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, 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 **September 30, 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 Don Chino Roces Avenue, Makati City

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

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

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

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

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

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

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

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SEMIRARA MINING CORPORATION
Balance Sheets
As of September 30, 2007

	(Unaudited)	(Audited)
	September 30, 2007	December 31,2006
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	1,249,986,505	510,439,223
Short-term Investment	-	300,000,000
Receivables - net	1,070,401,853	566,877,125
Inventories - net	1,485,575,694	1,840,409,362
Other Current Assets	233,123,581	187,975,060
Total Current Assets	4,039,087,633	3,405,700,770
NONCURRENT ASSETS		
Property, Plant and Equipment - net	2,004,713,258	3,014,851,173
Other Noncurrent Assets - net	89,010,473	90,641,223
Total Noncurrent Assets	2,093,723,731	3,105,492,396
TOTAL ASSETS	**6,132,811,364**	**6,511,193,166**
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts and Other Payables	241,189,149	320,464,835
Current Portion of Long Term Debt	462,623,068	976,010,745
Income Taxes Payable	82,530,276	30,568,160
Customer's Deposit	1,999,678	18,895,985
Total Current Liabilities	788,342,171	1,345,939,725
NONCURRENT LIABILITIES		
Long Term Debt - net of current portion	664,930,219	713,056,539
Pension Liability	54,921,798	52,669,928
Asset Retirement Obligation	11,138,611	11,138,611
Deferred Tax Liability	66,931,815	73,794,342
Total Noncurrent Liabilities	797,922,443	850,659,420
TOTAL LIABILITIES	1,586,264,614	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	3,201,766,739	2,969,814,010
	5,075,438,010	4,843,485,281
Treasury Shares, at cost	(528,891,260)	(528,891,260)
TOTAL STOCKHOLDERS' EQUITY	4,546,546,750	4,314,594,021
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**6,132,811,364**	**6,511,193,166**

SEMIRARA MINING CORPORATION
Income Statement
For the period ending September 30, 2007 and 2006
For the quarter ending September 30, 2007 and 2006

	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	For the period		For the quarter	
	2007	2006	2007	2006
Revenue:				
Sales	4,658,841,944	3,730,397,540	1,809,801,888	962,696,862
Cost of Sales:				
Cost of Coal Sales	3,484,905,114	2,664,851,425	1,464,077,658	753,802,684
Shipping,Loading and Hauling Cost	138,603,953	95,974,412	51,156,604	39,861,797
	3,623,509,067	2,760,825,837	1,515,234,262	793,664,481
Gross Profit	1,035,332,877	969,571,703	294,567,626	169,032,381
Operating Expenses:				
Government Share	137,622,927	109,767,525	53,573,094	28,326,743
General and Adm. Expenses	60,157,659	44,571,029	21,648,133	18,221,965
	197,780,586	154,338,554	75,221,227	46,548,708
INCOME FROM OPERATIONS	837,552,291	815,233,149	219,346,399	122,483,673
Other (Income)Expense				
Other (Income)Charges	(32,182,190)	(98,348,587)	(13,083,707)	(62,503,639)
Interest and Financing Charges	109,570,064	157,334,666	31,798,244	43,378,607
Foreign Exchange(Gain)Loss	(77,693,023)	(64,143,172)	(23,187,988)	(73,992,466)
	(305,149)	(5,157,093)	(4,473,451)	(93,117,498)
NET INCOME BEFORE TAX	837,857,440	820,390,242	223,819,850	215,601,171
PROVISION FOR INCOME TAX	272,817,352	249,180,717	67,847,451	47,082,348
NET INCOME AFTER TAX	565,040,088	571,209,525	155,972,399	168,518,823
EARNINGS PER SHARE (EPS)	2.036	2.058	0.562	0.607

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, 2006)

Wtd Average Outstanding Shares = 277,572,800 (as of September 30, 2007)

SEMIRARA MINING CORPORATION
Statement of Changes in Stockholders' Equity
For the periods ended September 30, 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	2,045,794,340	2,104,349,215
Effect of adoption of new accounting standards	-	-
Balance at beginning of the quarter as restated	2,045,794,340	2,104,349,215
Net income during the quarter	155,972,399	168,518,824
Dividends	-	(333,087,360)
Appropriation for future capital expenditures	-	-
Balance at end of the quarter	2,201,766,739	1,939,780,679
	3,201,766,739	2,939,780,679
COST OF SHARES HELD IN TREASURY	(528,891,260)	(528,891,260)
TOTAL STOCKHOLDERS' EQUITY	4,546,546,750	4,284,560,690

