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 March 31, 2007
Period ended

QUARTERLY REPORT FORM 17-Q
Form Type

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2007**

2. Commission Identification Number **91447**

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

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

   SEMIRARA MINING CORPORATION

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

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

7. Address of issuer's principal office Postal Code

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

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

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

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

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

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

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

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

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SEMIRARA MINING CORPORATION
Balance Sheets
As of March 31, 2007

	(Unaudited) March 31, 2007	(Audited) December 31,2006
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	667,739,272	510,439,223
Short-term Investment	-	300,000,000
Receivables - net	964,925,236	566,877,125
Inventories - net	1,712,809,960	1,840,409,362
Other Current Assets	222,476,070	187,975,060
Total Current Assets	3,567,950,538	3,405,700,770
NONCURRENT ASSETS		
Property, Plant and Equipment - net	2,716,229,093	3,014,851,173
Other Noncurrent Assets - net	92,428,070	90,641,223
Total Noncurrent Assets	2,808,657,163	3,105,492,396
TOTAL ASSETS	**6,376,607,702**	**6,511,193,166**
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts and Other Payables	517,360,381	320,464,835
Current Portion of Long Term Debt	819,134,802	976,010,745
Income Taxes Payable	82,450,276	30,568,160
Customer's Deposit	14,049,111	18,895,985
Total Current Liabilities	1,432,994,569	1,345,939,725
NONCURRENT LIABILITIES		
Long Term Debt - net of current portion	703,812,333	713,056,539
Pension Liability	53,420,552	52,669,928
Asset Retirement Obligation	11,138,611	11,138,611
Deferred Tax Liability	73,794,342	73,794,342
Total Noncurrent Liabilities	842,165,838	850,659,420
TOTAL LIABILITIES	2,275,160,408	2,196,599,145
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	2,756,667,282	2,969,814,010
	4,630,338,554	4,843,485,281
Treasury Shares, at cost	(528,891,260)	(528,891,260)
TOTAL STOCKHOLDERS' EQUITY	4,101,447,294	4,314,594,021
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**6,376,607,702**	**6,511,193,166**

SEMIRARA MINING CORPORATION
Income Statement
For the period ending March 31, 2007 and 2006
For the quarter ending March 31, 2007 and 2006

	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	For the period		For the quarter	
	2007	2006	2007	2006
Revenue:				
Sales	1,303,462,052	1,384,813,916	1,303,462,052	1,384,813,916
Cost of Sales:				
Cost of Coal Sales	1,018,487,794	930,979,021	1,018,487,794	930,979,021
Shipping,Loading and Hauling Cost	39,827,823	27,702,263	39,827,823	27,702,263
	1,058,315,618	958,681,284	1,058,315,618	958,681,284
Gross Profit	245,146,435	426,132,632	245,146,435	426,132,632
Operating Expenses:				
Government Share	38,322,753	40,686,832	38,322,753	40,686,832
General and Adm. Expenses	24,649,614	17,590,309	24,649,614	17,590,309
	62,972,366	58,277,141	62,972,366	58,277,141
INCOME FROM OPERATIONS	182,174,069	367,855,491	182,174,069	367,855,491
Other (Income)Expense				
Other (Income)Charges	(16,147,163)	(17,583,906)	(16,147,163)	(17,583,906)
Interest and Financing Charges	41,271,306	59,733,133	41,271,306	59,733,133
Foreign Exchange(Gain)Loss	(14,772,822)	(52,558,956)	(14,772,822)	(52,558,956)
	10,351,320	(10,409,729)	10,351,320	(10,409,729)
NET INCOME BEFORE TAX	171,822,748	378,265,220	171,822,748	378,265,220
PROVISION FOR INCOME TAX	51,882,116	108,061,703	51,882,116	108,061,703
NET INCOME AFTER TAX	119,940,632	270,203,517	119,940,632	270,203,517
EARNINGS PER SHARE (EPS)	0.432	0.971	0.432	0.971

Basis of EPS:
EPS = NET INCOME(LOSS) FOR THE PERIOD/NO. OF OUTSTANDING SHARES
Wherein:
Wtd Average Outstanding Shares = 278,277,359 (as of March 31, 2006)

Wtd Average Outstanding Shares = 277,572,800 (as of March 31, 2007)

SEMIRARA MINING CORPORATION
Statement of Changes in Stockholders' Equity
For the periods ended March 31, 2007 and 2006

	(UNAUDITED)	
	2007	2006
CAPITAL STOCK		
Common stock - P1 par value		
Authorized- 1,000,000,000 shares in 2007 and 2006		
Issued and outstanding - 296,875,000 in 2006 and 2005		
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	1,000,000,000	1,000,000,000
Appropriation during the quarter	-	-
Balance at end of the quarter	1,000,000,000	1,000,000,000
Unappropriated		
Balance at beginning of the quarter, as previously stated	1,969,814,010	1,701,658,512
Effect of adoption of new accounting standards	-	-
Balance at beginning of the quarter as restated	1,969,814,010	1,701,658,512
Net income during the quarter	119,940,632	270,203,519
Dividends	(333,087,360)	-
Appropriation for future capital expenditures	-	-
Balance at end of the quarter	1,756,667,282	1,971,862,031
	2,756,667,282	2,971,862,031
COST OF SHARES HELD IN TREASURY	(528,891,260)	(528,891,260)
TOTAL STOCKHOLDERS' EQUITY	4,101,447,293	4,316,642,042

