SEMIRARA MINING CORPORATION
(formerly known as Semirara Coal Corporation)

January 20, 2009

THE PHILIPPINE STOCK EXCHANGE, INC.
4th Floor, Philippine Stock Exchange Center
Exchange Road, Ortigas Center, Pasig City

Attn.: **ATTY. PETE M. MALABANAN**
Head - Disclosure Department

Re: *Amended Quarterly Report for the period ended September 30, 2008*

Gentlemen:

We disclose herewith the attached *Amended* Quarterly Report (SEC Form 17-Q) for the period ended September 30, 2008 of Semirara Mining Corporation ("SCC").

We hope that you find the foregoing in order.

Thank you.

Very truly yours,

SEMIRARA MINING CORPORATION

By:

JOHN R. SADULLO
Corporate Secretary

2nd Floor DMCI Plaza Building, 2281 Chino Roces Ave., Makati City
Tel. Nos.: (632) 888-3555; 867-3377; 816-7301 • Fax No. (632) 888-3955

SEMIRARA MINING CORPORATION
(formerly known as Semirara Coal Corporation)

FIN – 001 - 09

JAN 20 2009

19 January 2009

DIR. JUSTINA F. CALLANGAN
Director, Corporate Finance Department
Securities and Exchange Commission
SEC Bldg., EDSA, Greenhills,
Mandaluyong City

Dear Director Callangan:

This is in reply to your letter dated 26 December 2008, which we only received last 15 January 2009, regarding your review of our 2008 3rd Quarter Report (SEC Form 17-Q) filed with the Commission,

As regards to Item 1.a, no detailed explanation was included in the report since the company's financial condition remained healthy, despite adverse market developments. This is reflected in the strong DE Ratio at 0.52:1; Current Ratio at 2.94x, and Gearing Ratio at 9%. Nevertheless, additional information are provided under Annex B in the attached amended report relative hereto.

The foreign denominated loans of the company are matched with the dollar revenues earned from export sales, hence, this is not viewed by the company as a significant currency risk exposure. Also, all loans were negotiated with no prepayment penalty, hence we can prepay anytime, especially that we also maintain a strong cash and liquidity position.

The credit standing of the company is excellent, most banks are rating us in the triple A classification, hence we continue to enjoy prime interest rates for our borrowings.

Moreover, we carefully evaluate the financial condition of our local customers before we deliver to them. All export sales are covered by sight letters of credit issued by foreign banks subject to our approval, hence this mitigates our collection risk.

1/19

1/19

2nd Floor DMCI Plaza, 2281 Chino Roces Ave., Makati City
Tel. No.: (632) 888-3000; 816-7301 - 10 • Fax: (632) 816-7185

The company has not entered into derivatives contracts, hence, it is not affected by the current turmoil in the derivatives market.

For item 1.b.6, please refer to the following:

1. Investment account only consists of Investments to DMCI Power Corporation (DPC) and DMCI Mining booked under equity method as shown in the comparative Balance Sheets. No income was recognized in the Income Statement since DPC is still in its pre-operating stage, while DMCI Mining is still in its first year of commercial operation. We see no significant impact yet in 2008 in the Income Statement for these investments. We do not have investments which are considered active, our short-term investments as of 30 September 2008 are just short-term placements or money market placements with fixed interest rates, thus they are not affected by float risk. Also, we do not anymore have money placements denominated in US dollars that may be affected by foreign currency float risk;
2. Our receivables mainly consist of trade receivables from customers which are valued based on contracted price and are not affected by float risk which may reduce in any way the value of the company's receivables. Collection period of these receivables only ranges from 30-45 days. Exports are covered by sight letters of credit valid within 30-60 days from shipment date, thus any forex risk may not be material from transaction date and collection date;
3. The company's debts are comprised of US dollar-denominated long-term loans with interest re-pricing quarterly or semi-annually; one month promissory notes; and 60-90 day trust receipts with monthly interest re-pricing. The impact in the Financial Statements is not material given the company's level of debt for both foreign and local availments. For more details of the company's financial instruments please refer to Annex B (as amended).
4. Although the above were not elaborated in the original report filed, we provided explanations in the MD&A, and the manner of valuation was stated in the notes to financial statements. Also, Annex B and C were attached in the original report showing the valuation and maturities of our debts. Our debt profile does not extend beyond 3 years, thus no significant impact in the future Cash Flows was seen that needs to be disclosed in the report.

As regards to item 1.b.1, 3, 4, & 5, kindly refer to our amended Annex "B" in the attached amended report.

Item 1.b.2 is not applicable as the company does not invest in foreign securities.

We hope that this sufficiently address your issues.

Thank you very much.

Very truly yours,

VICTOR A. CONSUNJI
President

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 - A

(Form Type)

Month *Day*

(Annual Meeting[1])

(Secondary License Type, If Applicable)

Corporate Finance Dept.

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 Quarter Ending September 30, 2008
Period ended

QUARTERLY REPORT FORM 17-Q
Form Type

SEC FORM 17-Q-A

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

. For the quarterly period ended **September 30, 2008**

Commission Identification Number **91447**

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

Exact Name of issuer as specified in its charter:

SEMIRARA MINING CORPORATION

JAN 20 2009

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

Industry Classification Code:___________(SEC use only)

Address of issuer's principal office Postal Code

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

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

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.