SEMIRARA MINING CORPORATION

Statement of Cashflows

For the period ended September 30, 2007 and 2006

	(Unaudited) 2007	(Unaudited) 2006
CASHFLOWS FROM OPERATING ACTIVITIES		
Net Income before tax	837,857,442	820,390,243
Prior Period Adjustment		
Adjustments to reconcile net income to net cash		
Provided by operating activities:		
Depreciation and depletion and amortization	1,152,092,284	792,169,591
Interest and Financing Charges	109,570,063	157,334,668
Gain on disposal/retirement/write-off of assets	(5,173,911)	(15,066,758)
Pension liability provision (net of amortization)	2,251,870	2,251,871
Net Unrealized Foreign Exchange (Gain) Losses	(59,260,653)	(60,584,308)
Provision for income taxes	(272,817,353)	(249,180,718)
Interest Income	(23,285,678)	(47,861,026)
Operating Income before working capital changes	1,741,234,064	1,399,453,563
Changes in operating assets and liabilities		
Decrease(increase) in:		
Receivables	(503,524,728)	425,758,000
Inventories	354,833,669	(506,892,216)
Other current assets	(45,148,521)	(76,012,159)
Increase (decrease) in:		
Accounts payable and accrued expenses	138,953,773	211,955,212
Customer's Deposit	(16,896,307)	(14,631,721)
Net cash generated from operations	1,669,451,950	1,439,630,679
Interest Received	20,289,065	42,044,121
Income Tax Paid	(210,908,163)	(407,370,032)
Interest Paid	(95,287,081)	(142,079,833)
Net cash provided by operating activities	1,383,545,771	932,224,935
CASHFLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in short term placements	300,000,000	-
Additions to property, plant and equipment	(143,026,077)	(1,187,545,204)
Proceeds from sale of assets	5,380,800	-
Decrease(Increase) in other non-current assets	1,630,750	40,176,339
Net cash used in investing activities	163,985,473	(1,147,368,865)
CASHFLOWS FROM FINANCING ACTIVITIES		
Loan availments (long-term and short-term)	319,016,208	878,042,395
Payment of Dividends	(304,894,425)	(333,087,360)
Repurchased shares of stocks (treasury shares)	-	(145,257,800)
Debt repayments (long-term and short-term)	(822,105,744)	(910,872,387)
Net cash used in financing activities	(807,983,961)	(511,175,152)
NET INCREASE(DECREASE) IN CASH	739,547,283	(726,319,082)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	510,439,222	1,331,641,854
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,249,986,505	605,322,772

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.

Derecognition of Financial Assets and Liabilities

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.

Impairment of Financial Assets

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 NINE-MONTH OPERATION

The strengthening of local demand and the development of export markets dictated operations this year. Unlike the previous year, increasing sales volume set the focus of operations to coal production, instead of waste stripping. Total material movement in the first nine months registered at 24,233,081 bank cubic meters (bcm). Strip ratio, or the ratio between waste and coal produced, was kept to the standard level of 8.12:1, resulting to a historical high run-of mine (ROM) coal production of 2,743,179 metric tons (MTs). Of this volume washable coal amounted to 468, 827 MTs. The resulting net product coal reached 2,530,091 MTs, another historical high.

The foray in the export markets steered the Company to reevaluate its operations to successfully support the logistical requirements of the new venture. One of the first major improvements currently undertaken is the dredging of the pier to allow bigger vessels that can accommodate up to 50,000 MTs, especially employed for export deliveries, to dock for safe berthing and for faster shiploading using the conveyor/shiploader line. In addition, the new barge loading facility which has a rated capacity of 750 MTs/hr that was set up last year is now fully operational and is being used to load smaller vessels for local deliveries, thus allowing simultaneous loading for export and domestic shipments.

The operation of the second line of in-pit crusher, which became fully operational during the first quarter greatly improved efficiency in moving waste materials and also cushioned the cost effect of increasing oil prices since this minimizes the use of trucks.

Machine availability during the first half of the year was recorded at 86% for hauling equipment and 82% for loading units. However, since stripping activities slowed down as the focus of operation shifted to coal extraction coupled by higher rainfall on the ninth month of the year, utilization of hauling and loading equipment dropped to 60% and 69%, respectively.

The ramped up coal production afforded the Company to keep coal inventory to the ideal 1.5 months level at 535,062 MTs.