SEMIRARA MINING CORPORATION
Statement of Cashflows
For the period ended March 31, 2007 and 2006

	(Unaudited) 2007	(Unaudited) 2006
CASHFLOWS FROM OPERATING ACTIVITIES		
Net Income before tax	171,822,749	378,265,222
Prior Period Adjustment		
Adjustments to reconcile net income to net cash		
Provided by operating activities:		
Depreciation and depletion and amortization	376,903,822	256,425,102
Interest and Financing Charges	41,271,306	59,733,133
Loss on disposal/retirement/write-off of assets		
Pension liability provision (net of amortization)	750,624	750,624
Net Unrealized Foreign Exchange Losses	(12,185,379)	(52,558,956)
Provision for income taxes	(51,882,116)	(108,061,703)
Interest Income	(11,402,752)	(17,558,166)
Operating Income before working capital changes	515,278,254	516,995,256
Changes in operating assets and liabilities		
Decrease(increase) in:		
Receivables	(398,048,111)	179,423,729
Inventories	127,599,402	(135,666,368)
Other current assets	(34,501,010)	11,480,889
Increase (decrease) in:		
Accounts payable and accrued expenses	(81,133,069)	134,771,315
Customer's Deposit	(4,846,874)	(19,039,787)
Net cash generated from operations	124,348,592	687,965,034
Interest Received	9,249,767	17,558,166
Interest Paid	(41,510,530)	(28,398,900)
Net cash provided by operating activities	92,087,829	677,124,300
CASHFLOWS FROM INVESTING ACTIVITIES		
Short term investment palcement	300,000,000	-
Additions to property, plant and equipment	(78,281,743)	(439,604,963)
Decrease(Increase) in other non-current assets	(1,786,847)	20,647,477
Net cash used in investing activities	219,931,410	(418,957,486)
CASHFLOWS FROM FINANCING ACTIVITIES		
Availment of long-term debt	176,054,213	266,444,790
Repurchased shares of stocks (treasury shares)	-	(145,257,800)
Repayment of long-term debt	(330,773,403)	(123,892,622)
Net cash used in financing activities	(154,719,190)	(2,705,632)
NET INCREASE(DECREASE) IN CASH	157,300,049	255,461,182
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	510,439,223	1,331,641,854
CASH AND CASH EQUIVALENTS AT END OF YEAR	667,739,272	1,587,103,036

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The principal accounting policies adopted in preparing the financial statements of the Company are as follows:

Basis of Financial Statements Preparation
The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the Philippines (Philippine GAAP) using the historical cost basis except for certain property, plant and equipment which are carried at adjusted cost.

Use of Estimates
The preparation of financial statements in conformity with Philippine GAAP requires the Company to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effect of any change in estimates will be recorded in the financial statements as they become reasonably determinable.

The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements.

2. Changes in Accounting Policies

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

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

- Philippine Accounting Standards (PAS) 19, *Amendment - Employee Benefits*
- PAS 21, *Amendment - The Effects of Changes in Foreign Exchange Rates*
- PAS 39, *Amendments - Financial Instruments: Recognition and Measurement*
- PFRS 6, *Exploration for and Evaluation of Mineral Resources*
- Philippine Interpretation IFRIC 4 - *Determining whether an Arrangement Contains a Lease*

The principal effects of these changes are as follows:

PAS 19 - *Employee Benefits*
As of January 1, 2006, the Company adopted the amendments to PAS 19. As a result, additional disclosures are made providing information about trends in the assets and

liabilities in the defined benefit plans and the assumptions underlying the components of the defined benefit cost. This change has resulted in additional disclosures being included in the financial statements but has not had a recognition or measurement impact, as the Company chose not to apply the new option offered to recognize actuarial gains and loss outside of the statement of income.

PAS 21 - *The Effects of Changes in Foreign Exchange Rates*
As of January 1, 2006, the Company adopted the amendments to PAS 21. Under this amendment, all exchange differences arising from a monetary item that forms part of the Company's investment in a foreign operation are recognized in a separate component of equity in the financial statements regardless of the currency in which the monetary item is denominated. This change had no impact to the financial statements as there are no investments in foreign operation.

PAS 39 - *Financial Instruments: Recognition and Measurement*
Amendment for financial guarantee contracts - amended the scope of PAS 39 to require financial guarantee contracts that are not considered to be insurance contracts to be recognized initially at fair value and to be remeasured at the higher of the amount determined in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* and the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with PAS 18, *Revenue*. This amendment did not have any impact to the financial statements.

Amendment for hedges of forecast transactions - amended PAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as the hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the statement of income. As the Company has no such transactions, the amendment did not have any effect on the financial statements.

Amendment for the fair value option - amended PAS 39 to restrict the use of the option to designate any financial asset or any financial liability to be measured at fair value through the statements of income. The Company had not previously used this option; hence, the amendment will not have any effect on the financial statements.

