obligation and expense, including the cost of paid leaves based on historical leave availments of employees, subject to the Company's policy. These estimates may vary depending on the future changes in salaries and actual experiences during the year.

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

2009 FIRST HALF OPERATION

Fair weather conditions during the first half of the year allowed operations to maximize the deployment of more new mining equipment that arrived during the period, such that total material movement reached a record high of 30,718,930 bank cubic meters (bcm). The acquisition of new mining equipment raised annual mine capacity from 38 million bcm to about 59 million bcm. With the aggressive pre-stripping activities, which exposed almost a million tons of coal as at the end of the period, strip ratio during the period was high at 15.19. In order to minimize dissipation due to spontaneous combustion, it became the practice of operations during the last few months to leave the coal in the pit and extract only up to the contracted volume for shipment or deliveries during the period. As a result, Run-of-Mine coal production during the period was managed at 1,902,358 metric tons (MTs). This yielded net product coal of 1,753,953 MTs.

The coal washing plant which was transferred near the auxiliary stockpile served its purpose in maximizing the transport of clean coal using the coal conveying system.

Meanwhile, the Oxy/Acetylene plant installed to improve cost efficiency is operational and supplied the Company with its industrial gases requirements.

The Company also continued its exploratory and confirmatory drilling activities beyond the ultimate limit of its current active mine, the Panian pit. Last year, the drilling program yielded promising results, with the discovery of significant volumes of coal. The granting of a 15-year extension of the Coal Operating Contract by the Department of Energy in 2008 motivated the Company to step up its exploration program.

Although coal ending inventory at the stockpile as at the end of the period is minimal at 10,086 MTs, more than 800,000 MTs of coal were already exposed and are ready for extraction anytime. Given this huge inventory at the pit, management is positive that it can ensure supply sustainability throughout the upcoming rainy season.

Demand continued to be strong during the first half of the year. As a result, coal sales once again breached the record at 2,167,859 MTs.

With composite average FOB price at a high of P2,914/MT for coal sold at an average heating value of 9,649 BTU/lb, Coal Revenues for the six-month period was also a record breaker at P6.316 billion. Another P39.569 million was generated from the coal handling operations at the Calaca coal yard. As a result, Gross Revenues totaled to P6.356 billion for the first half of the year.

Cost of Sales of P4.839 billion was inclusive of Coal Handling Costs amounting to P40.977 million and Shipping, Loading and Hauling Costs of P247.652 million. The resulting Gross Margin was recorded at P1.517 billion, posting a gross profit margin of 24%.

Meanwhile, Operating Expenses was correspondingly high at P733.777 million as high Coal Revenues also translated to accrual of high Government share of P633.857 million for the period ended, although final computation is on per annum basis. The balance of P99.920 million represented General and Administrative Expenses. Consequently, Operating Income was recorded at P783.031 million or 12% of Revenues.

Other Income/(Charges) of P55.56 million was comprised of income from short-term investments of P12.3 million, insurance claims of P10.8 million, non-recurring Income from sale of equipment of P33.994 million, and sale of electricity to the local electric cooperative, offset by other charges. Interest and Other Financing Charges on short and long-term loans amounted to P12.453 million. With exchange rate of peso to dollar at P48.13:1 as at the beginning of the year and fluctuating to P47.52 as at the end of the period, the Company recorded Realized Forex Gain of P4.073 million while conversely recognizing Unrealized Forex Loss of P146.4 thousand.

The resulting Net Income Before Tax amounted to P830.068 million. Total Provision for Income Tax was P109.387 million, net of tax savings as a result of the Company's registration with the Board of Investments last year. Thus, Net Income After Tax amounted to P720.680 million for the period ending first half of this year.

2009 FIRST HALF FINANCIAL CONDITION

Total Assets reflected a 13% drop from beginning balance of P6.111 billion to P5.330 billion as at the end of the first half.