). 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

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

. 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

TABLE OF CONTENTS

SEMIRARA MINING CORPORATION
Balance Sheets
As of September 30, 2008

	(Unaudited) September 30, 2008	(Audited) December 31,2007
ASSETS		
CURRENT ASSETS		
Cash	19,857,718	237,357,196
Short-term Investment	1,032,348,257	1,413,449,141
Trade Receivables - net	1,282,879,687	1,046,226,519
Receivable from Related Parties	98,792,803	57,920,745
Other Receivable-net	13,817,256	11,668,902
Inventories - net	1,061,999,995	1,452,670,221
Other Current Assets	249,530,802	215,241,438
Total Current Assets	3,759,226,518	4,434,534,162
NONCURRENT ASSETS		
Property, Plant and Equipment - net	1,586,559,569	1,904,372,202
Financial Lease Asset	637,994,215	-
Investment and Advances	225,000,000	80,871,207
Other Noncurrent Assets - net	5,983,885	2,869,167
Total Noncurrent Assets	2,455,537,668	1,988,112,576
TOTAL ASSETS	**6,214,764,186**	**6,422,646,738**
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts and Other Payables	941,653,338	533,680,900
Current Portion of Long Term Debt	141,642,649	730,171,195
Financial Lease Payable -Curr	146,117,845	-
Income Taxes Payable	-	40,166,543
Payable to related parties	15,239,108	12,920,756
Customer's Deposit	32,734,409	8,867,023
Total Current Liabilities	1,277,387,349	1,325,806,417
NONCURRENT LIABILITIES		
Long Term Debt - net of current portion	441,525,990	397,581,035
Financial Lease Payable - net of current	336,045,811	-
Pension Liability	4,659,224	4,659,224
Asset Retirement Obligation	12,205,198	12,205,198
Deferred Tax Liability	67,603,210	67,603,209
Total Noncurrent Liabilities	862,039,433	482,048,666
TOTAL LIABILITIES	2,139,426,782	1,807,855,083
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	2,730,557,393	3,270,011,644
	4,604,228,664	5,143,682,915
Treasury Shares, at cost	(528,891,260)	(528,891,260)
TOTAL STOCKHOLDERS' EQUITY	4,075,337,404	4,614,791,655
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**6,214,764,186**	**6,422,646,738**

SEMIRARA MINING CORPORATION
Income Statement
For the period ending September 30, 2008 and 2007
For the quarter ending September 30, 2008 and 2007

	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	For the period		For the quarter	
	2008	2007	2008	2007
Revenue:				
Sales	6,444,650,200	4,658,841,942	1,696,463,386	1,809,801,886
Cost of Sales:				
Cost of Coal Sold	4,782,744,288	3,471,494,047	1,353,816,099	1,458,667,049
Shipping,Loading and Hauling Cost	271,449,112	138,603,954	75,183,926	51,156,604
	5,054,193,400	3,610,098,001	1,429,000,025	1,509,823,653
Gross Profit	1,390,456,800	1,048,743,941	267,463,361	299,978,233
Operating Expenses:				
Government Share	474,436,668	137,622,927	41,172,936	53,573,094
General and Adm. Expenses	105,089,106	73,568,722	39,803,369	27,058,741
	579,525,774	211,191,650	80,976,305	80,631,835
INCOME FROM OPERATIONS	810,931,026	837,552,291	186,487,056	219,346,398
Other (Income)Expense				
Other (Income)Charges	(64,360,114)	(32,182,191)	(14,714,001)	(13,083,707)
Interest and Financing Charges	83,365,147	109,570,063	29,110,419	31,798,244
Foreign Exchange(Gain)Loss	27,150,698	(77,693,023)	45,236,546	(23,187,988)
	46,155,732	(305,151)	59,632,964	(4,473,451)
NET INCOME BEFORE TAX	764,775,294	837,857,442	126,854,092	223,819,849
PROVISION FOR INCOME TAX	193,938,344	272,817,353	(704,209)	67,847,451
NET INCOME AFTER TAX	570,836,950	565,040,089	127,558,301	155,972,398
EARNINGS PER SHARE (EPS)	2.057	2.036	0.460	0.562

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, 2007)

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, 2008 and 2007

	(UNAUDITED)	
	2008	2007
CAPITAL STOCK		
Common stock - P1 par value		
Authorized- 1,000,000,000 shares in 2008 and 2007		
Issued and outstanding - 296,875,000 in 2008 and 2007		
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	1,500,000,000	1,000,000,000
Appropriation during the quarter	-	-
Balance at end of the quarter	1,500,000,000	1,000,000,000
Unappropriated		
Balance at beginning of the quarter, as previously stated	1,102,999,090	2,045,794,343
Appropriation during the quarter	-	-
Balance at beginning of the quarter as restated	1,102,999,090	2,045,794,343
Net income during the quarter	127,558,301	155,972,398
Dividends	-	-
Appropriation for future capital expenditures	-	-
Balance at end of the quarter	1,230,557,391	2,201,766,741
	2,730,557,391	3,201,766,741
COST OF SHARES HELD IN TREASURY	(528,891,260)	(528,891,260)
TOTAL STOCKHOLDERS' EQUITY	4,075,337,402	4,546,546,752

SEMIRARA MINING CORPORATION

Statement of Cashflows

For the period ended September 30, 2008 and 2007

	(Unaudited) 2008	(Unaudited) 2007
CASHFLOWS FROM OPERATING ACTIVITIES		
Net income before tax	764,775,294	837,857,442
Prior period adjustment		
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	1,029,010,063	1,155,694,608
Interest and financing charges	83,365,147	109,570,063
Loss on disposal/retirement/write-off of assets	(44,713,500)	(5,173,911)
Pension liability provision (net of amortization)	-	
Net unrealized foreign exchange losses	(20,945,436)	(59,260,653)
Provision for income taxes		
Interest income	(53,683,182)	(23,285,678)
Operating income before working capital changes	1,757,808,386	2,015,401,871
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Receivables	(279,673,579)	(503,524,728)
Inventories	390,670,226	354,833,669
Other current assets	(31,188,153)	(44,494,015)
Financial lease	(740,670,000)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	419,471,880	(34,298,014)
Customer's deposit	23,867,386	(16,896,307)
Pension liability provision	-	2,251,870
Net cash generated from operations	1,540,286,146	1,773,274,346
Interest received	50,581,970	22,631,172
Income tax paid	(234,809,095)	(227,717,765)
Interest paid	(70,896,592)	(95,287,081)
Net cash provided by operating activities	1,285,162,429	1,472,900,672
CASHFLOWS FROM INVESTING ACTIVITIES		
Short term investment placements	-	300,000,000
Additions to property, plant and equipment	(608,521,644)	(65,352,446)
Additions to investment	(144,128,793)	-
Proceeds from sale of assets	44,713,500	5,380,800
Decrease (Increase) in other non-current assets	(3,114,718)	(78,780,386)
Net cash provided by (used in) investing activities	(711,051,655)	161,247,968
CASHFLOWS FROM FINANCING ACTIVITIES		
Loan availment	435,280,346	270,889,888
Repurchased shares of stocks (treasury shares)	-	-
Proceeds from sale and leaseback of equipment	750,525,854	-
Payment of dividend	(1,110,291,201)	(333,087,359)
Debt repayment	(1,248,226,135)	(832,403,885)
Net cash provided by (used in) financing activities	(1,172,711,136)	(894,601,356)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(598,600,362)	739,547,285
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,650,806,337	510,439,222
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,052,205,975	1,249,986,507

1. Summary of Significant Accounting policies

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

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

Changes in Accounting Policies

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

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

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

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

The principal effects of these changes are as follows:

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

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

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

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

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

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

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

Future Changes in Accounting Policies

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

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

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

- PAS 23, *Borrowing Costs (effective for annual periods beginning on or after January 1, 2009)*
  The Standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements of the Standard, the Company will adopt this as a prospective change. Accordingly, borrowing costs will be capitalized on qualifying assets with a commencement date after January 1, 2009. The adoption of this standard has no impact on the Company's financial statements.