PFRS 6, *Exploration for and Evaluation of Mineral Resources*
This standard requires a company to develop its own accounting policy for the recognition and measurement of exploration and evualation of assets without specifically considering the requirements of paragraphs 11 and 12 of PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. Thus a company adopting PRFS 6 may continue to use the accounting policies applied immediately before adopting PFRS 6. This includes continuing to use recognition and measurement practices that are part of those accounting policies. The standard also specifies the circumstances in which the companies recognized exploration and evaluation assets that should test such assets for impairment in accordance with PAS 36, *Impairment of Assets.* The standard also requires companies enaged in the exploration for and evaluation of mineral resources to disclose information about exploration and evaluation assets, the level at which such assets are assessed for impairment and any impairment losses recognized. The adoption of this standard did not materially impact the financial statements as the Company is not presently engaged in any exploration for and evaluation of mineral

resources. The adoption, however, resulted to the reclassification of the costs of acquisition of the mining rights from “Property,plant and equipment” to “Mining rights acquisition cost” account shown under the “Other noncurrent assets” account.

Philippine Interpretation IFRIC 4 - *Determining Whether an Arrangement Contains a Lease*
The Company adopted IFRIC 4 as of January 1, 2006, which provides guidance in determining whether an arrangement contain to which lease accounting must be applied. This change in accounting policy has not had a significant impact on the financial statements.

The following Philippine Interpretations and accounting standards that have been issued but effective for financial statements after January 1, 2006. The Company did not early adopt this Philippine Interpretations and accounting standards.

- Philippine Interpretation IFRIC 7, *Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after March 1, 2006)*. This Philippine Interpretations 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 (effective for annual periods beginning on or after May 1, 2006).* This IFRIC Interpretation clarifies that PFRS 2, *Share-based Payment,* will apply to any arrangement when equity instruments are granted or liabilities (based on a value of the Company’s equity instruments) are incurred by the Company, when the identifiable consideration appears to be less than the fair value of the instruments given. 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 (effective for annual periods beginning on or after June 1, 2006).* This Philippine Interpretation requires an entity to assess whether a contract contains an embedded derivative at the date an entity first become a party to the contract and prohibits reassessment unless there is change to the contract that significantly modifies the cash flows. The Company will reassess to determine whether or not embedded derivatives were assessed at the date of transition to PFRS rather than at the date of entering into the contract. This Philippine Interpretation requires the Company to revisit and revise accounting for embedded derivatives.

- Philippine Interpretation IFRIC 10, *Interim financial Reporting and Impairment (effective for annual periods beginning on or after November 1. 2006).* This Philippine Interpretation addresses an inconsistency between PAS 34, *Interim Financial Reporting,* and the impairment requirements relating to goodwill in PAS 36, *Impairment of Assets* and equity instruments classified as available for sale in PAS 39, *Financial Instruments: Recognition and Measurement*. The Philippine

Interpretation states that the specific requirements of PAS 36 and PAS 39 take precedence over the general requirements of PAS 34 and, therefore, any impairment loss recognized for these assets in an interim period may not be reversed in subsequent interim periods. The Company will assess impact of this Philippine Interpretation.

- 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 euiqty instruments of the parent. The adoption of this Philippine Interpretation will not have an impact on the 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.

- Amendments to PAS 1, *Presentation of Financial Statements - Capital Disclosure (effective annual for periods beginning on or after January 1, 2007).* This amendment requires entities to disclose information that enables readers to evaluate the entity's objectives, policies and processes for managing capital. The disclosures are based on information provided internally to key management personnel, and will include: (a) the objectives, procedures and policies used to manage capital, (b) a description of what the entity manages as capital, the nature of any externally imposed capital requirements (if any) and how it meets objectives for managing capital, (c) quantitative information about what the entity manages as capital and any changes from the prior period, (d) whether the entity complied with externally imposed capital requirements and the consequences of any non-compliance, (if applicable). The Company will consider what information is currently used internally and how this is to be incorporated into the disclosures.

- PFRS 7, *Financial Instruments – Disclosures (effective for annual periods beginning or on after January 1, 2007).* PFRS 7 includes all of the disclosure requirements relating to financial instruments and will replace the disclosure section of PAS 32 *Financial Instruments: Disclosure and Presentation* and all of PAS 30 *Disclosures in the Financial Statements of Banks and Similar Financial Institutions*. PAS 32 will then contain only presentation requirements for financial instruments. The most significant additional disclosure requirements of PFRS 7 (compared to PAS 32 and PAS 30) are as follows: (a) qualitative risk disclosures are to include information on the processes that an entity uses to manage and measure its risks, (b) quantitative data about the exposure to each type of risk (including credit risk, liquidity risk and market risk) arising from financial instruments, (c) information about the credit quality of financial assets that are neither past due nor impaired, (d) an analysis of financial assets that are past due or impaired, including a description of collateral held as security and its fair value, (e) a market risk sensitivity analysis which includes the effect of a reasonably possible change in the risk variables, along with the methods and assumptions used in preparing the analysis. The Company will assess whether the processes and systems in place are capable of collecting these information and making any necessary changes. The Company will reassess to determine whether documented policies are comprehensive and complete. The amendment requires presentation of comparative information in the financial statements.

- 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. As the information required to be disclosed will likely be readily available as it is already used internally, the Company will reassess to determine whether additional processes should be put into place to reconcile information to the balance sheet and statement of income.

