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 Sept. 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 **Sept. 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

   2rd 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 September 30, 2009

	(Reviewed) September 30, 2009	(Audited) December 31,2008
ASSETS		
CURRENT ASSETS		
Cash	134,998,217	26,579,217
Short-term Investment	1,339,548,727	985,829,945
Trade Receivables - net	547,357,858	1,752,706,066
Receivable from Related Parties	23,859,356	6,607,698
Other Receivable-net	143,213,350	117,357,894
Inventories - net	1,117,059,108	1,383,220,166
Other Current Assets	358,211,067	226,110,605
Total Current Assets	3,664,247,683	4,498,411,591
NONCURRENT ASSETS		
Property, Plant and Equipment - net	1,761,604,083	1,106,064,258
Investment and Advances	226,852,543	223,231,759
Deferred Tax Assets	17,536,285	-
Other Noncurrent Assets - net	398,309,362	283,749,310
Total Noncurrent Assets	2,404,302,273	1,613,045,327
TOTAL ASSETS	**6,068,549,956**	**6,111,456,918**
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts and Other Payables	1,681,830,448	1,142,401,449
Current Portion of Long Term Debt	166,127,589	389,233,320
Income Taxes Payable	-	58,060,461
Payable to related parties	231,201,960	45,761,873
Customer's Deposit	1,206,858	1,206,858
Total Current Liabilities	2,080,366,855	1,636,663,961
NONCURRENT LIABILITIES		
Long Term Debt - net of current portion	18,515,501	137,065,242
Pension Liability	12,935,734	9,498,998
Provision for Decommissioning and Site Rehabilitation	19,959,081	13,204,317
Deferred Tax Liability	-	14,125,154
Total Noncurrent Liabilities	51,410,316	173,893,711
TOTAL LIABILITIES	2,131,777,171	1,810,557,672
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	2,591,992,774	2,956,119,235
	4,465,664,045	4,829,790,506
Treasury Shares, at cost	(528,891,260)	(528,891,260)
TOTAL STOCKHOLDERS' EQUITY	3,936,772,785	4,300,899,246
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**6,068,549,956**	**6,111,456,918**

Based on Reviewed Financial Statements as of September 30, 2009

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

	For the period		For the quarter	
	(Reviewed) 2009	(Reviewed) 2008 (Restated)	2009	2008 (Restated)
Revenue:				
Sales	9,239,571,025	6,444,650,200	2,883,826,660	1,696,463,387
Cost of Sales:				
Cost of Coal Sold	6,614,243,934	4,731,899,546	2,037,743,980	1,302,971,357
Shipping, Loading and Hauling Cost	420,311,278	308,253,858	172,659,312	111,988,672
	7,034,555,212	5,040,153,404	2,210,403,292	1,414,960,029
Gross Profit	2,205,015,813	1,404,496,796	673,423,368	281,503,358
Operating Expenses:				
Government Share	674,104,593	474,436,668	40,247,496	41,172,936
General and Adm. Expenses	171,457,151	144,154,098	56,752,399	78,868,361
	845,561,744	618,590,766	96,999,895	120,041,297
INCOME FROM OPERATIONS	1,359,454,069	785,906,030	576,423,473	161,462,062
Other (Income)Expense				
Other (Income) Charges	(55,289,995)	(93,585,974)	272,757	(43,939,862)
Interest and Financing Charges	(18,343,225)	35,133,080	(30,795,964)	(19,121,648)
Foreign Exchange (Gain) Loss	137,575,938	27,150,699	141,502,832	45,236,547
Equity in Losses of Associates	21,379,216	14,960,902	21,379,216	14,960,902
	85,321,934	(16,341,293)	132,358,841	(2,864,061)
NET INCOME BEFORE TAX	1,274,132,135	802,247,323	444,064,632	164,326,123
PROVISION FOR INCOME TAX	(27,177,832)	186,137,944	(136,565,309)	(8,504,609)
NET INCOME AFTER TAX	1,301,309,967	616,109,379	580,629,941	172,830,732
EARNINGS PER SHARE (EPS)	4.688	2.220	2.092	0.623

Based on Reviewed Financial Statements as of September 30, 2009 and September 30, 2008

Basis of EPS:
EPS = NET INCOME(LOSS) FOR THE PERIOD/NO. OF OUTSTANDING SHARES
Wherein:
Wtd Average Outstanding Shares 277,572,800 (as of September 30, 2009)

Wtd Average Outstanding Shares 277,572,800 (as of September 30, 2008)

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

	(Reviewed) 2009	(Reviewed) 2008 (Restated)
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	1,311,362,832	1,102,999,091
Appropriation during the quarter	-	-
Balance at beginning of the quarter as restated	1,311,362,832	1,102,999,091
Net income during the quarter	580,629,941	172,830,732
Dividends	-	-
Appropriation for future capital expenditures	-	-
Balance at end of the quarter	1,891,992,774	1,275,829,823
	2,591,992,774	2,775,829,823
COST OF SHARES HELD IN TREASURY	(528,891,260)	(528,891,260)
TOTAL STOCKHOLDERS' EQUITY	3,936,772,785	4,120,609,834

Based on Reviewed Financial Statements as of September 30, 2009 and September 30, 2008