The decrease in Total Assets was mainly caused by the drop in Total Current Assets by 39% from P4.513 billion as at the start of the year to close at P2.742 billion. The main contributors to this reduction were the decrease in Cash and Cash Equivalents by 37% from P1.012 billion beginning balance to P636.699 million; decrease in Trade Receivables by 53% from P1.753 billion to P826.039 million; and drop in Coal Inventory by 98% from P896.734 million to P17.379 million as at the end of the period. Dividend declaration of P1.665 billion and aggressive pre-stripping activities of the Company used up most of its cash during the first half of the year. Meanwhile, the huge beginning receivables from customers were merely due to timing difference in collection because of the long holidays at the closing of the previous year. The National Power Corporation (NPC) accounted for 26% of the ending Trade Receivable level. The share of Philippine National Oil Corporation (PNOC) is at 21%, Toledo Power Corp (TPC) at 15%, Holcim Cement at 8%, Jet Power Corporation (JPC) at 9%, Apo Cement at 3%, while the balance represented export letter of credits that were not yet due for negotiation as of cut-off. Finally, the pre-stripped coal was not yet valued in the books of the Company since it was not yet counted as production. Hence, ending coal inventory reflected a minimal value.

On the other hand, Receivable from Related Parties increased by 165% from P6.608 million beginning balance to P17.537 million, representing operating advances to affiliate companies. Meanwhile, advances to suppliers, which mainly comprised Other Receivables, posted a slight 2% increase from P117.358 million to P120.285 million as at the end of the period. Materials, Fuel and Other Supplies likewise posted an increase of 77% from P486.486 million to P862.568 million, corresponding to the augmented activities at the mine site in congruence to the capacity expansion program.

Total Non-Current Assets reflected a 62% growth from beginning balance of P1.598 billion to P2.588 billion as at the end of first half. The increase mainly came from the augmented Property, Plant and Equipment (PPE), which lodged additional mining equipment brought in to expand capacity. Investments and Deferred Charges and Other Non-Current Assets likewise increased by 11% and 35%, respectively, from beginning balance as at the start of the year. Increase in Investments reflected additional cash infusion to DMCI Power, while Deferred Charges and Other Non-Current Assets consisted of software costs, net of amortization and guarantee deposits on leases amounting to P337.89 million

Total Liabilities on the other hand recorded a 9% growth from P1.811 billion as at the start of the year to P1.974 billion closing first half balance.

The 10% growth in Total Current Liabilities from P1.637 billion to P1.798 billion was mainly caused by the 34% surge in Accounts Payable and Other Payables from P1.142 billion to P1.533 billion, which included provision for government share of P524 million, trade payables of P844.6 million (inclusive of accrued payable materials amounting to P312 million, payables on consignments of P161 million, other trade - local and foreign - payables of P371 million), and accrued and other payables of P164.40 million. Meanwhile, Payable to Related Parties posted an 18% increase at P53.776 million from beginning balance of P45.762 million, reflecting additional payables for equipment utilization, coal freight charges, and boat charters for transport of materials, equipment, and parts.

On the other hand, Current Portion of Long-Term Debt decreased by 61% from P389.223 million to P152.162 million due to continued debt amortization.

As a result of its registration with the Board of Investments, the Company is entitled to income tax holidays, thus enabling it to maintain its income Tax Payable to a low level of P57.858 million as at the end of the period, posting a slight decrease from beginning balance of P58.060 million.

Meanwhile, Customer's Deposit, which reflected the balance of advance payments made by a client, remained unchanged at P1.207 million.

Non-Current Liabilities showed a minimal 1% increase at P175.653 million from beginning balance of P173.894 million. This is due to the Increase in Long-Term Debt – net of

Current Portion as a result of account reclassification. Other Non-Current Liabilities accounts did not reflect movements during the period.

The payment of Cash Dividends in May amounting to P1.665 billion, partially offset by Net Income After Tax of P720.680 million for the current period, caused the decrease in Total Stockholders' Equity to P3.356 billion, net of Cost of Treasury Shares, as at the end of first half.