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

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

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

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

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

Revenue Recognition

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>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.

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

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

Determination of fair value

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

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

Day 1 profit

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

Loans and Receivables

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

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

Other financial liabilities

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

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

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

Impairment of Financial Assets

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

Loans and receivables

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

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

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

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

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

Derecognition of Financial Assets and Liabilities

Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;

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

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

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risk and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the

Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of income.

Offsetting

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

Inventories

Inventories are valued at the lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale for coal inventory or replacement cost for spare parts and supplies. Cost is determined using the weighted average production cost method for coal inventory and the moving average method for spare parts and supplies.

The cost of extracted coal includes all stripping costs and other mine-related costs incurred during the period and allocated on per metric ton basis by dividing the total production cost with total volume of coal produced. Except for shiploading cost, which is a component of total minesite cost, all other production related costs are charged to production cost.

Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value. Costs also include decommissioning and site rehabilitation cost. The initial cost of property, plant and equipment comprises its purchase price, including non-refundable import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to operations in the year when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, and the costs of these items can be measured reliably, the expenditures are capitalized as an additional cost of the property, plant and equipment.

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

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

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

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

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

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

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

Mine Exploration and Development Costs

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

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

Decommissioning and Site Rehabilitation Costs

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

Intangible Assets

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

Software Cost

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

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

Impairment of Non-financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating unit's fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

Borrowing Costs

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

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

Pension Expense

The Company has a noncontributory defined benefit retirement plan.

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

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

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

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

<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.

Leases

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

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies: (a) there is a change in contractual terms, other than a renewal or extension of the arrangement; (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term; (c) there is a change in the determination of whether the fulfillment is dependent on a specified asset; or (d) there is a substantial change to the asset.

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

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

Foreign Currency Translation

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

Earnings Per Share (EPS)

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

Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Events After Balance Sheet Date

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

2. Significant Accounting Estimates, Judgments and Assumptions

Judgment

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

Contingencies

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

Revenue recognition

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

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

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

Estimates and Assumptions

The key assumptions concerning the future and other sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimating allowance for doubtful accounts

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

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

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

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

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

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

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

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

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

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

Estimating impairment for nonfinancial assets

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

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

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

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

Deferred income tax assets

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

Company will generate sufficient taxable profit to allow all or part of its deferred income tax assets to be utilized.

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

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

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

2008 NINE-MONTH OPERATION

The arrival of new mining equipment enabled the Company to increase total material movement despite adverse weather conditions at the mine site. Year-to-date material movement registered at 27,918,308 bank cubic meters (bcm). As operations focused on pit stabilization after the occurrence of a minor slide in the pit in the second quarter, run-of mine (ROM) coal production slowed down in the current quarter that resulted to a nine-month volume of 2,632,324 metric tons (MTs), inclusive of washable coal of 504,608 MTs. Net total product coal registered at 2,406,176 MTs.

In anticipation of higher demand for coal, the Company acquired 16 units 100-tonner dump trucks, 3 units excavators (1 unit 16 cubic meter capacity and 2 units 12 cubic meter capacity) and complementing support equipment that included motor graders, bulldozers and wheel dozers as at the end of the third quarter. Eight more 100-tonner dump trucks arrived shortly after the close of the current period and another 1 unit 16-cubic meter excavator is already due to arrive in the last quarter.

Moreover, drilling equipment were also purchased to facilitate the exploratory drilling activities beyond the ultimate pit limit of the active mine, the Panian pit. Resident geologists further explored areas where coal reserves are indicated .

The 4 MW bunker-fired generator set that was commissioned to power dewatering pumps at the start of the year became very useful, as the rainy season is particularly long this year and brought heavy downpour in the island.

As a result of the heavy rains, a portion of the pit partially caved in and disrupted coal production in the third quarter. As a result, the Company declared a force majeur on 2 July 2008. As more rains were experienced during the succeeding period, the force majeur was not yet lifted as of end of the 3rd quarter

As a result of the force majeur, production slid down in the third quarter. With the continuous strong demand for Semirara coal, inventory closed at a low level of 28,368 MTs. Despite the almost depleted inventory level, the Company was not able to cater to some orders. As a result sales volume, which is already a record high at 2,738,300 MTs, could have been more higher. Around 400,000 MTs on contracted export tonnage still remains undelivered as at end of the 3rd quarter. The company is optimistic that this will be fully delivered before the year-ends.

At a composite average price of P2,342/MT, Coal Revenues amounted to P6.414 billion as at the end of the end of the nine-month period. Average heating value recorded at 9,582

BTU/lb. On the other hand, Coal Handling operations at the Calaca coal yard raked in additional Revenues of P30.912 million. The resulting Total Revenues of P6.445 billion is almost at the same level of 2007 full year Revenues.

Cost of Sales, inclusive of P271.449 million Shipping, Loading and Hauling Costs and Coal Handling Cost of P36.805 million, recorded at P5.071 billion. The Non-Cash portion of this amount is 22% at P1.110 billion. Cost of Coal Sold/MT is P1,851.72.

The resulting Gross Margin was recorded at P1.374 billion, posting a Gross Profit Ratio of 21.3%.