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

	(Reviewed) 2009	(Reviewed) 2008 (Restated)
CASHFLOWS FROM OPERATING ACTIVITIES		
Net income before tax	1,274,132,135	802,247,323
Prior period adjustment		
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	779,010,402	1,131,685,849
Interest and financing charges (net of Finance Income)	(18,343,225)	35,133,080
Loss on disposal/retirement/write-off of assets	(34,582,405)	(44,713,500)
Net unrealized foreign exchange losses	29,893,585	(20,610,322)
Equity in net losses of associates	21,379,216	(14,960,902)
Pension Expense	3,436,736	2,421,531
Operating income before working capital changes	2,054,926,444	1,891,203,059
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	1,162,241,094	(143,848,450)
Inventories	266,161,058	402,228,040
Other current assets	(132,100,462)	(36,614,046)
Increase (decrease) in:		
Accounts payable and accrued expenses	728,023,399	115,034,438
Customer's deposit	-	23,867,386
Net cash generated from operations	4,079,251,533	2,251,870,427
Interest received	39,269,408	60,235,080
Income tax paid	(62,544,068)	(245,339,734)
Interest paid	(17,325,732)	(78,331,720)
Net cash provided by operating activities	4,038,651,141	1,988,434,053
CASHFLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(1,450,263,320)	(1,349,191,644)
Additions to investment	(25,000,000)	(114,206,989)
Proceeds from sale of assets	53,076,543	44,713,500
Decrease (Increase) in other non-current assets	(117,341,097)	(16,248,468)
Net cash provided by (used in) investing activities	(1,539,527,874)	(1,434,933,601)
CASHFLOWS FROM FINANCING ACTIVITIES		
Loan availment	-	435,280,346
Proceeds from sale and leaseback of equipment	-	750,525,854
Payment of dividend	(1,665,436,428)	(1,110,291,200)
Debt repayment	(371,549,057)	(1,227,615,813)
Net cash provided by (used in) financing activities	(2,036,985,485)	(1,152,100,813)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	462,137,782	(598,600,361)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,012,409,162	1,650,806,337
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,474,546,944	1,052,205,976

Based on Reviewed Financial Statements as of September 30, 2009 and September 30, 2008

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 interim condensed financial statements for the nine months ended September 30, 2009 have been prepared in accordance with PAS 34, *Interim Financial Reporting*.

Changes in Accounting Policies

The accounting policies adopted in the preparation of the interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2008, except for the adoption of new Standards and Interpretations as of January 1, 2009, noted below:

- Philippine Financial Reporting Standards (PFRS) 2, *Share-based Payment - Vesting Conditions and Cancellations*

The Standard has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The adoption of this amendment did not have any impact on the financial statements of the Company.

- PFRS 7, *Financial Instruments: Disclosure*

The amended standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, a reconciliation between the beginning balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The fair value measurement disclosures are presented in Note ___, and the liquidity risk disclosures are not significantly impacted by the amendments.

- PFRS 8, *Operating Segments*

This standard requires additional disclosure of information about the Company's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Company. Adoption of this standard did not have any effect on the financial statements of the Company as it has no reportable segments.

- Philippine Accounting Standards (PAS) 1, *Presentation of Financial Statements (Revised)*

The revised standard separates the owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Company has elected to present two statements.

- PAS 23, *Borrowing Costs (Revised)*

The Standard has been revised to require capitalization of borrowing costs on qualifying assets and the group has amended its accounting policy accordingly. In accordance with the transitional requirements of the Standard this has been adopted as a prospective change. [Effect of adoption]

- PAS 32, *Financial Instruments: Presentation* and PAS 1, *Puttable Financial Instruments and Obligations Arising on Liquidation*

The Standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfill a number of specified criteria. The adoption of these amendments did not have any impact in the financial statements of the Company.

- Philippine International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*

This interpretation requires customer loyalty credits to be accounted for as a separate component of the sale transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognized as revenue over the period that the award credits are redeemed. This interpretation did not have an impact on the Company's financial statements as no such schemes currently exist.

- Philippine IFRIC 9, *Reassessment of Embedded Derivatives and* PAS 39, *Financial Instruments: Recognition and Measurement*

These amendments to IFRIC 9 require an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss (FVPL) category. This assessment is to be based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. PAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at FVPL. The adoption of these amendments did not have an impact on the Company's financial statements.

- Philippine IFRIC 16, *Hedges of a Net Investment in a Foreign Operation*

IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The adoption of this interpretation did not have any effect on the Company's financial statements as it does not have any investment in foreign operations.

Improvements to IFRSs

In May 2008, the Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Company.

- PAS 1*, Presentation of Financial Statements (Revised)*

Assets and liabilities classified as held for trading in accordance with PAS 39, *Financial Instruments: Recognition and Measurement* are not automatically classified as current in the statement of financial position. The Company amended its accounting policy accordingly and analyzed whether management's expectation of the period of realization of financial assets and liabilities differed from the classification of the instrument. This did not result in any re-classification of the financial instruments between current and noncurrent in the statement of financial position.

- PAS 16, *Property, Plant and Equipment*

The standard replaces the term 'net selling price' with 'fair value less costs to sell', to be consistent with PFRS 5 and PAS 36, *Impairment of Assets*. Also, items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale. Proceeds on sale are subsequently shown as revenue. The Company amended its accounting policy accordingly, which did not result in any change in the financial position.

- PAS 23, *Borrowing Costs*

The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one - the interest expense calculated using the effective interest rate method calculated in accordance with PAS 39. The Company has amended its accounting policy accordingly which did not result in any change in its financial position.