2009 COMPARATIVE REPORT

I. PRODUCTION

Additional new mining equipment came in during the first half of the year and effectively increased annual capacity from 38 million bcm to 59 million bcm. As a result, total material movement during the current period was 30,718,930 bcm, posting a 60% variance over H1 2008 of 19,220,787 bcm. Of the total volume this year, 16,205,095 bcm were moved in Q1, 75% higher than Q1 2008 material movement of 9,280,236 bcm, while 14,513,835 bcm were moved in Q2, posting a 46% growth over Q2 2008 volume of 9,940,985 bcm.

Meanwhile, ROM coal production during the first six months of the year did not correspond to the huge increase in total material movement as coal production was managed to minimize dissipation. Total ROM coal produced for H1 2009 is 1,902,358 MTs, showing a minimal 1% improvement over H1 2009 volume of 1,878,232 MTs. Q1 and Q2 2009 ROM coal produced were 834,893 MTs and 1,067,465 MTs, respectively. On the other hand, 1,065,387 MTs and 812,845 MTs were extracted in Q1 and Q2 2008, respectively.

Similarly, net product coal produced in the current period showed a slight 3% improvement at 1,753,953 MTs, 772,537 MTs and 981,417 MTs were produced in Q1 and Q2, respectively. In 2008, net product coal produced in Q1 and Q2 were 1,003,542 MTs and 747,401 MTs, respectively, totaling to 1,750,944 MTs for the six-month period.

With higher waste materials moved this year at 28,888,671 bcm, recording a 62% growth over H1 2008 waste material movement of 17, 879,625 bcm, strip ratio likewise marked an increase at 15.19 as at the end of the current period, as compared to 9.52 as at end of H1 2008.

Since coal production was managed in the current period, the resulting coal inventory on hand was even lower by 27% at 10,086 MTs compared to the already low H1 2008 ending inventory of 13,819 MTs.

II. MARKETING

Strong demand for Semirara coal remained steadfast despite adverse global economic developments. Total coal sold in Q1 and Q2 this year were recorded at 1,078,344 MTs and 1,089,515 MTs, respectively, totaling to 2,167,859 MTs for the first semester. This year's volume is at almost the same level with H1 2008 coal sales of 2,118,095 MTs, of which 1,120,961 MTs were sold in Q1 while 997,134 MTs were sold in Q2.

Export sales this year took up the biggest share in the pie at 44% of total sales. It also posted a 13% increase at 954,837 MTs compared to H1 2008 export sales of 842,038 MTs. Aside from China, India and Hong Kong markets, new buyers from Thailand, Japan, and Taiwan started to buy Semirara coal this year with two new traders helping in marketing our coal. Export sales in Q2 this year is 511,736 MTs, 16% more that Q1 volume of 443,100 MTs.

Meanwhile, the power units of NPC Calaca Power Plant were already restored to normal operations this year, unlike last year wherein the plants were intermittently down due to technical problems. NPC, which was once the single market of Semirara coal, now holds a low market share of 28% buying 612,798 MTs in the first semester. Total volume sold to the Calaca plants this year is 64% more than H1 2008 sales of 374,152 MTs. There are no deliveries made to other NPC plants this year. The increase in NPC Calaca volume slightly offset the drop in other Non-NPC Calaca power plants, which dropped by 68% at 104,109 MTs as against H1 2008 deliveries of 368,580 MTs, inclusive of 42,783 MTs delivered to Sual and Pagbilao plants. The resulting total deliveries to power plants, which took up 33% of the Company's total market this year and 35% last year, recorded a 4% drop at 716,907 MTs in H1 2009 MTs compared to 742,733 MTs in H1 2008.

Sales to cement plants also recorded a 20% drop at 338,788 MTs in H1 2009 as against H1 2008 volume of 423,425 MTs. On the positive note, one of the biggest cement companies in the country started to buy Semirara coal this year.