3. Summary of Significant Accounting Policies

Basis of Financial Statement Preparation

The financial statements have been prepared using the historical cost basis and are presented in Philippine Pesos.

Statement of Compliance

The financial statements have been prepared in accordance with PFRS.

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 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 coal sales are denominated and recorded in Philippine Pesos.

Rendering of services

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

Interest income
Revenue is recognized as interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

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

Financial Assets
Financial assets within the scope of PAS 39 are classified as either financial assets at fair value through profit and loss (FVPL), loans and receivables, held-to-maturity (HTM) investments and available for sale (AFS) financial assets, as appropriate. When financial assets are recognized initially, these are measured at fair value, plus, in the case of investments measured not at FVPL, directly attributable costs. The Company considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at FVPL when analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets at FVPL
Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition as at FVPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless these are designated as effective hedging instruments or a financial guarantee contract. Gains or losses on investments held for trading are recognized in the statement of income.

Financial assets may be designated at initial recognition as FVPL if the following criteria are met: (a) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring t he assets or recognizing gains or losses on them on a different basis; or (b) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (c) the financial asset contains an embedded derivative that would need to be separately recorded. As of December 31, 2006 and 2005, no financial assets have been designated as at FVPL.

HTM investments
HTM investments are non-derivative financial assets which carry fixed or determinable payments and fixed maturities which the Company has the positive intention and ability to hold to maturity. After initial measurement, HTM investments are measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in the statement of income when the investments are derecognized or impaired, as well as through the amortization process. As of December 31, 2006 and 2005, the Company has no HTM investments.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the statement of income when the loans and receivables are derecognized or impaired, as well through the amortization process. The Company's loans and receivables consists mainly of receivable from customers and related parties.

AFS Investments
AFS investments are those non derivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. After initial measurement, AFS are measured at fair value with unrealized gains or losses being recognized directly in equity in the net unrealized gain on AFS investments. When the investment is disposed of, the cumulative gain or loss previously recorded in equity is recognized in the statement of income. Interest earned or paid on the investments is reported as interest income or expense using the effective interest rate. Dividends earned on investments are recognized in the statement of income when the right to receive has been established. As of December 31, 2006, the Company classified its short-term investment as AFS investments.

Fair Value
The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using arm's length market transactions; references to the current market value of another instrument, which is substantially the same; discounted cash flow analysis or other valuation models.

<u>Interset Bearing Loans and Borrowings</u>
All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest

bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method.

Gains and lossed are recognized in the statement of income when the liabilities are derecognized as well as through the amortization process.

<u>Derecognition of Financial Assets and Liabilities</u>

Financial Assets

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

- the rights to receive the 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 an 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 Companyhas transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing invovlement 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 pay.

Financial Liabilities

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

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

<u>Impairment of Financial Assets</u>

The Company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected 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. The amount of the loss shall be recognized in the statements of income during the period in which it arises. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group if financial assets is collectively assessed for impairment. 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 of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to 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.

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. The carrying amount of the receivable is reduced through the use of an allowance account. Impaired debts are derecognized when they are assessed as uncollectible.

AFS financial investments

If an AFS asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the statement of income, is transferred from equity to the statement of income. Reversals in respect of equity instruments classified as AFS are not recognized in the statement of income. Reversals of impairment losses on the debt instruments are reversed through the statement of income; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the statement of income.

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 costs are charged to production cost.

Property, Plant and Equipment

Property, plant and equipment are carried at cost less accumulated depreciation, depletion and amortization and any impairment in value. Costs also include asset retirement obligations (ARO).

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. All other repairs and maintenance expenses are charged to current operations as incurred.

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

Depreciation, depletion 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:

Conventional and continuous mining equipment	2 to 13 years
Power plant and buildings	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.

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. Construction in progress is not depreciated until such time the relevant assets are completed and put into operational use.

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.

ARO

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 fair 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 depreciated on a straight-line basis over the EUL of the related property 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 *"Asset retirement obligation"* 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. Subsequently, intangible assets are measured at cost. 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 mining rights acquisition costs and software costs as its intangible assets.

Mining Rights Acquisition Costs and Mine Exploration and Development Costs

Cost incurred for the acquisition of mining rights are capitalized and amortized using the units-of-production method.

Expenditures for mine exploration and development activities on 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, the exploration expenses and subsequent development expenses are capitalized and presented under the *"Other noncurrent assets"* account in the balance sheet. Upon the start of commercial production, such capitalized costs are amortized using the unit-of-production method.

Depletion of mining rights acquisition costs, mine exploration and developments costs is calculated based on the units-of-production method. The estimated remaining life is 19 years where units of production is estimated at 29 million metric tons.

The estimated units of production amd depletion method costs are reviewed periodically to ensure that the period and method of depletion are consistent with the expected pattern of economic benefits that can be derived from items of mining rights acquisition costs and mine exploration and development costs.

Mining rights acquisition costs and mine and 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.

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.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. 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.

Intangible assets with indefinite useful lives are tested for impairment annually as of December 31 either individually or at the cash generating unit level, as appropriate.

Borrowing Costs

Borrowing costs generally are 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.

These costs are amortized using the straight-line method over the estimated useful life of the building.