The amendments to the following standards below did not have any impact on the accounting policies, financial position or performance of the Company:

- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*
- PFRS 7, *Financial Instruments: Disclosures*
- PAS 8, *Accounting Policies, Change in Accounting Estimates and Error*
- PAS 10, *Events after the Reporting Period*
- PAS 16, *Property, Plant and Equipment*
- PAS 18, *Revenue*
- PAS 19, *Employee Benefits*
- PAS 20, *Accounting for Government Grants and Disclosures of Government Assistance*
- PAS 27, *Consolidated and Separate Financial Statements*
- PAS 28, *Investment in Associates*
- PAS 31, *Interest in Joint Ventures*

- PAS 34, *Interim Financial Reporting*
- PAS 36, *Impairment of Assets*
- PAS 38, *Intangible Assets*
- PAS 39, *Financial Instruments: Recognition and Measurement*

Future Changes in Accounting Policies

The Company has not applied the following PFRS and Philippine Interpretations which are not yet effective as of September 30, 2009:

Standards and interpretations effective for calendar year 2010

- Revised PFRS 3, *Business Combinations* and PAS 27, *Consolidated and Separate Financial Statements*

The Revised PFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. The Revised PAS 27 requires, among others, that: (a) change in ownership interests of a subsidiary (that do not result in loss of control) will be accounted for as an equity transaction and will have no impact on goodwill nor will it give rise to a gain or loss; (b) losses incurred by the subsidiary will be allocated between the controlling and noncontrolling interests (previously referred to as 'minority interests'); even if the losses exceed the non-controlling equity investment in the subsidiary; and (c) on loss of control of a subsidiary, any retained interest will be remeasured to fair value and this will impact the gain or loss recognized on disposal. The changes introduced by the revised PFRS 3 must be applied prospectively, while changes introduced by revised PAS 27 must be applied retrospectively with a few exceptions. The changes and will affect future acquisitions and transactions with noncontrolling interests.

- Amendment to PAS 39, *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*

For annual periods beginning on or after July 1, 2009, this addresses only the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The Amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item.

- Philippine Interpretation IFRIC 17, *Distribution of Non-cash Assets to Owners*

This Philippine Interpretation covers accounting for two types of non-reciprocal distributions of assets by an entity to its owners acting in their capacity as owners. The two types of distribution are:

a) distributions of non-cash assets (e.g., items of property and equipment, businesses as defined in PFRS 3, ownership interests in another entity or disposal groups as defined in PFRS 5); and
b) distributions that give owners a choice of receiving either non-cash assets or a cash alternative.

- This Philippine Interpretation addresses only the accounting by an entity that makes a non-cash asset distribution. It does not address the accounting by shareholders who receive such a distribution.

Philippine Interpretation IFRIC 18, *Transfers of Assets from Customers*
This Philippine Interpretation covers accounting for transfers of items of property and equipment by entities that receive such transfers from their customers. Agreements within the scope of this Interpretation are agreements in which an entity receives from a customer an item of property and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both. This Interpretation also applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property and equipment and the entity must then use the item of property and equipment either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both.

Effective in 2012

Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
This Philippine Interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Philippine Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials, and where the risks and rewards of ownership are transferred to the buyer on a continuous basis, will also be accounted for based on the stage of completion.

<u>Cash and Cash Equivalents</u>
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.

<u>Financial Instruments</u>
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) financial assets, 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.

As of September 30, 2009 and December 31, 2008, the Company's financial instruments are of the nature of loans and receivables and other financial liabilities.

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 has expired.

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.

<u>Offsetting Financial Instruments</u>
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.

<u>Inventories</u>
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. 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.

Equipment in transit and Construction in progress, included in property, plant and equipment, are stated at cost. Construction in progress includes the cost of the construction of property, plant and equipment and other direct costs. Equipment in transit includes the acquisition cost of 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 estimated useful lives (EUL) of the respective assets or over the remaining life of the mine, whichever is shorter, as follows:

Mining 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 “Mining 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.

Investments in Associates
An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture. Investments in associates are accounted for under the equity method of accounting.

Under the equity method, the investments in the investee companies are carried in the balance sheet at cost plus post-acquisition changes in the Company’s share in the net assets of the investee companies, less any impairment in value. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. The statement of income reflects the share of the results of the operations of the investee companies. Profit and losses resulting from transactions between the Company and the investee companies are eliminated to the extent of the interest in the investee companies.

The Company discontinues applying the equity method when their investments in investee companies are reduced to zero. Accordingly, additional losses are not recognized unless the Company has guaranteed certain obligations of the investee companies. When the investee companies subsequently report net income, the Company will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the investee companies and the Company are identical and the investee companies’ accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

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.

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.

<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).

<u>Impairment of Non-financial Assets</u>
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 present value 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.

<u>Income Tax</u>

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.

<u>Provisions</u>
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.

Provision for decommissioning and site rehabilitation
The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is installed or the ground / environment is disturbed at the production location. When the liability is initially

recognised, the present value of the estimated cost is capitalised by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the income statement as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur. For closed sites, changes to estimated costs are recognized immediately in the statement of income.

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 for noncancellable lease 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. 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.

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.

<u>Contingencies</u>
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.

<u>Events After Balance Sheet Date</u>
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

<u>Judgment</u>
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 NINE-MONTH OPERATION

Deployment of new mining equipment that arrived during the period, which increased capacity from 38 million bank cubic meters (bcm) to 59 million bcm, were maximized to take advantage of favorable weather conditions. As a result, total material movement recorded a historical high of 43,141,516 bcm or 13% higher than the full year material movement last year. Meanwhile, to minimize dissipation due to spontaneous combustion, coal extraction was limited to the contracted volume for deliveries. With this strategy, operations recorded a high strip ratio, or the ratio of waste moved in bcm for every MT of coal mined, at 11.72 as at the end of the period. Reflecting the increased capacity and healthy demand for Semirara coal, Run-of-Mine (ROM) coal production reached 3,430,440 MTs during the period. Net Product Coal was 3,243,674 MTs.

To further improve efficiency in operations, the coal washing plant was transferred near the auxiliary stockpile. This effectively maximized transport of clean coal through the conveying system.