Operating Expenses totaled to P563.154 million. The bulk of the pie is represented by Government Share of P474.437 million, which is 7.4% of Coal Sales. General Administrative Expenses of P88.718 million accounted for Philippine Stock Exchange annual listing fees, business permit fees, filing fees, and other overhead, inclusive of executive officers' compensation. The resulting Operating Income amounted to P810.931 million, representing 12.6% of Revenues.

Other Income of P53.683 million represented income from sale of electricity generated by company-owned power plant to the local cooperative, and insurance claims for partial damage of equipment.. Meanwhile, the Company accounted for Interest and Financing Charges of P83.365 million for its short and long-term loan availments. Also, due to foreign exchange fluctuation from P41.28 : $1 at the beginning of the year to P47.09 : $1 as at the end of the third quarter, the Company incurred net Realized Foreign Exchange loss of P16.019 million and net Unrealized Foreign Exchange Loss of P11.132 million for the USD8.42 million outstanding balance of US dollar-denominated loans valued at P41.28: USD1.0 at beginning of the year offset by reversal of booked unrealized gain on USD11.2 million short-term placements which was used to pay off USD obligations of new equipment acquisitions.

Non-recurring income of P10.677 million was recognized from sale of fully depreciated mining equipment, offset by Philippine Ports Authority charges amounting to P34 million, partial payment of which were lodged under protest. The resulting Net Income Before Tax posted at P764.775 million. Although, the Company successfully registered with the Board of Investments, and was consequently granted Income Tax incentives, Income Tax for the period was fully provided for, as tax holiday will only apply for sales over 2.7 million MTs. As a result of lower sales, lower production but higher production and other operating cost, 3rd quarter tax position is at minimum corporate income tax (MCIT) of P5.35 million, however, the year-to-date tax position is at regular corporate income tax of P193.938 million, thus reflecting a negative P0.704 million for the quarter to adjust year-to-date provision. Net Income After Tax registered at P570.837 million as at the end of Q3.

2008 NINE-MONTH FINANCIAL CONDITION

The Company's balance sheet remained strong as at the end of the period although Total Assets of P6.215 billion posted a slight 3% dip from beginning balance of P6.423 billion. The decline is mainly caused by the drop in Cash and Cash Equivalents; Coal inventory; and Property, Plant and Equipment partially offset by increase in materials and parts inventory and recognition of financial lease assets.

Cash and Cash Equivalents decreased by 36% from P1.651 billion beginning balance to P1.052 as at the end of Q3 due mainly to termination of US dollar short term placements to pay-off mining equipment acquired during the period which amounted to around USD 11.2 million. On the other hand, Total Receivables went up by 25% from P1.116 billion to P1.395 billion as at the end of the period. Trade Receivables accounted for P1.283 billion, 72% of which represents receivables from the National Power Corporation (NPC), while Receivables from Related Parties and Other receivables accounted for P98.793 million and P13.817 million, respectively.

The steep drop in Coal Inventory valued at P50.783 million from P570.807 million as at the start of the year was slightly offset by the increase in Materials and Part Inventory from P881.864 million to 1.011 billion. As a result, Total Inventories reflected a decrease from P1.453 billion as at the start of the period to P1.062 billion as at the end of Q3.

Meanwhile, Prepaid Expenses and Other Current Assets mainly consists of the erroneously withheld Value Added Taxes by NPC on coal deliveries. The posted 16% increase from P215.241 million to P249.531 million at the end of the period. was caused by increase in prepaid insurance and unapplied creditable withholding taxes.

Total Current Assets registered at P3.759 billion, 15% lower than the beginning balance of P4.435 billion.

On the other hand, Non-Current Assets posted a 24% increase at P2.456 billion from balance at the start of the year of P1.988 billion. The recognition of additional depreciation was reflected in the decrease in Property, Plant and Equipment from P1.904 billion to P1.587 billion. On the other hand, additional equipment amounting to P638.03 million (net of depreciation) was booked under Financial Lease Assets as these mining equipment were subjected to sale and leaseback transactions. Additional cash infusion to the Company's investments in a nickel mine and the group's power company resulted to an increase in Investments from P80.871 million to P225 million, no additional investment was made during the 3rd quarter Finally, Deferred Charges and Other Non-Current Assets went up to P5.984 million from P2.869 million beginning balance, representing additional software costs.

Total Liabilities rose by 18% at P2.139 billion from P1.808 billion beginning balance. The increase was mainly triggered by the Company's capacity expansion program which set off availment of financing arrangements for the new CAPEX seconded by rise in government share due to improved operating efficiency and procurement of more materials and parts for rehabilitation of mine site facilities and other site development projects

The bulk in Current Liabilities of P1.277 billion is represented by Accounts and Other Payables amounting to P941.653, which included Government Share payable of P377 million, accrued materials payable of P325 million, and consigned parts payable of P116 million.

Continuous amortization of Long-Term Debt brought down its Current Portion from P730.171 million to P141.643 million. On the other hand, the Company entered into sale and leaseback arrangements for its new mining equipment that resulted to the recognition of Finance Lease Payables, balance of the Current Portion of which is P146.118 million.

Meanwhile, Payable to Related Parties amounted to P15.239 million, reflecting payables generated from use of affiliates' equipment to support its Calaca Coal Handling Operations.

Customers' Deposit recorded a significant increase by 269% from P8.867 million as at the start of the year to P32.734 million coming from advance payment from customer for coal orders.

The 79% increase in Non-Current Liabilities from beginning balance of P482.049 million to P862.039 million was mainly caused by the sale and leaseback transaction entered into by the Company which recorded a Financial Lease Payable – Net of Current Portion of P336.046 million. Long-Term Debt – Net of Current Portion likewise posted an 11% increase from P397.581 million to P441.526 million, mainly resulting from unrealized forex loss as of Sept. 30, 2008

Stockholders' Equity reflected a 10% decrease at P4.604 billion from beginning balance of P5.144 billion despite generating a Net Income of P570.837 million for the nine-month period. This is a result of the declaration and payment of Cash Dividends made in the first quarter of the year amounting to P1.11 billion.

The company's assets and liabilities are traditional in nature, which are valued at cost except for foreign denominated loans and US dollar collections which are valued using the closing rate at balance sheet date applied to the outstanding balance as of the period recognizing gain or loss on foreign exchange translation (please see Note 1 – Summary of Significant Accounting Policies in the Notes to Financial Statements and Annex B and C for information on company's liquidity and risk).