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

Retirement

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 interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are credited to or charged against income when the net cumulative unrecognized actuarial gains and losses at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

Past-service costs, if any, are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

The retirement benefits of officers and employees are determined and provided for by the Company and are charged against current operations.

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

Income Tax

Current Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Deferred Income tax

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

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

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing if 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 income 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 income 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 income 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 income 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 income tax 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 tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Provisions

Provisions are recognized only when the Company has: (a) a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Leases

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

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

A reassessment is made after inception of the lease only if one of the following applies: (a) there is a change in the 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; (d) or there is a substantial change to the asset.

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

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

Foreign Currency Translation

The Company's financial statements are presented in Philippine pesos, which is the functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling 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. Diluted earnings per share amount is computed assuming that the convertible preferred shares are converted to common shares.

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 the liability simultaneously.

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.

Subsequent Events

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.

4. 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 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, the length of the Company's relationship with the customer, the customer's payment behavior and known market factors. 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 ARO

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 bases over the useful life of the related asset or the lease term, whichever is shorter. Aaumptions used to compute the ARO 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 ARO 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 assets 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, mining rights acquisition cost 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. 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.

The Company also estimates other employee benefits obligation and expense, including 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.

Financial assets and liabilities

The Company carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), amount of changes in fair value would differ if the Company utilized a different valuation methodology. Any changes in fair value of these financial assets and liabilities would affect profit and loss and equity.

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

2007 FIRST QUARTER OPERATION

First quarter operations reflected total material movement of 8,717,362 bank cubic meters (bcm). With a strip ratio of 10.31:1, run-of-mine (ROM) coal produced was 790,844 metric tons (MTs), comprised of 623,508 MTs of clean coal and 167,336 MTs of washable coal. The resulting net product coal is 716,670 MTs. The effects of the increased capacity impacted on the operations during the first quarter. The improved coal production in the current period is in consonance with the increasing demand for coal, which correspondingly allowed higher coal extraction.

A remarkable accomplishment during the quarter is the completion and full operation of the second line of conveyors, which increased the capacity of the crusher and conveyor system. As a cost reduction measure, the conveyor lines shortened the hauling distance of waste materials, and more importantly, minimized the use of trucks, thus saving on fuel consumption.

In its continued efforts to improve shareholders' value, the Company continued the confirmatory drillings started last year under the supervision of Australian consultants to measure coal reserves in accordance with the Joint Ore Reserve Committee (JORC) standards of Australia, which is an internationally recognized body for establishing mineable reserves. As at the end of 2006, 26.89 million MTs of coal were classified as indicated reserves, while another 14.16 million MTs were categorized as inferred resources. The goal is to confirm these reserves as mineable to augment the 49.84 million MTs already classified as measured and mineable resources in the Panian pit. Meanwhile, although the other mine in Himalian is still unopened, confirmatory drillings have also been ramped up for data collection.

With the advent of the successful trial shipments to export markets, the Company is preparing for full blast export operations. Currently, dredging activities are undertaken in the pier to accommodate 50 thousand tonner vessels for export deliveries.

Meanwhile, in anticipation of the increased export sales, ending inventory is maintained at a comfortable level of 644,422 MTs.

Coal sales during the period was recorded at 663,018 MTs at an average heating value of 9,661 BTU.

2007 FIRST QUARTER FINANCIAL CONDITION

Coal deliveries of 663,018 MTs brought in Coal Revenues of P1.277 billion, while coal handling operations earned another P26.037 million for the Company. The resulting total Revenues was recorded at P1.303 billion. Meanwhile, Cost of Sales, which included Coal Handling Costs of P13.54 million, amounted to P1.058 billion, resulting to Gross Profit generation of P245.146 million, recording a gross Profit Ratio of 19%.

Cost of Coal Sold, inclusive of Shipping, Loading and Hauling Costs registered at P1.045 billion. This translates to a weighted average Cost of Coal Sold of P1,576/MT, which is a direct consequence of of higher cost of beginning inventory at P1,678/MT tempered by lower current period production cost at P1,321/MT. The Strip Ratio which averaged 10.31:1 for the first quarter is 29% higher than the Panian mine life average Strip Ratio of 8:1 although lower than the Q4 2006 Strip Ratio of 16:1.

Government Share was kept at the minimum level of 3% of Coal Revenues at P38.323 million. Meanwhile, General and Administrative Expenses totaled to P24.650 million. The resulting Net Operating Income amounted to P182.174 million.

Other Income of P16.147 million is recognized for the interest earned by the Company from its short-term placements and investment, offset by various bank charges which include opening charges of Letter of Credit applications. Interest and Financing Charges amounting to P41.271 million reflected the cost of loans availed and outstanding for working capital and funding of Capital Expenditures. Meanwhile, the continued strengthening of the Peso against the US dollar enabled the Company to book Foreign Exchange Gains on its foreign loans amounting to P14.773 million, P2.587 million was Realized, while P12.185 million accounted for Unrealized gains.

The resulting Net Income Before Tax amounted to P171.823 million. After full Income Tax Provision of P51.882 million, Net Income After Tax was recorded at P119.940 million.

At the end of the period Total Current Assets was posted at P3.568 billion. Ending Cash and Cash Equivalents amounted to P667.739 million, reflecting a net increase of P157.300 million from Beginning Cash Balance of P510.439 million. Of the amount, short-term placements amounted to P624.192 million.