The first nine months recorded an unprecedented coal sales volume of 2,551,169 MTs, a figure higher than any full year sales volume in the past, with an average heating value of 9,550 BTU/lb. At a composite average price of P1,804.15/MT, Coal Revenues amounted to P4.587 billion as at the end of the nine-month period in the current year. An additional P71.411 million was generated from the coal handling operations at the Calaca coal yard. Gross revenues totaled to P4.659 billion.

Cost of Coal Sold/MT of P1,402.24, and Coal Handling Cost of P46.154 million, translated to total Cost of Sales of P3.624 billion. Non-Cash costs accounted for 34% of the amount. The resulting Gross Margin is posted at P1.047 billion, indicating a Gross Profit Ratio of 22%.

Despite the increased efficiency in operations, Government Share was maintained at a minimum of 3% of Coal Revenues amounting to P137.623 million by applying the remaining Accumulated Recoverable Costs. Meanwhile, General and Administrative Expenses were recorded at P60.157 million, the noted increase can be attributed to cost incurred for organizational changes, upgrading of information and communication facilities, among others. The resulting Total Operating Expenses of P197.780 million further cut earnings to post an Operating Income of P837,552 million, which represented 18% of Revenues.

Other Income of P32.182 million represented sale of electricity to local cooperative, settlement of insurance claim, gain on sale of equipment, and interest earned by the Company from its short-term placements and investments, offset by bank charges for Letter of Credit applications. Conversely, the Company incurred Financing Charges of P109.570 million for working capital loans and funding for Capital Expenditures, which posted a significant reduction from previous year's level of P157.335 million due to decreasing debt levels. With the appreciating Peso vis-à-vis the US dollar, the Company was also able to recognize Realized and Unrealized Foreign Exchange Gains of P18.432 million and P59.261 million, respectively.

Net Income Before tax amounted to P837.857 million. With full income tax provision of P272.817 million, Net Income After Tax resulted to P565.040 million

2007 NINE-MONTH FINANCIAL CONDITION

The period closed with Total Current Assents at P4.039 billion. This is significantly augmented by a healthy level of Cash and Cash Equivalents at P1.250 billion, which recorded a 145% growth from the balance at the start of the year of P510.439

million as a result of increased Revenues. The increased Sales likewise boosted Accounts Receivables to P1.070 billion, with P875.643 million in Trade Receivables. This also included receivable from affiliates amounting to P156.728 million for offset against actual billing of drilling, shipping, stevedoring, shiploading support services and other operating advances. On the other hand, increased demand trimmed down Inventories to P1.486 billion, manifesting a 19% drop from the beginning balance. The decreased cost of P1,343/MT and lower coal inventory volume at the end of the period contributed to the significant decline in Coal Inventory. Materials and Supplies amounting to P767,171 million is mainly comprised of Materials and Parts Inventories of P682.206 million. Prepaid Expenses and Other Current Assets totaling to P233.124 million are composed of VAT withheld on NPC sales amounting to P192.258 million, Prepaid Insurance of P25 million, and Environmental Guarantee Fund, and Creditable Withholding Taxes. The increase was mainly attributed to creditable withholding tax on coal sales and additional VAT withheld in 2007, prior to the issuance of the BIR ruling to the Company's favor. Since the Company is VAT-exempt, the withholding of VAT was ruled to be incorrect, and the processing for refund is now being undertaken by the Bureau of Internal Revenue.

Additions to Property Plant and Equipment (PPE) were posted at P143.026 million. Recording Depreciation of P1.136 billion resulted to a net PPE book value of P2.005 billion as at the end of nine months from beginning balance of P3.015 billion. Deferred Charges and Other Non-Current Assets of P89.010 million reflected mining rights of P81 million, software costs amounting to P2.3 million, and various Non-Current Assets totaling to P6.5 million.

The decrease in PPE significantly impacted on Total Assets which reduced to P6.133 billion as at the end of the current period, from the beginning balance of P6.511 billion.

Total Liabilities recorded a hefty cut of 28% from P2.197 billion at the start of the current year to P1.586 billion as at the end of the nine-month period. This is an effect of the continued servicing of debts vis-à-vis reduced availments.