On the other hand, other industries marked a 43% growth at 157,327 MTs in the current semester compared to sales last year of 109,604 MTs.

Total local sales dropped by 5% from 1,275,762 MTs in H1 2008 to 1,213,022 MTs in the current semester.

Composite average FOB price, however, reflected an impressive growth of 31% at P2,914/MT in H1 2009 against H1 2008 price of P2,231/MT.

III. FINANCE

A. Sales and Profitability

Higher composite average FOB price this year augmented the increase in Coal Revenues at P6.316 billion for H1, 34% higher than H1 2008 Coal Revenues of P4.728 billion, despite volume sold at almost the same level. Similarly, with the Calaca plants operational, 2009 YTD Coal Handling Revenues increased by 94% at P39.569 million as against P20.396 million generated in the same period last year. The resulting Total Revenues correspondingly demonstrated an increase of 34% at P6.356 billion compared to P4.748 billion in H1 2008.

Meanwhile, as operations intensified its stripping activities this period to maximize the expanded capacity and to prepare for the rainy season, as demonstrated by the high strip ratio, Cost of Sales, inclusive of shipping, loading and hauling costs, reflected a 33% increase at P4.839 billion compared to P3.635 billion in H1 2008.

The resulting Gross Margin is still 36% better this period at P1.517 billion, as against P1.113 billion generated last year.

As operations became more efficient and with higher Coal Sales, Provision for Government Share increased by 46% at P633.857 million for the first semester this year compared with the provision posted in H1 2008 at P433.264 million. Although the provision made this year is high at 10% of Coal Sales, the percentage may still go down close to the 3% minimum once all targeted repairs, equipment maintenance program and other mine and campsite rehabilitation activities will be materialized in the remaining months of the year or if coal prices will fall, thus affecting revenue generation. In addition, with the Company's expanded operations, General and Administrative Expenses correspondingly increased by 50% at P99.92 million in the current period, as against P55.352 million in H1 2008.

Total Other Income (charges) slightly increased. Most of the recorded other income came from gain on sale of asset, both from retired equipment and equipment subjected to sale and leaseback. The Company again booked Non-recurring Income of P33.994 million from sale of equipment, 218% more than the amount book last year of P10.677 million.

Interest and Financing charges significantly dropped. This is primarily due to lower Financing Charges this year at P12.453 million compared to P54.255 million in H1 2008 as interest rates went down along with the decrease of loan balances. Realized and Unrealized Forex Gain / Loss also reflected fluctuations with the movements in Foreign Exchange Rates.

Net Income Before Tax marked a 27% growth in the current semester at P796.074 million as against P627.244 million in H1 2008.

Although Taxable Income is higher in the current period, Provision for Income Tax dropped by 44% at P109.387 million, as against H1 2008 tax provision of P194.643 million. This is due to the tax incentives that the Company availed from its registration with the Board of Investments as an expanding producer of coal.

The resulting Net Income After Tax increased by 63% at P720.680 million this period from P443,279 million in H1 2008.

Correspondingly, Earnings per Share grew by 63% at P2.596 this semester as against P1.597 last year. On the other hand, EBITDA showed an 8% decrease at P1.414 billion from P1.533 billion in H1 2008.

B. <u>Solvency & Liquidity</u>

Net cash used by the Company in the current semester amounted to P375.711 million. As a result, Cash End dropped to P636.699 million from beginning level of P1.012 billion.

Net Cash Provided by Operations for the current six-month period was P2.900 billion, 233% more than the P870.243 million generated in the same period last year. This was mainly caused by the decrease in Receivables and Inventories for reasons discussed above. Furthermore, Accounts Payables and Accrued Expenses increased mainly due to accrual of Government Share.

While Operations posted a significant increase compared to the previous comparable period, investing activities in the current year, however, were more aggressive such that the Company spent P2.100 billion during the first half. On the other hand, the Company generated P144.937 from investing activities last year. About P2.0 billion of this year's outflows were spent on new mining equipment purchased to expand capacity.