2008 COMPARATIVE REPORT

I. PRODUCTION

Heavy rains at the mine site hampered operations. However, with the employment of new mining equipment, operations managed to move significant amount of materials during the quarter at 8,697,087 bcm, reflecting a 6% and 13% decline from Q1 and Q2 material movement of 9,279,804 bcm and 9,940,985 bcm, respectively. Notably, this volume is 34% higher than Q3 2007 material movement of 6,472,619 bcm. Despite the slump in Q3, year-to-date total material movement still posted a 15% improvement at 27,918,308 over the comparable nine-month period last year's volume of 24,233,081 bcm.

Minor slides in the pit brought about by heavy rains directed operations to slope stabilization which required the diversion of some mining equipment for this activity. The combined effect of this plus the actual slow down of mining operations due to the heavy downpour tempered current quarter's ROM coal production to 754,092 MTs. Added to Q1 and Q2 coal production of 1,065,387 MTs and 812,845 MTs, YTD ROM coal produced was lodged at 2,632,324 MTs, 4% lower than Q3 2007 YTD production of 2,743,179 MTs. Current period's ROM coal production was also lower by 4% compared to Q3 2007 production of 851,000 MTs.

As a consequence of higher material movement vis-à-vis lower coal production, YTD strip ratio rose to 9.89:1 compared to Q3 2007 YTD figure of 8.12:1. Current quarter's strip ratio was lower than Q2 2007 level of 11.52:1, but higher than Q1 2008 and Q3 2007 strip ratio of 8:1 and 6.89:1, respectively.

Accordingly, YTD net total product coal also registered a 5% decline at 2,406,176 MTs from 2,530,091 MTs last year. Q3 volume is lowest this year at 655,232 MTs, compared to Q1 and Q2 production of 1,003,542 MTs and 747,401 MTs, respectively. Likewise, this is 17% lower than Q3 2007 volume of 787,705 MTs.

Demand remained strong during the quarter. Thus, coal inventory was significantly low at 28,368 MTs, posting a 95% decrease compared to end of Q3 2007 inventory level of 535,062 MTs.

II. MARKETING

Semirara coal continued to strengthen its market acceptance. Proof to this is the significant increase in demand for the product. Strong global demand for coal in general further advanced the Company's goal to maintain a highly diversified market base. Its successful foray in the export market provided the Company more market options that helped improved the value of its product. Although the export market is an important segment of the Company's market portfolio, its force majeure situation caused opportunity loss during the quarter as it was compelled to turn down some orders. Nevertheless, export sales share in the total pie as at the end of the first three quarters of the year was significant at 35%. Total YTD export volume sold is more than double at 965,726 MTs this year, compared to Q3 2007 YTD export sales of 454,401 MTs. Current quarter's export sales amounted to 123,389 MTs, while Q1 and Q2 volume were recorded at 453,670 MTs and 388,667 MTs.

Meanwhile, due to problems in Calaca plants operations, volume delivered to the formerly main customer of the Company declined to almost minimum level. This greatly contributed to the slump in local sales from 2,096,767 MTs 2007 YTD to 1,772,575 MTs as at the end of the Q3 2008.

However, combined with the export sales, total sales volume for this year managed to post a 7% growth at 2,738,301 MTs from 2,551,171 MTs in the first nine months of 2007.

Power plants are still the major users of Semirara coal, accounting for 39% of total sales or 1,064,389 MTs. Remarkably however, this is a 40% decrease compared to 2007 YTD sales to the power industry of 1,769,997, representing 69% of total sales.

On a positive note, sales to the cement companies recorded a 146% growth at 539,608 MTs, with 20% market share, as at the end of Q3 this year from 219,637 MTs which represented 9% of sales in the previous year. Moreover, other industrial plants likewise posted a growth by 57% at 168,578 as at the end of the current period, compared to 2007 YTD volume of 107,135 MTs.

The continuous increase in market share of non-traditional markets is a welcome development for the Company. Developing a wide market range has been a primary marketing goal in the past few years.

The market of Semirara coal is not seen to decline until the year ends. The world coal prices may drop due to demand and supply chain in the world market resulting from the drop of crude oil prices and economic recession but still the company is confident to deliver more coal as it has remaining undelivered volume on contracted tonnages with a number of customers for 2008.

III. FINANCE

A. Sales and Profitability

The confluence of higher sales volume and increased YTD composite FOB average selling price at P2,342/MT, which is 30% higher than 2007 level, resulted to an upsurge in Coal Revenues to P6.412 billion for the first three quarters of the current year. This is a hefty 39% improvement of YTD Q3 2007 Coal Revenue generation of P4.603 billion.

On a quarter-on-quarter comparison, FOB average selling price notably inched up steadily. Current quarter's FOB average selling price of P2,717/MT is 11% higher than Q2 price of P2,444/MT, 41% more than Q1 level of P1,923, and 59% better than Q3 2007 average price of P1,704/MT. This increase in price is attributed to high international coal prices, and further augmented by the appreciation of the US dollar against the peso.

On the other hand, due to inflation which is significantly caused by the rising oil prices, Cost of Coal Sold/MT shot up to P1,733 for the nine-month period. This recorded an increase of 24% over the previous year's YTD Cost of Coal Sold/MT of P1,402. High strip ratio this year also contributed to the increased cost. High unit cost of increased sales volume reflected a 40% increase in Cost of Sales from P3,619 billion for the first three quarters of last year to P5.071 billion this year. Mine site operating cost, including minesite overhead costs is expected to rise in the last quarter as programmed materials and parts for various mine rehabilitation projects were already delivered. The company has started conscious efforts to rehabilitate the mine site to mitigate the negative notion of the impact of mining to the environment and create sustainable good quality of life to the local community of Semirara island.

Meanwhile, Operating Expenses which comprised of Government Share and General and Administrative Expenses also posted a sizeable increase by 179% from P202.168 million last year to P563.154 million in the current period. This is primarily attributed to increased operating efficiency which translated to higher Government Share, and expanded operations which correspondingly brought up General and Administrative Expense.