Current Liabilities of P788.342 million showed a 41% drop from beginning balance of P1.346 billion. Current Portion of Long Term Debt, which included availments of Letter of Credit and Trust Receipt facilities, took up the biggest share of the pie at 59%. Updated payments of Trade Payables and DOE share also reduced Accounts and Other Payables by 25% from beginning balance of P320.465 million to P241.189 million. Meanwhile, delivery of coal paid in advance by a cement company and NPC also reduced Customer's Deposit to P2 million.

Meanwhile, Non-Current Liabilities reduced by 6% from P850.659 million at the start of the year to P797.922 million as at the end of the current period. Long-Term Portion of Long-Term Debt amounting to P664.930 million accounted for 83% of the total amount. The ratio between US Dollar denominated loans and local loans is 52% to 48%. Pension Liability stood at 54.922 million; provision for Asset

Retirement Obligation amounted to P11.139 million representing legal obligations with the Department of Environment and Natural Resources upon the abandonment of the mine pits; and Deferred Tax Liability was recorded at P66.932 million. The reduction in the latter came from the tax effect of recognized depreciation of revaluation increment during the period.

Even taking into account the declaration of Cash Dividends amounting to P304.894 million, the Company's Stockholders' Equity posted a 5% growth from P4.315 billion as at the beginning of the year to P4.547 million at the end of the first nine months. The period's Net Income After Tax generation of P565.040 million explained the increase.

2007 COMPARATIVE REPORT

I. PRODUCTION

Total material movement as at the end of the third quarter registered a 15% slump from 28,343,936 bank cubic meters (bcm) in 2006 to 24,233,081 bcm this year. Third quarter material movement is lowest in the current year at 6,472,619 bcm, compared to Q1 and Q2 volumes of 8,717,362 and 9,043,100 bcm, respectively. The current quarter's volume is likewise lower by 5% compared to Q3 last year material movement of 6,837,649 bcm. As a consequence of increasing demand, operations is directed at coal production, rather than waste stripping during the year. The further decline in the recent quarter is attributed to adverse weather conditions. Rains in Q3 slowed down activities in the pit.

With coal extraction as the main focus of mining activities, waste stripping was likewise limited during the current year. As a result, YTD Strip Ratio decreased to the standard level of 8.12:1 compared to last year's 13.56:1. Q3 Strip Ratio continued to go down to 6.89:1 from 10.31:1 in Q1 and 7.50:1 in Q2. This is also better than Q3 2006 strip ratio of 10.19:1.

The resulting ROM coal produced increased by 38% at 2,743,179 metric tons (MTs) from Q3 YTD volume of 1,986,168 MTs. Of the volume, 851,000 were produced in Q3, while Q1 and Q2 ROM coal output were recorded at 790,844 MTs and 1,101,335 MTs, respectively. Meanwhile, current quarter production is 36% higher than ROM coal produced in Q3 2006 amounting to 626,933 MTs.

Correspondingly, Net Product Coal also posted a 44% growth in the current period at 2,530,091 MTs YTD compared to the nine-month 2006 production volume of 1,751,538 MTs. Q3 volume of 787,705 MTs is lower than Q2 volume of 1,025,716 MTs, but higher than Q1 volume of 716,670 MTs. It is however 44% better than Q3 2006 volume of 538,420 MTs.

Ending Inventory is maintained at an almost the same level at 535,062 MTs as at the end of the period, posting a slight 5% decrease over Q3 YTD volume of 564,066 MTs.

II. MARKETING

A new milestone was etched in the Company's history when it set off its maiden export shipment of 28,836 MTs to China in February in the current year. Since the first successful export sale, the marketing milieu has changed in a short period. The few months that followed further proved the acceptability of Semirara coal when shipments to India and Hong Kong were likewise successfully used by end users. The third quarter showed a rather hectic period in the ports of Semirara when export orders ramped up while pier works were ongoing. A total of 354,554 MTs of export orders were managed to be served in the current quarter which aggregated export deliveries in the nine-month period to 454,401 MTs. What is noteworthy is that more export buyers are knocking at the Company's door offering to buy Semirara coal, but after signing short-term export supply contracts of up to one million MTs until H1 2008, the Company declined to commit more volumes since domestic demand is also in the upswing. Meanwhile, the Company has placed an order for additional mining equipment which are expected to start arriving towards yearend in order to increase capacity, and subsequently to serve more export volumes.