Receivables of P938.386 million is mainly trade related with Trade Receivables accounting for P893.708 million as a result of higher Sales in March. On the other hand, Inventories registered at P1.713 billion, of which Coal Inventories amounted to P938.606 million representing 644,422 MTs of coal at P1,456/MT; while Materials, Fuel and Other Supplies totaled to P774.204 million. Prepaid Expenses and Other Current Assets were posted at P222.476 million. The increase of P34.5 million from last year's balance constitutes, P26.13 million additional VAT withheld by NPC and regular creditable withholding tax of P10.11 million, offset by amortization of Prepaid Insurance amounting to P1.74 million.

Since the capacity expansion program was already in place in 2006, there was no major increase in Property, Plant and Equipment (PPE). Net decrease in PPE is P298.62 million, net effect of P376.90 million depreciation cost offset by various projects cost additions of P78.28 million during the quarter, bringing down PPE, to P2.716 billion as at the end of the current quarter. Other Non-Current Assets mainly consisting of Mining Rights and Software Costs closed at P92.428 million reclassified from PPE account in last year's audited figures to conform with international accounting standards on proper presentation of these accounts. The resulting Total Non-Current Assets was posted at P2.809 billion. Altogether, Assets of the Company added up to P6.377 billion as of 31 March 2007.

The Company's Total Liabilities closed at P2.275 billion, of which P1.433 billion represented Current Liabilities, while the balance of P842.166 million were Non-Current Liabilities.

Accounts Payable and Other Payables amounted to P517.360 million, rising mainly due to the P333 million accrual for cash dividends payable to be paid on 30 April 2007. Current Portion of Long-Term Debt reflected a balance of P819.135 million. Income Tax Payable on 15 April 2007 was lodged as a Current Liability. Meanwhile, remaining balance of Customer's Deposit amounting to P14.049 million, represented undelivered coal to NPC for around 11,800 MTs under MOA 1.

The balance of the Long-Term Debts of the Company incurred to finance its Capital Expenditures in the previous periods amounted to P703.812 million. Pension Liability set up for Company employees maintained a balance of P53.421 million. Meanwhile, the Company also maintained in its books a provision for Asset Retirement Obligation amounting to P11.139 million for legal obligations with the Department of Energy and Natural Resources upon the abandonment of the mine pits. Finally, Deferred Tax Liability of P73.794 million was also recognized in the Company's books.

The period's Net Income After Tax of P119.941 million cushioned the impact of the dividend declaration on Stockholder's Equity which closed at P4.101 billion.

2007 COMPARATIVE REPORT

I. PRODUCTION

First quarter operations reflected a 24% drop in total material movement from 11,500,530 bcm of materials moved in 1Q 2006 as mining operations were focused on coal extraction, unlike last year when stripping of overburden was given priority as operations controlled coal inventory to match the decrease in sales. Consequently, total overburden stripped recorded a 26% or 2,901,511 bcm drop in volume from 11,053,984 bcm stripped last year.

The improved strip ratio of 10.31:1 from 17.68:1 in the previous period recorded a corresponding increase by 27% in run-of-mine (ROM) coal produced to 790,844 metric tons (MTs) from 625,165 MTs output in the same period last year. Moreover, Net Product Coal amounting to 716,670 MTs likewise posted a 27% improvement from last year's volume of 563,553 MTs.

The improvement in coal demand, as export market is now open for Semirara coal, allowed the build up in ending coal inventory by 59% compared with Q1 2006 level of 405,766 MTs. This stance is taken to ensure that operations can efficiently serve all coal orders, both from local buyers and export markets.

Meanwhile, with the continuous proper maintenance program, machine availabilities were maintained at 86% for hauling units and 82% for loading units, but actual utilization was only 56% for hauling units due to lesser number of units utilized (shorter cycle time) to support overburden dumping which was concentrated using the 2 in-pit line system. Total hauling capacity was not fully utilized during the quarter since mine operation temporarily slowed down during the first two months to control cost at breakeven level with coal revenue. Actual utilization of loading units though is higher at 70%.

II. MARKETING

As the Calaca plants of the National Power Corporation (NPC) were given more dispatch in the current period, sales to the power stations posted an 18% increase from 304,730 MTs sold during the first three months of 2006 to 360,787 MTs in the corresponding current period. Current NPC sales pushed up its market share to 54% of total sales, as compared to its share in the previous comparative period of 51%, remarkably over a bigger pie.

In March this year, the Company was able to establish new relations with Asia Pacific Energy Corp., a 52MW cogeneration power plant in Pampanga that supplies power to industrial users, including a paper company. Meanwhile, Toledo Power Corp. in Cebu remained a reliable Semirara coal user. Sales to power plants marked a 13% improvement over Q1 2006 level of 369,595 MTs.

Sales to the cement industry registered a 15% dip from last year's Q1 volume of 226,927 to 192,756 MTs this quarter. One of the Company's major cement plant client is currently correcting some operational problems in its systems, which slowed down its consumption of Semirara Coal.

In the meantime, sales to other industries outside power and cement plants showed promising potentials with more small operators converting from bunker or diesel to coal. Total sales to other industrial users amounted to 24,448 Mts, 6.98x Q1 2005 volume of 3,504.