Similarly, the Company used more cash for its financing activities. Net Cash Used in Financing Activities as at the end of H1 this year totaled to P1.175 billion as against last year's P700.224 million. The increase in dividend payout per share this year to P6 from P4 in 2008 resulted to a 64% surge in absolute amount to P1.665 billion from P1.018 billion last year. The 40% increase in loan availment on a period-to-period comparison is due to availment of short-term loans for working capital, which were subsequently paid off in the succeeding quarter. Debt repayment, on the other hand, slid by 10% as loan balances continued to decrease.

The movements in the Company's balance sheet resulted to drop in Current Ratio from 2.76x as at yearend 2008 and end of H1 2008 level of 2.08x to 1.53x as at the close of the current semester. Meanwhile, Total Debt to Equity Ratio is still strong at 0.59:1 as at the end of the period compared to H1 2008 ratio of 0.66:1 and 2008 yearend level of 0.42:1.

IV. PERFORMANCE INDICATORS

1. **Average Selling Price** – Average FOB Composite Price during the period remained high despite the fluctuations in the global market. A significant reason is that some deliveries were already contracted when coal prices were still high. Another factor is that average price of Semirara coal came from a low base due to the strategic pricing offered to new customers to penetrate new markets.

2. **Debt to Equity Ratio** – This is an important indicator of the Company's financial health. The strength of the balance sheet has been proven in the last several years when the Company steadily maintained a healthy D/E ratio despite huge cash dividend payouts and intensive investments for capacity expansion.

3. **Capital Expenditures** – the aggressive expansion programs that the Company launched over the past years indicates its drive to grow its business. Given its existing capacities, it is already able to generate sizeable earnings. However, management takes each opportunity to further improve and develop the Company to continuously enhance shareholders' value.

4. **Expanded Market** – The Company continued its efforts to enlarge its market base. A significant development during the period is the penetration of Thailand, Japan and Taiwan markets. The successful shipments to these three countries further increased market share of export sales to 44%. Furthermore, another positive development is the successful acceptance of Semirara coal by one of the country's biggest cement companies.

5. **Improved Coal Quality** – A distinct testimony to the success of the Company's effort to improve acceptability of its coal is the successful diversification of its market base, for both domestic and export markets. The Company was able to transcend the issue of inherent low coal quality, as it was able to maximize the total characteristics of its product in order to become a dependable alternative supplier of fuel.

PART II OTHER INFORMATION

Other disclosures:

a. Company's operation is not cyclical in nature or seasonal. Mining activities is continuous throughout the year;
b. There were no issuances, repurchases, and repayments of debt in equity securities which transpired during the quarter;
c. There are no subsequent events, that came to our knowledge, which are material enough to warrant an adjustments in the interim financial statements;
d. The company has no business segments;
e. The company has no contingent assets nor liabilities known as of interim balance sheet date;

PART III SIGNATURES

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

Issuer: **SEMIRARA MINING CORPORATION**

Signature and Title:

VICTOR A. CONSUNJI
Principal Executive and Operating Officer

Date: August 14, 2009

JUNALINA S. TABOR
Officer-in-Charge CFO
For
NESTOR D. DADIVAS
Principal Financial Officer/Comptroller