Healthy cash level invested in short-term instruments primarily boosted Other Income by 99% from P27.008 million last year to P53.683 million this period. On the other hand, lower interest-bearing loan balances correspondingly cut Interest and Financing Charges by 24% from P109.570 million to P83.365 million for the first three quarters this year. Fluctuation in foreign exchange prompted the Company to recognize realized and unrealized Forex Losses for its dollar loans, slightly tempered by Forex Gains for its dollar-denominated export revenues.

The expected cash inflow from exports in the last quarter this year will again provide natural hedge against currency fluctuations as available dollar will be utilized to pay foreign obligations. Meanwhile, the carrying values of the company's financial liability would not vary significantly from its fair value because of regular interest repricing, quarterly for long-term loans and monthly for short-term loans, except for one foreign loan which is repriced semi-annually with a balance of about $4.9 million whose last amortization payment will be due September 2010 (Annex B).

After full Provision of Regular Corporate Income Taxes, YTD Net Income After Taxes in the current year of P570.837 million is slightly higher by 1% compared to the reported NIAT of P565.040 million in the comparable period last year.

YTD EBITDA remained strong at P1.875 billion, despite posting a 9% drop from YTD Q3 2007 EBITDA of P2.061 billion.

B. Solvency and Liquidity

Despite substantial cash outflows for investing and financing activities, the Company managed to maintain a healthy Ending Cash Level of P1.052 billion.

Operating activities for the first three quarters of the year generated net cash of P1.285 billion, registering a 7% dip from operation's cash generation of P1.384 billion. This is mainly attributed to the finance lease transactions entered into by the Company for its new Capex that effectively increased other assets by P740.670 million. Also, due to cost escalation and increased Government Share, Before Tax Income this year is lower by 9% at P764.775 million, compared to YTD Q3 2007 income of P837.857. The aforementioned events that had negative impact on cash generation this year was tempered by the decrease in growth of Trade Receivables, despite the increase in coal sales. This is an effect of improved collection period. Export sales that are covered by sight letter of credits, and have thus short collection period, now takes a sizeable share in the Company's market.

Meanwhile, Investing Activities used up P711.052 million during the first three quarters of this year. P608.522 reflected additions to Property, Plant and Equipment, while P144.129 million was spent on the Company's investment to the nickel and power industries. With less Capex and investments in 2007, augmented by the recouped Temporary Investments of P300 million, YTD Q3 2007 generated P163.985 million from investing activities, while full year 2007 recognized cash generation from investments of P15.439 million.

Moreover, the Company also spent P1.173 billion of cash for its Financing activities. The bulk of P1.248 billion was used to pay its liabilities, while P1.110 billion was distributed as Cash dividends.

As a result, a Net Decrease in Cash of P598.600 million for the first nine months of operation this year was recorded. Beginning Cash Balance of P1.651 was then reduced to P1.052 at the close of the period.

Current Ratio, which demonstrates the Company's liquidity condition remained healthy at 2.94x. About 30% of the current assets are readily convertible to cash, 70% can be converted to cash in 30-60 days. The readily convertible cash can cover to pay off current liabilities. Although current ratio recorded a drop from yearend 2007 Current Ratio of 3.34x, it posted an improvement over H1 2008 level of 2.08x. Meanwhile, the Company's Debt-to-Equity Ratio improved to 0.35:1 as at the end of Q3 this year from 0.51:1 yearend 2007 and 0.66:1 H1 2008.

Higher Net Income translated to a corresponding increase in Earnings Per Share (EPS) from P2.036 as at Q3 2007 to P2.057 in the current comparable period.

IV. PERFORMANCE INDICATORS:

1. <u>Average Selling Price</u> – The Company was initially compelled to price Semirara coal at a discount while it was trying to gain more market acceptance from non-traditional local buyers and export markets, especially that Semirara coal is considered to be of lower quality. The steady increase in the average FOB selling price is therefore an indicator that the Company is successfully penetrating these markets. The success in exporting coal helped bring up prices, since the Company gained more leverage in pricing its coal for local deliveries.

2. <u>Debt to Equity Ratio</u> - Despite its aggressive expansion activities that required huge investments in mining equipment, and despite its generous cash dividend policy, the Company managed to maintain a low Debt to Equity Ratio. This clearly shows that the Company's solvency condition is stable and that the Company can well afford to consider more investment opportunities that could increase further shareholders' value.

3. <u>Capital Expenditures</u> – The Company's efforts to bring in more mining equipment, amidst shortage in the market, paid off when challenging weather conditions threatened to significantly impair production. With more equipment to deploy, the Company managed to hold its fort in maximizing production while doing rehabilitative activities for portions of the pit that registered slides during heavy rains. Moreover, with the acquisition of more drilling equipment, the Company is able to conduct more exploratory drilling activities beyond the ultimate pit limit of the current active mine.

4. <u>Expanded Market</u> – The Company has already sucessfully weaned itself from dependence on a single customer. Moreover, it is continuously developing new markets for Semirara coal. In fact, demand for coal during the nine-month period is more than the production volume of the Company, thus it reported an almost depleted inventory level as at the end of Q3. The challenge for the Company is to strengthen the new markets that it caters, especially the export markets, which offers a vast opportunity for growth and expansion.

5. <u>Improved coal quality</u> – The low quality of Semirara coal has over time became less of an issue for the Company's customers. The average heating value for the nine months deliveries is at 9,582 btu. This is reflected in the continuous stream of coal orders, some of which the Company were not able to supply anymore. Clearly, the continuous efforts extended by the Company to improve its product has paid off. Nevertheless, management is persistently looking for more ways to enhance the quality of Semirara coal to further improve product value and increase product premium.