In 28 February 2007, the Company sent off its maiden export shipment to China carrying 28,835 MTs of coal. This was an exceptionally important milestone for the Company since the noted success in the use of Semirara coal in China marked an abrupt expansion of its market potentials, which was previously sadly limited to a few domestic users. The timely success in its first export attempt enabled the Company to fine tune its strategies to take advantage of the increasing demand in the regional market. Currently, the Company is finalizing coal supply contracts with foreign buyers. The interest of some of the biggest players in the global coal trade further boosted management's conviction that Semirara coal has a promising niche in the international market.

Total sales in the current period recorded a 10% growth at 663,018 MTs over Q1 2006 volume of 600,026. Meanwhile, composite average price registered at P1,926.68/MT, marking a 13% drop from the previous period's average price of P2,224.83/MT. The decline is attributed to the strengthening of the peso against the US dollar, the lower agreed prices during the early part of the quarter with other customers, and the lower import parity price for Calaca which was carried over form the previous period. Since there are no other major local players in the coal industry, domestic prices of coal is benchmarked to international prices, which is in US dollar. Moreover, the Company has adopted strategic pricing for new clients to penetrate new markets effectively.

III. FINANCE

A. Sales and Profitability

Despite the increased sales volume, Coal Revenues decreased by 6% from P1.356 billion in Q1 2006 to P1.277 billion in Q1 2007 as average composite price posted a 13% decrease. This largely explained the decline in profitability for the first quarter of 2007.

Meanwhile Total Cost of Sales showed a 10% rise over the Q1 2006 level of P958.681 million. This is attributed to the slight increase in Cost of Coal Sold per MT from P1,571 in the previous period to P1,576 in the current quarter and the higher volume sold.

Gross Profit decline to 19% of Revenue as a direct result of the lower price amounting to P245.146 million, 42% lower than Q1 2006 performance of P426.133 million.

The 6% drop in Government Share is explained by the corresponding drop in Coal Revenues, which is the basis of Government Share computation. Higher General and Administrative Expenses included traveling expenses related to marketing efforts to penetrate the export market and other possible business opportunities for Semirara Mining synergistic with present operation and resources.

Other Income account decreased compared to Q1 2006 balance which reflected interest income from placements of the remainder of the offering proceeds which were later on was used to further pay down debts.

The 31% plunge in Interest and Financing Charges from P59.733 million in Q1 2006 to P41.271 million in the current period is due to the combined effects of the decline in interest rates and the permanent retirement of its debts.

Although the Company continued to recognize Foreign Exchange Gains amounting to P14.773 million, this posted a 72% decrease from Q1 2006 total Forex gains of P52.559 million since the strengthening of the Peso in this period against the US dollar was at a slower pace. At the start of 2006, US dollar to PHP was recorded at $53.09:P1 and improved to $52.530:P1 at the end of the Q1. Meanwhile, the exchange rate opened at $49.03:P1 in 2007 and closed at $48.287:P1 at the end of the current quarter.

The reduction in Net Income Before Tax by 55% from P378.265 million in Q1 2006 to P171.823 million in the current period correspondingly brought down Income Tax Provision to P51.882 million from P108.062 million recognized in Q1 2006. The resulting Net Income After Tax showed a 56% decline from Q1 2006 level of P270.204 million to P119.941 million this quarter.

Consequently, Earnings per Share dropped by 56% from P0.9735 in Q1 2006 to P0.4321 as at the end of the current quarter. Increased Depreciation and Amortization Expense cushioned the decline in EBITDA to 17% from P694.423 million as at Q1 2006 to P573.409 million this period.

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

Net Cash Generated from Operations in the current period amounted to P124.349 million. The 82% decrease in the account was primarily caused by the increase in Receivables by P398.048 million, as opposed to yearend 2006 decrease in the account by P608.232 million due to higher coal sales in the last month of the current quarter. On the other hand, Inventories decreased by P127.599 million as against audited 2006 increase in the account as at the end of the period as a result of lower unit cost of coal which is a function of increased production. Meanwhile, Accounts and Other Payables posted a sizeable increase with the provision for cash dividends of P333 million. The increase in Customer's Deposits was tempered as more deliveries were made to comply with coal supply agreements. No changes in the Asset Retirement Obligation and Pension Liability accounts were recorded.

Interest Paid of P41.511 million is slightly offset by Interest Received amounting to P9.250 million. The resulting Nest Cash Provided by Operating Activities amounted to P92.088 million.

The liquidation of P300 million invested in an affiliate which earned prime rate for the Company and the decrease in purchases of additional PPE accounted for the positive cashflow from investing activities.

On the other hand, additional payment of maturing long-term debts amounting to P330.773 million is partly offset by loan availments amounting to P176.054 million, effecting the recognition of Net Cash Used in Financing Activities of P154.719 million.

As a result of the movements in the aforementioned accounts, the Company was able to generate Cash and Cash Equivalents of P157.300 million during the period, which combined with the beginning balance of P510.439 million resulted to an ending balance of P667.739 million.

The Company sustained a healthy liquidity as Current Ratio remains strong at 2.49x from 2.53x as at yearend 2006. In spite of the dividend declaration, the Company's solvency condition remained strong with the realization of earnings for the period, registering a Total Debt-to-Equity ratio of 0.55:1, albeit slightly weaker than yearend 2006 level of 0.51:1.