Meanwhile, local deliveries posted a 30% increase from 1,609,478 MTs in the first three quarters in 2006 to 2,096,767 MTs in the current comparable period. Power plants took up most of local volumes, recording 1,400,605 MTs which accounted 67% of total local sales and posting a 23% improvement in power plant sales as at Q3 2006 of 1,142,573 MTs. Cement companies recorded an even higher growth of 32% with sales volume of 589,028 MTs as at the end of the current period compared to YTD 2006 volume of 447,126 MTs. Sales to other industrial plants also recorded an impressive 442% growth from 19,779 MTs last year to 107,135 MTs YTD 2007.

Although Q3 total local volume is lower by 74,803 MTs compared to Q2 local sales of 768,732 MTs, it posted a 9% growth over Q1 sales of 634,107 MTs and 68% higher than Q3 2006 sales of 412,487 MTs. Meanwhile, with export deliveries, Q3 sales is at record high of 1,048,483 MTs, 58% and 25% higher than Q1 and Q2 volumes, respectively.

Despite a higher uptake of the NPC Calaca plants, the entry of new local markets, including Asia Pacific Energy Corp. and other small boilers, and the new export markets further reduced dependence on this market to 42% on YTD sales volume from 58% share in similar period last year.

III. FINANCE

A. Sales and Profitability

Coal Revenues recorded a more modest YTD growth of 25% to P4.587 billion this period from P3.659 billion in the previous year compared to the more significant increase in sales volume. Lower average coal price, which is a consequence of the marginal pricing strategy to penetrate the export market and strengthening of the peso against the US dollar explained this. Average composite YTD FOB price dipped by 20% to P1,804/MT from P2,260/MT in the previous year.

On the other hand, economies of scale and improved strip ratio triggered YTD Cost of Coal Sold/MT to drop to P1,402 from P1,686 in the previous year, posting a decrease of 16%. The aggregate amount is however higher by 31% at P3.612 billion this year from P2.755 billion YTD Q3 2006 as more volumes were sold this year. Operating expenses rose to match the expanded operations in the current year.

Despite the decrease in margins, increase in sales volume allowed the Company to generate respectable profits. Booking Other Income from its other activities and operations and minimizing cost of financing helped maintain a good profitability level. Furthermore, the devaluation of the US dollar against the peso also benefits the Company since a bigger percentage of its loans are dollar-denominated. However, the full utilization of allowable tax deductions, such as the Net Operating Loss Carry Over (NOLCO) obliged the Company to provide for Regular Corporate Income Taxes. The resulting YTD Net Income After Taxes (NIAT) in the current year of P565.040 million is slightly lower by 1% compared to the reported NIAT of P571.210 million in the comparable period last year.

The Company continued to report a healthy EBITDA. Current quarter's EBITDA remained strong at P 763.651 million, which added to Q1 and Q2 amount of P573,409 million and P833.872 million, respectively, totaled to P2.171 billion for the nine-month period. This is 23% more than YTD Q3 2006 amount of P1.770 billion.

B. Solvency and Liquidity

The Company's cash position remained strong with additional inflow of Cash and Cash Equivalents during the first nine months of the year amounting to P739.547 million, which is added to the Beginning Cash balance of P510.439 million and resulted to an Ending Cash level of P1.250 billion, P1.1 billion is placed in short-term placements. The nine-month cash level is also more robust by 145% than YTD 2006 Ending Cash of P510.439 million.

Higher Coal Sales during the current period brought up Receivables tby P503.525 million. This also resulted to a drop in Inventory by P345.834 million. Income Tax paid reflected payments of Q1 and Q2 Corporate Income Taxes of the current year and final Corporate Taxes for 2006. The decrease in Interest Paid is a consequence of declining debt balances and lower interest rates. The resulting Net Cash Provided by Operating Activities amounted to P1.384 billion, also higher by 48% than YTD 2006 level of P932.225 million.

Net Cash generated from investing activities posted a positive amount of P163.985 million as the Company terminated its Short-Term Investment of P300 million in the early part of the year. The decrease in Additions to PPE mainly reflected Depreciation, Depletion and Amortization, which offset the minimal CAPEX incurred during the year.

Meanwhile, Cash Flows From Financing Activities recorded a negative amount of P807.984, which reflected Payment of Cash Dividends amounting to P304.894 million and Repayment of Long-Term Debt of P822,106 million. Loan Availments totaling to P319.016 offset cash outflow. In 2006, more Long-Term Debts were availed to finance Capital Expenditures, hence, lesser Net Cash Outflow for Financing Activities was reported, amounting to P511.175 million.