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: Jan. 19, 2009

JUNALINA S. TABOR
Officer-in-Charge CFO
For
NESTOR D. DADIVAS
Principal Financial Officer/Comptroller
1/19/09

Date: Jan. 19, 2009

JUNALINA S. TABOR
Principal Accounting Officer
1/19/09

Date: Jan. 19, 2009

SEMIRARA MINING CORPORATION
AGING OF ACCOUNTS RECEIVABLE
As of September 30,2008

	TOTAL	Current	2 - 3 Months	4 - 6 Months	7 Months to 1 Year	1 to 2 Years	2 to 5 Years	Over 5 Years	Allowance for doubtful acct.
A. ACCOUNTS RECEIVABLE - TRADE									
1. NPC	945,791,858.53	253,539,122.75	514,481,388.45	171,445,454.79	(46,155.00)		6,372,047.54		20,712,472.95
2. APEC	49,790,164.59	12,747,540.27	35,514,653.00		1,527,971.32				
3. PNOC	127,976,006.17	83,630,654.38	45,164,425.62		(819,073.83)				
4. TPC	126,941,209.23	32,907,633.00	81,045,945.13	10,257,547.02	2,105,500.29	624,583.79			
5. APO	2,206,513.45				2,206,513.45				
6. PPFC	437,034.07			437,034.07					
7. JPC	34,081,697.49	34,081,697.49							
8. PICOP	(90.02)				(90.02)				
9. SOLID	(14,268.44)				(14,268.44)				
10. GFCC	-								
11. EXPORT	6,211,693.44			6,211,693.44					
12. PLATINUM GROUP	605,988.96				605,988.96				
13. NPC - Coal Handling	9,564,352.83	5,768,905.30	3,795,447.53						
	1,303,592,160.30	422,675,553.19	680,001,859.73	188,351,729.32	5,566,386.73	624,583.79	6,372,047.54	-	20,712,472.95
Less allowance for doubtfull account	20,712,472.95								
Net TRADE RECEIVABLE	1,282,879,687.35								

	TOTAL	1 Month	2 - 3 Months	4 - 6 Months	7 Months to 1 Year	1 to 2 Years	2 to 5 Years	Over 5 Years	Allowance for doubtful acct.
B. NON - TRADE RECEIVABLES									
1. Advances - Officers	539,596.00	209,984.75	329,611.25						
2. Advances - Employees	(1,675,527.54)		182,329.05	(1,857,856.59)					519,697.08
3. Advances - Suppliers	-								
4. Advances - Operations	-								
5. Advances - Contractors	14,751,719.44	188,324.92	855,040.43	2,105,752.88	11,602,601.21				2,303,257.85
6. Advances - for Liquidation	2,629,250.25	543,469.37	38,998.00	2,046,782.88					1,948,808.90
7. Advances - SSS Claims	530,604.10				56,978.82		319,701.85	153,923.43	500,910.10
8. Advances - Others	789,589.18	92,102.63	170,129.37	489,854.98	37,502.20				917,702.67
9. Advances - Medical Accounts	2,442,400.92	349,972.44	774,045.48	1,017,242.55	301,140.45				
	20,007,632.35	1,383,854.11	2,350,153.58	3,801,776.70	11,998,222.68	-	319,701.85	153,923.43	6,190,376.60
Less allowance for doubtfull account	6,190,376.60								
Net NON - TRADE RECEIVABLE	13,817,255.75								
NET RECEIVABLES (A & B)	1,296,696,943.10								

SEMIRARA MINING CORPORATION
FINANCIAL RISK MANAGEMENT DISCLOSURES
As of September 30, 2008

The Company's financial instruments, as of September 30 and June 30, 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.

September 30, 2008	Interest Rate	within 1 year	1 - 2 years	2 - 3 years	3 - 4 years	More than 4 years	Total
Cash equivalents	5.25% - 6.25%	1,032,348,257	-	-	-	-	1,032,348,257
Long-term debts							
Finance lease	8.50%	146,117,845	307,902,550	28,143,261	-	-	482,163,655
Fixed rate bank loans							
Local banks	9%	20,670,563	58,129,295	-	-	-	78,799,858
Local banks	8%	20,536,305	13,692,020	-	-	-	34,228,325
Various LCs	8% - 11%	55,974,364	18,012,310	-	-	-	73,986,674
Floating rate							
USD15.14 million loan	6 months USD LIBOR plus 1.5% p.a.	26,078,706	204,630,671	-	-	-	230,709,377
USD6.64 million loan	3 months USD SIBOR plus 1.95% p.a.	18,382,712	147,061,695	-	-	-	165,444,406
Grand Total	**PHP**	**287,760,494**	**749,428,540**	**28,143,261**	**-**	**-**	**1,065,332,295**

June 30, 2008	Interest Rate	within 1 year	1 - 2 years	2 - 3 years	3 - 4 years	More than 4 years	Total
Cash equivalents	5.125% - 6%	1,771,057,320	-	-	-	-	1,771,057,320
Long-term debts							
Finance lease	8.50%	289,936,098	311,681,656	28,143,261	-	-	629,761,015
Fixed rate							
Local bank loan	9%	34,628,102	58,129,295	-	-	-	92,757,397
Local bank loan	8%	41,073,300	13,692,020	-	-	-	54,765,320
Local bank loan	7% - 8%	80,260,359	-	-	-	-	80,260,359
Various LCs	8% - 11%	40,577,707	18,012,310	-	-	-	58,590,017
Floating rate							
USD15.14 million loan	6 months USD LIBOR plus 1.5% p.a.	68,237,688	194,653,566	-	-	-	262,891,255
USD6.64 million loan	3 months USD SIBOR plus 1.95% p.a.	34,972,865	139,891,460	-	-	-	174,864,325
Grand Total	**PHP**	**589,686,120**	**736,060,308**	**28,143,261**	**-**	**-**	**1,353,889,688**

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 lest for the next four to six months. Capital expenditures are funded through a mix of supplier's credit, letter of credit, trust receipts and long term debt, while operating expenses and working capital requirements are sufficiently funded through cash collections.

							Grand Total	
September 30, 2008	**Interest Rate**	**within 1 year**	**1 - 2 years**	**2 - 3 years**	**3 - 4 years**	**More than 4 years**	**in USD**	**in PHP**
Long-term debts								
Finance lease	8.50%	PHP 146,117,845	PHP 307,902,550	PHP 28,143,261	PHP -	PHP -		PHP 482,163,655
Fixed rate bank loans								
Local banks	9%	PHP 20,670,563	PHP 58,129,295					78,799,858
Local banks	8%	PHP 20,536,305	PHP 13,692,020					34,228,325
Various LCs	8% - 11%	PHP 55,974,364	PHP 18,012,310					73,986,674
Floating rate								
USD15.14 million loan	6 months USD LIBOR plus 1.5% p.a.	*USD 554,276*	*USD 4,349,217*				USD 4,903,494	230,709,377
USD6.64 million loan	3 months USD SIBOR plus 1.95% p.a.	*USD 390,706*	*USD 3,125,647*				USD 3,516,353	165,444,406
Grand Total							***USD 8,419,847***	***PHP 1,065,332,295***