IV. PERFORMANCE INDICATORS:

1. **Average Selling Price** – The decrease in composite price of the Company is attributed to two major factors: 1) The continued strengthening of the peso against the US dollar. Since domestic coal prices are largely influenced by the imported price of coal which is on US dollar terms, weaker US dollar means correspondingly lower price for Semirara coal. 2) Short-term tactical pricing for new markets to broaden acceptance. This particularly applies to non-traditional users in the local market, and the trial shipments to the export market.

2. **Debt-to-Equity Ratio** - One of the best indicators of the Company's strength is its Debt-to-Equity Ratio which measures the sufficiency of capitalization to cover debts. A strong Debt-to-Equity ratio ensures that the Company has access to inexpensive funds for flexibility in its operations.

3. **Capital Expenditures** – Currently, as the Company has already completed its capacity expansion program in 2006, no major Capital Expenditures are expected to be incurred. However, the recent market development broadens opportunities for Semirara coal. Hence, when the need arises to again ramp up capacity for the Company to take advantage of the new market prospects, management is ready to accordingly adjust its operations. Support facilities, particularly the loading port will need minor adjustments to accommodate bigger vessels for exports.

4. **Expanded Market** - The successful maiden export of the Company led to more interest from the global market. Another shipment, this time to India in the succeeding quarter subsequently followed the delivery to China. Clearly the Company has fully achieved its diversification efforts. Not too long ago, the only established market for the Company is the NPC Calaca plant #2 in Batangas. Now, apart from penetrating other local users, it has further broadened its market base to include the vast global

market. The broad acceptance of Semirara coal in the South and Southeast Asian region could support the premise of usability of Semirara coal to our potential users in the local market, further adding to the bright prospects of the Company.

5. **<u>Improved coal quality</u>** – The expansion of the Company's market to include foreign coal users augured well for Semirara coal as it signified that it has completely shed off the stigma of being a low-grade and hardly usable coal. This can be largely attributed to the continuous efforts to improve quality by installing additional processes such as coal washing and drying.

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 - ANNEX

SEMIRARA MINING CORPORATION
AGING OF ACCOUNTS RECEIVABLE
As of March 31 ,2007

	TOTAL	Mar Current	Jan - Feb 2 - 3 Months	Oct - Dec 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	472,440,376.83	333,789,824.16	111,078,315.79	21,270,186.20		3,708,286.23	2,593,764.45		11,207,823.57
2. APEC	35,924,078.07	35,924,078.07							
3. PNOC	157,189,856.00	111,710,305.37	42,396,410.77	3,083,139.86					
4. TPC	46,037,919.85	33,736,726.33	1,761,844.43	3,853,339.17	6,686,009.92				
5. APO	83,349,110.26	34,835,187.02	48,513,923.24						
6. PPFC	5,260,402.97			5,211,017.08	49,385.89				
7. JPC	23,889,754.80	16,179,316.20	7,710,438.60						
8. PICOP	12,446,770.40	9,441,552.70	3,005,217.70						
9. SOLID	48,379,877.10	35,924,896.83	12,454,980.27						
10. NPC - Coal Handling	19,997,663.34	9,405,391.56	10,592,271.78						
	904,915,809.62	620,947,278.24	237,513,402.58	33,417,682.31	6,735,395.81	3,708,286.23	2,593,764.45	-	11,207,823.57
Less: Allowance for doubtfull account	11,207,823.57								
TOTAL	893,707,986.05								

B. NON - TRADE RECEIVABLES	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.
1. Advances - Officers	177,254.79		127,343.67		49,911.12				
2. Advances - Employees	17,544,427.85	1,029,417.82	16,515,010.03						822,913.36
3. Advances - Suppliers	38,289.53			38,289.53					
4. Advances - Operations	-								
5. Advances - Contractors	10,061,825.84	7,184.39	2,892,309.20	6,048,471.52	1,113,860.73				2,303,257.85
6. Advances - for Liquidation	2,486,935.08	1,106,270.77	485,090.41	895,573.90					1,948,808.90
7. Advances - SSS Claims	562,577.52		58,482.24	30,470.00			319,701.85	153,923.43	500,910.10
8. Advances - Others	800,425.20	1,397.60	12,579.56	302,595.94	483,852.10				917,702.67
9. Advances - Medical Accounts	1,057,373.90	10,711.31	25,688.16	553,361.25	467,613.18				
10. A / R - Historical	9,504,648.24							9,504,648.24	9,201,433.10
11. Receivable from Related Parties	44,678,517.91	44,678,517.91							
	86,912,275.86	46,833,499.80	20,116,503.27	7,868,762.14	2,115,237.13	-	319,701.85	9,658,571.67	15,695,025.98
Less: Allowance for D/A-AR Others	15,695,025.98								
Net NON - TRADE RECEIVABLE	71,217,249.88								
NET RECEIVABLES (A & B)	964,925,235.93								

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: May 11, 2007

NESTOR D. DADIVAS
Principal Financial Officer/Comptroller

Date: May 11, 2007

JUNALINA S. TABOR
Principal Accounting Officer

Date: May 11, 2007