Date: August 14, 2009

JUNALINA S. TABOR
Principal Accounting Officer

Date: August 14, 2009

PART III - ANNEX

SEMIRARA MINING CORPORATION
AGING OF ACCOUNTS RECEIVABLE
As of June 30, 2009

	TOTAL	Current	2 - 3 Months	4 - 6 Months	7 Months to 1 Year	1 to 2 Years	2 to 5 Years	Over 5 Years	Allowance for doubtful acct.
A. ACCOUNTS RECEIVABLE - TRADE									
1. NPC	287,943,709.45	449,457,301.66	(280,476,620.68)	113,343,633.63			5,619,394.84		20,712,472.95
2. PNOC	154,595,626.29	112,820,129.29	41,775,497.00						
3. TPC	117,769,812.76	33,539,538.33	83,887,112.02		343,162.41				
4. APO	28,688,925.19		26,989,520.90			1,699,404.29			
5. JPC	66,316,561.10	66,316,561.10							
6. SOLID	17,578,198.49		17,578,198.49						
7. 89 TRADE	2,144,855.43		2,144,855.43						
8. EXPORT	117,617,089.88	110,273,027.36				7,344,062.52			
9. PLATINUM GROUP	605,988.96					605,988.96			
10. HOLCIM	40,576,204.11	20,532,936.87	20,043,267.24						
11. SY LINK	775,028.54	775,028.54							
12. NPC - Coal Handling	12,139,498.70	5,777,692.17	6,361,806.53						
	846,751,498.90	798,492,215.32	(81,696,363.07)	113,343,633.63	343,162.41	9,649,455.77	5,619,394.84	-	20,712,472.95
Less: Allowance for doubtfull account	20,712,472.95								
TOTAL	826,039,025.95								

	TOTAL	1 Month	2 - 3 Months	4 - 6 Months	7 Months to 1 Year	1 to 2 Years	2 to 5 Years	Over 5 Years	Allowance for doubtful acct.
B. NON - TRADE RECEIVABLES									
1. Advances - Officers	282,720.10		47,514.07	235,206.03					
2. Advances - Employees	1,211,019.97	182,329.05	873,518.63	155,172.29					519,697.08
3. Advances - Suppliers	-								
4. Advances - Operations	-								
5. Advances - Contractors	14,669,764.94	2,335,299.52	974,830.40	2,941,528.34	8,418,106.68				2,303,257.85
6. Advances - for Liquidation	4,916,913.17	372,323.00	236,276.76	2,388,455.35	1,919,858.06				1,948,808.90
7. Advances - SSS Claims	528,096.60	4,105.00			50,366.32		319,701.85	153,923.43	500,910.10
8. Advances - Others	795,984.36		14,621.89	286,963.48	494,398.99				917,702.67
9. Advances - Medical Accounts	2,307,534.04	124,734.21	21,631.42	1,201,843.22	959,325.19				
	24,712,033.18	3,018,790.78	2,168,393.17	7,209,168.71	11,842,055.24	-	319,701.85	153,923.43	6,190,376.60
Less: Allowance for D/A-AR Others	6,190,376.60								
Net NON - TRADE RECEIVABLE	18,521,656.58								
NET RECEIVABLES (A & B)	844,560,682.53								

ANNEX B

SEMIRARA MINING CORPORATION
FINANCIAL RISK MANAGEMENT DISCLOSURES
As of June 30, 2009

The Company’s financial instruments as of June 30, 2009 and December 31, 2008 are of the nature of loans and receivables and other financial liabilities and comprise of bank loans, trade payables and purchase contracts. The main purpose of these financial instruments is to finance the Company’s operations. The Company has various financial assets such as trade receivables and cash and cash equivalents, which arise directly from operations.

The main risks arising from the Company’s financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The Board of Directors reviews and approves policies for managing each of these risks which are summarized below :

Interest Rate Risk

The Company’s exposure to the risk of changes in market interest rates relates primarily to the Company’s long-term obligations with floating interest rates. The Company’s policy is to manage its interest cost using a mix of fixed and variable rate debts. The Company’s policy is to maintain a balance of peso-denominated and United States dollar-denominated debts.

The following table shows the information about the 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.