The Company also installed an Oxy/Acetylene plant that supplies industrial gases requirements of operations. This is undertaken with the end goals of providing readily available oxygen and acetylene gases for the laboratory and equipment/facilities repair activities and of improving cost efficiency.

Meanwhile, exploratory and confirmatory drilling activities beyond the ultimate limit of the Panian pit, the current active mine, are on-going after the program yielded promising results last year with the discovery of significant volumes of coal. The Coal Operating Contract has been extended until 2027 by the Department of Energy last year. This positive development provided ample motivation for the Company to continue to invest in its exploration pursuits.

Congruent to the stripping strategy of the Company to expose the coal without necessarily extracting and stockpiling huge volumes, ending inventory was managed at 198,303 MTs.

Strong demand for Semirara coal was reflected in the period's total sales of 3,379,485 MTs. At a composite average FOB price of P2,716.90 for coal sold at an average heating value of 9,648 BTU/lb, Coal Revenues reached a record high of P9.182 billion surpassing by 9% of the entire sales last year. Meanwhile, P57.834 million was generated from the coal handling operations at the Calaca coal yard. Gross Revenues totaled to P9.240 billion for the nine-month period.

Cost of Sales, inclusive of Coal Handling Costs of P59.173 million and Shipping, Loading and Hauling Costs of P368.474 million amounted to P7.035. Gross Margin for the period was P2.205 billion, reflecting a gross profit margin of 24%.

Operating Expenses totaled to P845.562 million, consisting of Government share of P674.105 million and General and Administrative Expenses of P171.457 million. Government share correspondingly increases if the rate of increase in revenue is higher than the rate of increase in cost. The resulting Operating Income amounted to P1.359 billion, 15% of Revenues.

The Company booked Net Other Expenses of P85.322 million, comprising of: Interest Income from short-term investments and other Finance Income of P39.269 million; proceeds from gain on asset disposal, sale of electricity and insurance claims totaling to P55.290 million; Interest and Other Financing charges for availed loans of P20.926 million; Realized Forex Loss of P107.682 million; Unrealized Forex Loss of P29.893 million; and Equity in Net Loss of Associates amounting to P21.379 million.

Net Income Before Tax amounted to P1.274 billion. Provision for Income Tax recorded a surplus of P27.178 million as a result of the revised terms of the Company's registration with the Board of Investments which lowered base figure for taxable sales volume from 2.7 million MTs to 1.9 million MTs. The resulting Net Income After Tax for the nine-month period amounted to P1.301 billion.

2009 NINE-MONTH FINANCIAL CONDITION

The 19% decrease in Current Assets from beginning balance of P4.498 billion was offset by the 49% increase in Non-Current Assets from P1.613 billion to P2.404 billion, such that the drop in Total Assets was minimized to 1% from P6.111 billion as at the start of the year to P6.069 billion as at the end of the period.

The decrease in Current Assets is mainly caused by the drop in Trade Receivables and Coal Inventory by 69% and 57%, respectively. The substantial beginning balance in Trade Receivables amounting to P1.753 billion reflected timing difference in the collection of December 2008 receivables due to long holidays towards the end of the year. The account closed at P541.168 million as at the end of the current period due to aggressive collection efforts by the company and close monitoring of receivables from customers. Besides, more sales went to export markets, which were all on cash basis. Meanwhile, due to the new strategy of operations to leave the coal at the pit to minimize dissipation, ending coal inventory was reduced to 198,303 MTs, valued at P388.113 million from beginning inventory level of 463,802 MTs, amounting to P896.734 million.

On the other hand, the rest of the Current Assets accounts recorded increases. Cash, Inclusive of Short-Term Investments, improved by 46% from beginning balance of P1.012 billion to P1.475 billion. Receivables from related parties reflecting operating advances to affiliates increased by 261% from P6.608 million beginning balance to

P23.859 million. Other Receivables consisting of advances to employees, suppliers and contractors, as well as medical accounts receivables, increased by 27% from P117.358 million to P149.404 million. Materials and Parts Inventory increased by 50% from P486.486 million to P728.946 million. Prepaid Expenses and Other Current Assets, inclusive of creditable withholding tax and erroneously withheld VAT by NPC for refund, increased by 58% from P226.110 million to P358.211 million due to current creditable withholding taxes on sales and prepaid insurance of mining equipment.

The increase in Non-Current Assets is largely attributed to the 59% rise in Property, Plant and Equipment from beginning balance of P1.106 billion to P1.762 billion, reflecting the arrival of additional mining equipment under the capacity expansion program undertaken by the Company. Investments also increased by 2% from P223.232 million to P226.853 million, recording cash infusions to the Company's subsidiaries, DMCI Mining Corporation and DMCI Power Corporation. The 40% increase in Deferred Charges and Other Non-Current Assets from P283.749 million to P398.309 million represented software costs and security deposits on leases.

Meanwhile, Total Liabilities increased by 18%, from beginning balance of P1.811 billion to P2.132 billion as a result of the rise in Total Current Liabilities from beginning balance of P1.637 billion to P2.080 billion as at the end of the period due to higher provision of government share and increase in accrued payable on materials parts delivered and other accrued expense. Non-Current Liabilities on the other hand, dropped by 70% from beginning balance of P173.894 million to P51.410 million ending balance.

The increase in Total Current Liabilities was mainly due to the 61% increase in Trade and Other Payables from P1.189 billion to P1.914 billion which included a P499.016 million provision for government share. On the other hand, Current Portion of Long Term Debt recorded a significant decrease of 57% from P398.233 million to P166.128 million as the Company's total long-term debts continued to decline with the servicing of loans and reclassification to current portion. Income Taxes Payable at the beginning of the period amounting to P58.060 million was already paid, and no tax liability was recognized due to overpayment of taxes resulting from the amendment of the company's ITH incentive, thus provision for tax payable is zero at the end of the period.