							Grand Total	
June 30, 2008	**Interest Rate**	**within 1 year**	**1 - 2 years**	**2 - 3 years**	**3 - 4 years**	**More than 4 years**	**in USD**	**in PHP**
Long-term debts								
Finance lease	8.50%	PHP 289,936,098	PHP 311,681,656	PHP 28,143,261	PHP -	PHP -		PHP 629,761,015
Fixed rate								
Local bank loan	9%	PHP 34,628,102	PHP 58,129,295					92,757,397
Local bank loan	8%	PHP 41,073,300	PHP 13,692,020					54,765,320
Local bank loan	7% - 8%	PHP 80,260,359	PHP -					80,260,359
Various LCs	8% - 11%	PHP 40,577,707	PHP 18,012,310					58,590,017
Floating rate								
USD15.14 million loan	6 months USD LIBOR plus 1.5% p.a.	*USD 1,513,836*	*USD 4,349,217*				*USD 5,863,053*	262,891,255
USD6.64 million loan	3 months USD SIBOR plus 1.95% p.a.	*USD 781,412*	*USD 3,125,647*				*USD 3,907,059*	174,864,325
Grand Total							***USD 9,770,112***	***PHP 1,353,889,688***

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 capital expenditures are in USD. Approximately 37% and 32% of debts as of September 30 and June 30, respectively, were denominated in USD.

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

	September 30		June 30	
	USD	PHP	USD	PHP
Assets				
Cash and cash equivalents	61,610.97	2,898,796.14	14,879,160.73	665,931,717.63
Trade receivables	149,578.43	6,211,693.04	2,572,671.30	113,952,094.41
Advances to suppliers	2,968,365.71	130,608,091.06	1,196,623.67	52,651,441.41
Liabilities				
Trade payables	(443,404.44)	(19,509,795.44)	(1,458,150.92)	(64,158,640.46)
Long-term debts	(8,419,846.62)	(1,065,332,295.25)	(9,770,112.22)	(1,353,889,688.14)
Net foreign currency denominated assets (liabilities)	(5,683,695.96)	(945,123,510.45)	7,420,192.56	(585,513,075.15)

The Company recognized Php45.2 million foreign exchange loss and Php20 million foreign exchange gain for the quarters ended September 30 and June 30, respectively, arising from the translation of the Company's cash and cash equivalents, trade receivables, accounts payable and other payables and long term debt.

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.

The credit risk is concentrated to the following markets:

	September 30	June 30
Trade		
Local sales	92%	97%
Export sales	0%	9%
Other receivables	1%	1%
Total	100%	100%

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

	September 30	June 30
Cash and cash equivalents	1,052,205,976	1,965,762,684
Receivables		
Local trade receivables	1,297,380,467	1,132,359,673
Export trade receivables	6,211,693	113,952,094
Due from related parties	98,792,803	42,162,429
Others	13,817,256	13,291,673
Total credit risk exposure	**2,468,408,195**	**3,267,528,554**

Fair Values

The following tables set forth the carrying values and estimated fair values of the Company's financial assets and liabilities recognized as of September 30 and June 30:

	September 30		June 30	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Asset				
Loans and Receivables				
Cash	19,857,718	19,857,718	194,705,364	194,705,364
Cash equivalents	1,032,348,257	1,032,348,257	1,771,057,320	1,771,057,320
Receivables				
Trade local sales	1,276,667,994	1,276,667,994	1,111,647,201	1,111,647,201
Trade export sales	6,211,693	6,211,693	113,952,094	113,952,094
Due from related parties	98,792,803	98,792,803	42,162,429	42,162,429
Other receivables	13,817,256	13,817,256	13,291,673	13,291,673
Total Financial Assets	**2,447,695,722**	**2,447,695,722**	**3,246,816,081**	**3,246,816,081**
Financial Liability				
Other Liabilities				
Payables				
Trade payables	359,361,853	359,361,853	393,068,244	393,068,244
Payable to DOE & local govt units	328,622,877	328,622,877	337,616,916	337,616,916
Due to related parties	15,239,108	15,239,108	9,250,461	9,250,461
Other payables	223,863,785	223,863,785	24,942,295	24,942,295
Finance lease	482,163,655	487,916,139	629,761,015	628,129,802
Long term debts	583,168,640	590,836,233	724,128,672	733,641,391
Total Financial Liabilities	**1,992,419,918**	**2,005,839,995**	**2,118,767,603**	**2,126,649,110**

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

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

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

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

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

SEMIRARA MINING CORPORATION
FINANCIAL RISK MANAGEMENT
SEPTEMBER 30, 2008

"Annex C"

	Interest Rate		June 30, 2008 Carrying Value					Carrying Value
			within 1 year		1 - 2 years	2 - 3 years	3 - 4 years	More than 4 years	
Cash equivalents	5.125% - 6%		1,771,057,320.18		-	-	-	-	1,771,057,320.18
Long-term debts									
Finance lease	8.50%		289,936,098.02		311,681,656.10	28,143,260.90	-	-	629,761,015.02
Fixed rate									
Local bank loan	9%		34,628,102.39		58,129,294.95				92,757,397.34
Local bank loan	8%		41,073,300.10		13,692,020.06				54,765,320.16
Local bank loan	7% - 8%		80,260,358.51		-				80,260,358.51
Various LCs	8% - 11%		40,577,707.01		18,012,310.00				58,590,017.01
Floating rate									
USD15.14 million loar	6 months USD LIBOR plus 1.5% p.a.		68,237,688.30		194,653,566.35				262,891,254.65
		USD	*1,513,836.15*	*USD*	*4,349,217.23*				*USD 5,863,053.38*
USD6.64 million loan	3 months USD SIBOR plus 1.95% p.a.		34,972,865.18		139,891,460.27				174,864,325.45
		USD	*781,411.77*	*USD*	*3,125,647.07*				*USD 3,907,058.84*
	PHP		589,686,119.51		736,060,307.73	28,143,260.90	-	-	1,353,889,688.14
	USD		*2,295,247.92*		*7,474,864.30*	-	-	-	*9,770,112.22*