June 30, 2009	within 1 year	1 - 2 years	2 - 3 years	3 - 4 years	More than 4 years	Total
Cash equivalents	636,698,503	-	-	-	-	636,698,503
Liabilities						
Fixed rate bank loans						
9% Local bank loan	-		-	-	-	-
8% Various local bank loans	40,695,764		-	-	-	40,695,764
8% - 11% Various LCs	995,565		-	-	-	995,565
Floating rate						
USD15.14 million loan (6 months USD LIBOR plus 1.5% p.a.)	17,422,386	119,044,549	-	-	-	136,466,936
USD6.64 million loan (3 months USD SIBOR plus 1.95% p.a.)	75,218,671	37,609,360	-	-	-	112,828,031
Grand Total	**134,332,386**	**156,653,909**	**-**	**-**	**-**	**290,986,295**

December 31, 2008	within 1 year	1 - 2 years	2 - 3 years	3 - 4 years	More than 4 years	Total
Cash equivalents	1,012,409,162	-	-	-	-	1,012,409,162
Liabilities						
Fixed rate						
9% Local bank loan	57,314,973		-	-	-	57,314,973
8% Various local bank loans	102,496,739		-	-	-	102,496,739
8% - 11% Various LCs	11,281,248		-	-	-	11,281,248
Floating rate						
USD15.14 million loan (6 months USD LIBOR plus 1.5% p.a.)	143,874,985	62,799,870	-	-	-	206,674,856
USD6.64 million loan (3 months USD SIBOR plus 1.95% p.a.)	74,265,375	74,265,371	-	-	-	148,530,745
Grand Total	**389,233,320**	**137,065,241**	**-**	**-**	**-**	**526,298,561**

Liquidity Risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The 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 supplier's credit, letter of credit, trust receipts and long term debt, while operating expenses and working capital requirements are sufficiently funded through cash collections.

					Grand Total	
June 30, 2009	**within 1 year**	**1 - 2 years**	**2 - 4 years**	**More than 4 years**	**in USD**	**in PHP**
Trade and other payables	PHP 1,533,011,419	-	-	-	-	1,533,011,419
Fixed rate						
9% Local bank loan	-	-	-	-	-	-
8% Various local bank loans	PHP 40,695,764	-	-	-		40,695,764
8% - 11% Various LCs	PHP 995,565	-	-	-	-	995,565
Floating rate						
USD15.14 million loan (6 months USD LIBOR plus 1.5% p.a.)	*USD 361,986*	*USD 2,473,396*			2,835,382	163,576,579
USD6.64 million loan (3 months USD SIBOR plus 1.95% p.a.)	*USD 1,562,823*	*USD 781,412*			2,344,235	132,179,708
Grand Total					***USD 5,179,617***	***PHP 1,870,459,034***

					Grand Total	
December 31, 2008	**within 1 year**	**1 - 2 years**	**2 - 4 years**	**More than 4 years**	**in USD**	**in PHP**
Trade and other payables	PHP 1,188,163,322	-	-	-	-	1,188,163,322
Fixed rate						
9% Local bank loan	PHP 57,314,973	-	-	-	-	57,314,973
8% Various local bank loans	PHP 102,496,739	-				102,496,739
8% - 11% Various LCs	PHP 11,281,248	-	-	-	-	11,281,248
Floating rate						
USD15.14 million loan (6 months USD LIBOR plus 1.5% p.a.)	*USD 3,029,936*	*USD 1,322,369*			4,352,305	206,674,856
USD6.64 million loan (3 months USD SIBOR plus 1.95% p.a.)	*USD 1,565,141*	*USD 1,563,820*			3,128,961	148,530,745
Grand Total					***USD 7,481,266***	***PHP 1,714,461,883***

Foreign Currency Risk

The Company's foreign exchange risk results primarily from movements of the Philippine Peso (PhP) against the US Dollar (USD). Majority of revenues are generated in peso, however, substantially all of the capital expenditures are in USD. Approximately 16% and 21% of debts as of June 30, 2009 and December 31, 2008 respectively were denominated in USD.