Long-Term Debt, net of Current Portion, showed a significant decrease of 86% from P137.065 million to P18.516 million. Deferred Tax Liability which recorded a beginning balance of P14.125 million were already fully settled as at the end of the period. Provision for decommissioning and site rehabilitation increased by 51% at P19.959 million from beginning balance of P13.204 million. Likewise, Pension Liability also recorded an increase of 36% at P12.936 million from P9.499 million.

After payment of P1.665 billion Cash Dividends in May and accounting for Net Income After Tax of P1.301 billion, Total Stockholders' Equity, net of Cost of Treasury shares closed at P3.937 billion as at the end of the nine-month period.

2009 COMPARATIVE REPORT

I. PRODUCTION

The procurement of additional new mining equipment this year increased annual capacity by 55% from 2008 level of 38 million bcm to 59 million bcm this year. Total material movement during the nine-month period correspondingly increased by 55% from 27,918,308 bcm in 2008 to 43,141,516 bcm in the current period. Quarterly material movement this year was recorded at 16,205,095 bcm, 14,513,835 bcm, and 12,422,586 bcm for Q1, Q2, and Q3, respectively. In 2008, quarterly production was at 9,280,236 bcm, 9,940,985 bcm, and 8,697,087 bcm for Q1, Q2, and Q3, respectively. On a quarterly basis, ROM coal production this year was inversely proportional to material movement, such that, quarterly production was increasing at 834,893 MTs, 1,067,465 MTs, and 1,528,082 MTs for Q1, Q2, and Q3, respectively, totaling to 3,430,440 MTs for the nine-month period. On the other hand, ROM coal production in 2008 was on a downward trend at 1,065,387 MTs, 812,845 MTs, and 754,092 MTs for Q1, Q2, and Q3, respectively, totaling to 2,632,324 MTs for the nine-month period.

Net product coal production corresponded to ROM coal movement. In the current period, production recorded at 772,537 MTs, 981,417 MTs, and 1,419,104 MTs, for Q1, Q2, and Q3, respectively, totaling to 3,173,057 MTs for the nine-month period. On the other hand, net product coal production in 2008 was at 1,003,542 MTs, 747,401 MTs, and 655,232 MTs for Q1, Q2, and Q3, respectively, totaling to 2,406,176 MTs for the nine-month period.

Although rate of ROM coal production vis-à-vis material movement is increasing quarter-on-quarter, YTD strip ratio (SR) is still high at 11.72:1 as at the end of the period due to advance stripping, as utilization of additional equipment capacities are maximized. This is 19% higher than YTD Q3 2008 strip ratio of 9.89:1. Nevertheless, the 11.72:1 SR posted at the end of 3rd quarter is an improvement from the recorded strip ratio as of end of the 1st half of 15.19:1 as higher coal production was recorded during the 3rd quarter with understandably lower overburden extraction due to series of typhoons affecting the island. Despite the unfavorable weather condition, higher coal release was permitted due to the advance exposure of the coal blocks in the previous periods.

Meanwhile, ending coal inventory is almost six times at 198,303 MTs as at the end of the period, compared to Q3 2008 level of 28,368 MTs. The Company was on force majeur situation this time last year due to unusually heavy downpours, thus explaining the extraordinary low volume of coal inventory at the stockyard.

II. MARKETING

Demand for Semirara coal has steadily increased since the Company started to market its product beyond the Philippine borders. This year the Company sold a record high of

3,379,485 MTs in the first nine months, 1,078,344 MTs, 1,089,515 MTs, and 1,211,626 MTs were sold in Q1, Q2, and Q3, respectively. This volume is 23% higher than the nine-month sales in 2008 of 2,738,301 MTs, of which 1,120,961 MTs were sold in Q1 while 997,134 MTs and 620,206 MTs were sold in Q2 and Q3, respectively. . Significantly, the nine-month sales is already 2% better than the sales posted last year.

Market share of export sales has been increasing, such that this period's volume of 1,600,933 MTs took up 47% of total sales. This recorded a 66% growth over same period last year's sales of 965,726 MTs, with a market share of 35%. New markets were penetrated this year, namely, Thailand, Japan, and Taiwan, in addition to the existing markets in China, India and Hong Kong. Two new traders also partnered with the Company to bring its coal to new markets.

Meanwhile, NPC Calaca Plants were already operational this year, unlike last year wherein technical problems caused intermittent downtimes. Once the single biggest market of Semirara coal, consuming more than 90% of its production, the two plants accounted for 27% of sales for the nine-month period at 901,417 MTs, 63% more than same period of last year's uptake of 554,152 MTs. Sales to other power plants this year totaled to 177,374 MTs, bringing total sales to power industry to 1,078,790 MTs. In 2008, nine-month sales to other power plants reached 520,237 MTs, thus offsetting NPC Calaca's low volume and pulled up total power plants' sales to 1,064,389 MTs, recording a minimal 1% difference compared to current period's sales. Market share of the power industry dropped at 32% from 39% last year.

Recording an 8% dip from last year's volume of 539,608 MTs, sales to cement plants in the current period amounted to 497,602 MTs. This effectively brought down the market share of cement industry to 15% from 20% last year. On the positive note, one of the biggest cement companies in the country started to buy Semirara coal this year.

Finally, sales to other industries showed a 20% improvement at 202,159 MTs compared with 2008 sales of 168,578 MTs. Market share, however, remained at 6% of total sales.

Total local sales remained at about the same level with last year. This period's volume amounted to 1,778,551 MTs, while 2008 sales totaled to 1,772,575 MTs.

Composite average FOB price, increased by 16% at P2,717/MT this period as against last year's price of P2,342/MT.

III. FINANCE

A. <u>Sales and Profitability</u>

Higher sales volume and higher composite average FOB selling price this year contributed to the 43% increase in Coal Revenues at P9.182 billion as at the end of Q3 from P6.414 billion 2008 YTD Coal Revenues. Since operations of Calaca plants were already normal this year, Coal Handling Revenues correspondingly increased by 87% from P30.912 million in the first nine months of 2008 to P57.834 million as at the end of the current period. As a result, Total Revenues for the three quarters recorded a 43% increase at P9.240 billion this year from P6.445 billion in 2008.

Increased production and sales level resulted to a corresponding increase in Cost of Sales this year. Inclusive of shipping, loading and hauling costs, YTD Cost of Sales totaled to P7.035 billion, 40% more than YTD 2008 amount of P5.040 billion.

Gross Margin resulted to a 57% increase this period at P2.205 billion from P1.404 billion as of Q3 2008.

Higher coal sales and efficient operations increased provision for Government Share by 42% at P674.105 million for the current nine-month period from P474.437 million for the same period last year. General and Administrative Expenses likewise posted a 19% growth at P171.457 million, compared with P144.154 million spent in 2008.

The decline in interest-bearing loans reflected a corresponding decline of Finance Costs by 77% at P20.926 million from P92.166 million.

Meanwhile, Finance Income, which is mainly comprised of interest income from short-term placements and deposits, dropped by 31% at P39.269 million this period from P57.033 million generated for the nine-month period last year.

Foreign Exchange Losses of P137.576 million this year is comprised of Realized Losses of P107.682 million and Unrealized Losses of P29.893 million. This amount is four times the total Foreign Exchange Losses last year of P27.151 million, consisting of P48.096 million and P20.945 million Realized Losses and Unrealized Gains, respectively. The losses reflected fluctuations in foreign exchange rates for both periods.

Meanwhile, the Company recorded Equity in Net Losses of Associates amounting to P21.379 million in the current period, registering a 43% increase from YTD 2008 level of P14.961 million. This account records the Company's corresponding share in losses incurred by its investments in the power and mining sectors.

Other Income, which included gain on sale of equipment and recoveries from insurance claims, showed a 41% decrease at P55.290 million as compared to last year's level of P93.586 million.

The resulting Net Income Before Income Tax showed a 59% growth at P1.274 billion from P802.247 million as at the end of Q3 last year.

Benefiting from the amendment in base figure for ITH computation in relation to the Company's registration with the Board of Investment, the Company recorded a surplus in the Provision for Income Tax amounting to P27.178 million in the current period. Last year, total provision for the nine-month period reached P186.138 million.

Net Income after Tax more than doubled this year at P1.301 billion compared to the P616.109 million generated as at the end of Q3 2008. The reversal of income tax provision recorded in the 1st half of the current year partly contributed to the higher net income as of end of the 3rd quarter apart from the higher sales and production posted during the 3rd quarter.

Earnings per share correspondingly increased by 111% at P4.69 in the current period from P2.22 last year. EBITDA on the other hand, posted a more modest increase of 6% at P2.145 billion from P2.021 billion as at Q3 2008.

B. Solvency and Liquidity

Healthy cash generation from operations allowed the Company to finance its substantial investing and financing activities.

Net Cash Provided by Operating Activities was sizeable at P4.039 billion as at the end of Q3 this year. This amount is 105% more than the P1.988 billion generated in the same period last year. This is mainly caused by higher income this year as a result of the increase in sales volume and average selling price. The substantial decrease in Receivables, mainly trade-related, also contributed to the surge in this period's cash generation.

Meanwhile, the Company remained aggressive in its investing activities. Net Cash Used in Investing Activities totaled to P1.540 billion as at end of the third quarter, 7% higher than the P1.435 billion used in the same period of 2008. This year, additional mining equipment further increased PPE, with a net impact of P1.450 billion in its cash flow. This amount is 7% higher than the recorded additions to PPE of P1.349 billion as at the end of Q3 2008.

Robust earnings and healthy cash flows likewise afforded the Company to absorb the increase in Net Cash Used in Financing Activities at P2.037 billion in the current period, 77% higher compared to last year's level of P1.152 billion. The increase was mainly caused by higher dividend payout this year at P6/share or aggregating to P1.665 million, as compared to the P4/share last year, totaling to P1.110 billion. Although Repayment of Debt was substantially higher at P1.228 billion last year, compared to P371.549 million in the current period, the Company availed credit amounting to P435.280 million and entered into Finance Lease Agreements, generating P750.526 million Proceeds from Sale and Leaseback of equipment.

As a result, despite its higher spending, the Company was able to generate net cash of P462.138 million during the first nine months of the year. Combined with beginning balance, Cash end was recorded at P1.475 billion, 46% higher than Cash beginning and 40% more than total Cash as at the end of Q3 2008.

Current Ratio and Total Debt to Equity Ratio of the Company remained strong at 1.76x and 0.54:1, respectively, although these dropped from Q3 2008 level of Current Ratio and Total Debt to Equity Ratio at 2.94x and 0.52:1, respectively.

IV. PERFORMANCE INDICATORS:

1. **Average Selling Price** – In order to diversify its market base, the Company initially employed strategic pricing to penetrate new markets. Semirara coal was sold at a discount to encourage coal users to try using the product. Over the years, average FOB selling price has showly inched up alongside the success of the Company's diversification efforts. Currently, Semirara coal is priced within the market range. The Company's success in exporting its coal greatly helped in leveling its price with market as the option to export its coal gave the Company leverage in pricing for local contracts.