Information on the Company's foreign currency denominated monetary assets and liabilities and their PhP equivalents follow :

	June 30, 2009		December 31, 2008	
	USD	PHP	USD	PHP
Assets				
Cash and cash equivalents	11,071,847	532,888,011	828,243	39,358,107
Trade receivables	2,443,738	117,617,090	154,547	7,344,063
Liabilities				
Trade payables	5,988,986	288,249,907	(4,285,231)	(203,634,180)
Long-term debts	5,179,616	249,294,936	(7,475,029)	(355,213,378)
Net foreign currency denominated assets (liabilities)	24,684,188	1,188,049,945	(10,777,470)	(512,145,388)

The average exchange rates used in June 30, 2009 and December 31, 2008 were PhP48.13 and PhP47.52 respectively.

The Company recognized PhP3.926 million foreign exchange gain and PhP1.96 million foreign exchange loss for the 6-month period ended June 30, 2009 and 2008 respectively and PhP82.8 million foreign exchange loss for the period ended December 31, 2008.

Credit Risk

The Company trades only with recognized and creditworthy third parties. It is the Company's practice that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

The Company generally offers 80% of coal delivered payable within 30 days upon receipt of billing and the remaining 20% payable within 15 days after receipt of final billing based on final analysis of coal delivered.

With respect to the credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company transacts only with institutions or banks that have proven track record in financial soundness.

Credit risk is concentrated on the following markets :

	June 30, 2009	December 31, 2008
Local sales	84%	86%
Export sales	14%	0%
Other receivables	2%	14%
Total	**100%**	**100%**

The table below shows the maximum exposure to credit risk of the Company :

Gross maximum exposure	June 30, 2009	December 31, 2008
Cash and cash equivalents	636,698,503	1,012,409,162
Receivables		
Local trade receivables	708,421,936	1,766,074,476
Export trade receivables	117,617,090	7,344,063
Due from related parties	17,537,307	6,607,698
Others	18,521,657	25,926,943
Security deposits	337,878,503	251,086,303
Total credit risk exposure	**1,836,674,995**	**3,069,448,645**

Fair Values

The following table sets forth the carrying values and estimated fair values of the Company's financial assets and liabilities recognized as of June 30, 2009 and December 31, 2008 :

	June 30, 2009		December 31, 2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Asset				
Loans and Receivables				
Cash	395,010,287	395,010,287	26,579,217	26,579,217
Cash equivalents	241,688,216	241,688,216	985,829,945	985,829,945
Receivables				
Trade local sales	708,421,936	708,421,936	1,749,055,827	1,749,055,827
Trade export sales	117,617,090	117,617,090	7,344,043	7,344,043
Due from related parties	17,537,307	17,537,307	6,607,698	6,607,698
Other receivables	18,521,657	18,521,657	17,084,803	17,084,803
Security deposits	337,878,503	351,333,153	251,086,303	255,940,292
Total Financial Assets	**1,836,674,995**	**1,850,129,646**	**3,043,587,837**	**3,048,441,826**
Financial Liability				
Other Liabilities				
Payables				
Trade payables	844,643,761	844,643,761	895,274,617	895,274,617
Accrued and other payables	170,644,595	170,644,595	194,392,707	194,392,707
Payable to DOE & local govt units	517,723,063	524,186,790	52,734,125	52,734,125
Due to related parties	53,775,824	53,775,824	45,761,873	45,761,873
Long term debts	290,986,264	299,282,313	526,298,561	533,900,484
Total Financial Liabilities	**1,877,773,507**	**1,892,533,283**	**1,714,461,883**	**1,722,063,806**

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value :

Financial Assets
Due to the short term nature of the transactions, the fair value of cash and cash equivalents, short term investments and receivables approximate the amount of consideration at the time of initial recognition.

Financial Liabilities
Floating Rate Loans
The carrying values approximated the fair value because of recent and regular repricing (quarterly) based on market conditions.

Fixed Rate Loans
Estimated fair value is based on the discounted value of future cash flows using the applicable rates (3%-12%) for similar type of loans.

Accounts Payable and Accrued Expenses
The fair values of accounts payable and accrued expenses approximate the carrying amounts due to the short-term nature of these transactions.