2. **Debt to Equity Ratio** – As a measure of the Company's financial leverage, the low Debt to Equity ratio is a good indicator of the Company's health. Its creditors give the Company a triple "A" rating, such that it is able to enjoy highly competitive credit terms. All existing Omnibus lines of the company are clean from any security. Meanwhile, with a healthy solvency condition, the Company has considered several investment options to further improve shareholders' value.

3. **Capital Expenditures** – The ability of the Company to sustain its capital expenditures spells well for the attainment of its goal to improve operations and increase capacity. In order to match its aggressive marketing strategies, the Company must have the corresponding capacity to serve its increasing orders.

4. **Expanded Market** – The Company's success in expanding its market base is a confluence of several factors, which include its ability to expand capacity when necessary and good quality control of its product. The increasing market share of exports is a welcome development because this signifies that growth potentials have become limitless with the vast export markets. Meanwhile, understanding its strengths fully, the Company works hard to maintain and benefit from its competitive advantages in keeping and expanding its local markets.

5. **Improved coal quality** – Acceptability of Semirara coal is the key in sustaining the Company's success in market diversification. With the inherent limitations of its coal, it is a continuing challenge for the Company to maximize the quality of its product. Quality improvement efforts are geared to achieve this goal. The improvement of the Company's coal washing plant enables operations to maintain its quality control to match its increasing capacity.

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: November 16, 2009

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

Date: November 16, 2009

JUNALINA S. TABOR
Principal Accounting Officer

Date: November 16, 2009

SEMIRARA MINING CORPORATION **ANNEX A**

AGING OF ACCOUNTS RECEIVABLE

September 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 Accounts
A. ACCOUNTS RECEIVABLE - TRADE									
1. NPC	74,142,758	68,523,362					5,619,396		20,712,473
2. APEC	-	-	-						
3. PNOC	63,038,652	62,145,297	893,355						
4. TPC	91,886,609	73,469,200	18,417,410						
5. APO	44,528,607	33,716,606	10,812,002						
6. SY LINK	274,871			274,871					
7. JPC	18,391,838	18,391,838							
8. HOLCIM	93,645,560	93,645,560							
9. SOLID	18,623,077		18,623,077						
10. 89 TRADE	11,733,840		11,573,916	159,924					
11. EXPORT	139,374,133	132,030,071				7,344,063			
12. PLATINUM GROUP	605,989					605,989			
13. NPC - Coal Handling	11,824,395	5,337,462	6,486,934						
	568,070,331	487,259,394	66,806,693	434,796	-	7,950,051	5,619,396	-	20,712,473
Less: Allowance for doubtfull accounts	20,712,473								
Net Trade Receivables	547,357,858								
B. NON - TRADE RECEIVABLES									
1. Advances - Officers	353,892	32,776	38,396	282,720					
2. Advances - Employees	1,385,756	709,351	676,405						519,697
3. Advances - Suppliers	122,500,010	111,105,937					11,394,073		
4. Advances - Operations	-								
5. Advances - Contractors	16,295,795	1,517,899	108,131	6,251,658	8,418,107				2,303,258
6. Advances - for Liquidation	5,548,857	148,697	483,247	2,997,055	1,919,858				1,948,809
7. Advances - SSS Claims	525,122		9,675	4,105	37,716		319,702	153,923	500,910
8. Advances - Others	442,897	5,357		301,585	135,955				917,703
9. Advances - Medical Accounts	2,351,399	32,020	11,845	1,348,209	959,325				
	149,403,727	113,552,037	1,327,698	11,185,333	11,470,961	-	11,713,775	153,923	6,190,377
Less: Allowance for D/A-AR Others	6,190,377								
Net Non-Trade Receivables	143,213,350								
NET RECEIVABLES (A & B)	**690,571,208**								

ANNEX B

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

The Company's financial instruments as of September 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.

2009	Within 1 year	1-2 years	2-3 years	3-4 years	4 years up	Fair Value
			(In Thousands)			
Cash equivalents						
Interest Rates						
5.25% to 6.5%	**₱1,339,549**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,489,230**
Long-term debts						
Fixed Rate						
Local bank loan						
9% interest rate	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
Various local bank loans						
8% interest rate	**3,170**	–	–	–	–	3,170
Floating Rate						
$15.14 million loan (USD)						
6 month USD LIBOR						
plus 1.5% per annum	**88,895**	–	–	–	–	88,895
$6.64 million loan (USD)						
3 month SIBOR						
plus 1.95% per annum	**74,062**	**18,516**				92,578
	₱166,127	**₱18,516**	**₱–**	**₱–**	**₱–**	**₱184,643**

2008	Within 1 year	1-2 years	2-3 years	3-4 years	4 years up	Fair Value
			(In Thousands)			
Cash equivalents						
Interest Rates						
5.25% to 6.5%	₱1,012,409	₱–	₱–	₱–	₱–	₱1,012,409
Long-term debts						
Fixed Rate						
Local bank loan						
9% interest rate	₱57,315	₱–	₱–	₱–	₱–	₱57,315
Various local bank loans						
8% interest rate	102,497	–	–	–	–	102,497
Various letters of credit						
8-11% interest rate	11,281	–	–	–	–	11,281
Floating Rate						
$15.14 million loan (USD)						
6 month USD LIBOR						
plus 1.5% per annum	143,875	62,800	–	–	–	206,675
$6.64 million loan (USD)						
3 month SIBOR						
plus 1.95% per annum	74,265	74,265	–	–	–	148,530
	₱389,233	₱137,065	₱–	₱–	₱–	₱526,298

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.

September 30, 2009	Within 1 year	1-2 years	2-3 years	3-4 years	Total - Gross (In US$)	Total – Gross (in PHP)
Liabilities:						
Trade and other payables	**₱1,914,239,266**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,914,239,266**
Floating Rate						
US$15.14 million loan						
6 month USD LIBOR plus 1.5% per annum	**$1,900,215**	**$–**	**$–**	**$–**	**$1,900,215**	**₱90,051,187**
US$6.64 million loan						
3 month SIBOR plus 1.95% per annum	**$1,593,565**	**$392,632**	**$–**	**$–**	**$1,986,196**	**₱94,125,843**
Various letters of credits and suppliers debt with various interest rates	**₱–**	**₱–**	**₱–**	**₱–**		**₱–**
Fixed Rate						
₱234.58 million promissory note						
9.00% per annum	**₱–**	**₱–**	**₱–**	**₱–**		**₱–**
Various local loans	**₱3,170,155**	**₱–**	**₱–**	**₱–**		**₱3,170,155**
					$3,886,411	**₱2,101,586,451**

December 31, 2008	Within 1 year	1-2 years	2-3 years	3-4 years	Total - Gross (In US$)	Total – Gross (in PHP)
Liabilities:						
Trade and other payables	₱1,189,370,180	₱–	₱–	₱–		₱1,189,370,180
Floating Rate						
US$15.14 million loan						
6 month USD LIBOR plus 1.5% per annum	$3,029,936	$1,322,369	$–	$–	$4,352,305	206,821,534
US$6.64 million loan						
3 month SIBOR plus 1.95% per annum	$1,565,141	$1,563,820	$–	$–	$3,128,961	148,688,227
Various letters of credits and suppliers debt with various interest rates	₱11,281,248	₱–	₱–	₱–		11,281,248
Fixed Rate						
₱234.58 million promissory note						
9.00% per annum	₱59,705,710	₱–	₱–	₱–		59,705,710
Various local loans	₱103,203,383	₱–	₱–	₱–		103,203,383
					$7,341,266	₱1,717,863,424

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 8.72% and 20.69% of debts as of September 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 :

	30-Sep-09		30-Dec-08	
	U.S. Dollar	**Peso Equivalent**	U.S. Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	**USD 1,444,155**	**PHP 68,438,494**	USD 828,243	PHP 39,358,107
Trade receivables	**2,941,003**	**139,374,133**	154,547	7,344,063
Liabilities				
Trade payables	**(2,560,112)**	**(121,323,722)**	(4,285,231)	(203,634,180)
Long-term debt (including current portion)	**(3,829,351)**	**(181,472,934)**	(7,475,029)	(355,213,366)
Net foreign currency denominated assets (liabilities)	**(USD 2,004,305)**	**PHP (94,984,029)**	(USD 10,777,470)	PHP (512,145,376)

The average exchange rates used in September 30, 2009 and December 31, 2008 were PhP47.39 and PhP47.52 respectively.

The Company recognized PhP3.926 million foreign exchange gain and PhP137.57 million foreign exchange loss for the 9-month period ended September 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 :

	2009	2008
Trade		
Local sales	**69.27 %**	98.15 %
Export sales	**22.53**	0.41
Other receivables	**8.20**	1.44
Total	**100.00 %**	100.00 %

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

Gross Maximum Exposure		**2009**		2008
Cash and cash equivalents	**PHP**	**1,489,229,721**	PHP	1,012,409,162
Receivables				
Trade				
Local sales		**428,696,198**		1,766,074,476
Export sales		**139,374,133**		7,344,063
Due from related parties		**23,859,356**		6,607,698
Advances to suppliers		**122,500,010**		97,621,328
Others		**26,194,368**		25,926,943
Security deposits		**355,515,213**		251,086,303
Total credit risk exposure	**PHP**	**2,585,368,999**	PHP	3,167,069,973

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 September 30, 2009 and December 31, 2008 :

	2009		2008	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Loans and receivables				
Cash and cash equivalents	**PHP 1,489,229,721**	**PHP 1,489,229,721**	PHP 1,012,409,162	PHP 1,012,409,162
Trade				
Local sales	**418,372,496**	**418,372,496**	1,749,055,827	1,749,055,827
Export sales	**132,030,070**	**132,030,070**	7,344,063	7,344,063
Due from related parties	**23,859,356**	**23,859,356**	6,607,698	6,607,698
Advances to suppliers	**121,641,676**	**121,641,676**	96,579,267	96,579,267
Others	**18,526,966**	**18,526,966**	17,084,803	17,084,803
Security deposits	**366,227,803**	**367,218,652**	251,086,303	255,940,292
Total	**PHP 2,569,888,088**	**PHP 2,570,878,937**	PHP 3,140,167,123	PHP 3,145,021,112
Financial Liabilities				
Other financial liabilities				
Long-term debt	**184,643,090**	**184,498,300**	526,298,562	533,900,484
Trade and other payables				
Trade payables	**745,529,438**	**745,529,438**	966,531,831	966,531,831
Accrued expenses and other payables	**419,973,028**	**419,973,028**	100,114,782	100,114,782
Payable to DOE and local government units	**499,016,089**	**499,016,089**	52,734,125	52,734,125
Due to related parties	**231,201,960**	**231,201,960**	45,761,873	45,761,873
Total	**PHP 2,080,363,605**	**PHP 2,080,218,815**	PHP 1,691,441,173	PHP 1,699,043,095

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

Trade and other payables

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

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 (5%-12%) for similar type of loans.