Although 2006 started with a heftier Beginning Cash balance of P1.332 billion which included proceeds from shares offering in February 2005, a net Cash Outflow of P726.319 million was spent by the Company during the nine-month period. Cash end is higher in the current period as more cash was generated from coal sales, exceeding debt service and working capital requirements. As a result, liquidity is more impressive, even after the aggressive servicing of debts, as the Company recorded a further improvement in the Current Ratio to 5.12x as at the end of Q3 2007 from 3.18x as at Q3 2006 and 2.53x as at yearend 2006. Meanwhile with stable profitability, total Capitalization also continued to post a growth to P4.547 billion as at end of Q3 this year from P4.285 billion as at Q3 2006 and P4.315 billion as at yearend 2006. The stronger equity level and the decreased Liabilities manifested a huge improvement in the Company's solvency condition, and low dependence on debt as source of capital, as Total Debt to Equity Ratio stood at 0.35:1 from 0.54:1 as at Q3 2006 and 0.51:1 as at the close of the previous fiscal year.

The slight slump in Net Income After Tax resulted to a corresponding reduction in Earnings Per Share (EPS) from P2.058 as at Q3 2006 to P2.036 in the current comparable period.

IV. PERFORMANCE INDICATORS:

1. **Average Selling Price** – The increasing volume and market share of export deliveries which were priced lower put on a significant dent to the average selling price of Semirara coal. However, it must be considered that low export prices were only temporary as it is a strategy of the Company to penetrate first the new markets to introduce Semirara coal as a new brand in the market. Notably, since it started exporting in February at a lower price, recent contracts have been negotiated to slowly come at par with industry prices. Moreover, the appreciation of the Peso against the US dollar also caused the drop of the Composite Average Price. Since there are no other major coal producers in the country, price for Semirara coal is benchmarked to coal prices in the region, like the coal produce in Kalimantan, Indonesia, which are priced in US dollars.

2. **Debt to Equity Ratio** - This is one of the most important figures that clearly manifest the financial strength of the Company. The continued improvement of its solvency condition allows the Company to take on opportunistic investments that further add value to its operations. Currently, forward integration to the power industry is seriously considered to ensure that there is a ready market for Semirara coal at all times.

3. **Capital Expenditures** – With the growing market for Semirara coal, it is expected that there will be a corresponding increase in Capital Expenditures as capacity needs to be matched with demand. Currently, the Company is negotiating for at least another fleet for next year which will increase production by another 500 thousand MTs or increasing its total excavation capacity by 6.0 million bcm. Despite the long lead time to order mining equipment, as there is a mining boom worldwide, suppliers have confirmed one 16-cubic meter excavator and 12 units 100-tonner dump trucks for delivery to minesite starting yearend 2007 to first half of 2008.

4. **Expanded Market** – The coal industry has become a sellers' market since there is an increased demand for thermal coal worldwide partly due to the skyrocketing of oil price and the robust economic growth in the region. The Company has started to become a player in the international trade of coal, successfully supplying coal to China, India, and Hong Kong. Currently, the Company is faced with a more pleasant challenge than before. Marketing efforts are now geared towards choosing contracts that will give holistic value and sustainable development to Semirara coal. For the first time in the history of its operations, the Company can now afford to choose its market. It has clearly come a long way from dependence to a sole buyer. Notably, the increase in international demand for coal augurs well in the further development of local markets. Plants which refuse to even try Semirara coal before are now motivated to start testing the brand, especially that buying from the Company whose minesite is stratigically located in the center of the archipelago gives them significant cost savings and lesser logistics problems.

5. **Improved coal quality** – The Company managed to optimize the value of its inherently low-grade resource by putting processes in between the whole production process that enhance quality. Its marketing success is a function of how well the Company manages the stability of its quality parameters. Notably, the Company does not cut corners in investing in facilities that ensure its reliability to deliver the agreed specifications of contracted volumes.

PART II OTHER INFORMATION

Other disclosures:

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

PART III SIGNATURES

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

Issuer: **SEMIRARA MINING CORPORATION**

Signature and Title:

VICTOR A. CONSUNJI
Principal Executive and Operating Officer

Date: November 13, 2007

NESTOR D. DADIVAS
Principal Financial Officer/Comptroller

Date: November 13, 2007

JUNALINA S. TABOR
Principal Accounting Officer

Date: November 13, 2007

PART III - ANNEX

SEMIRARA MINING CORPORATION
AGING OF ACCOUNTS RECEIVABLE
As of September 30 ,2007

	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	445,835,714.31	217,306,526.60	213,387,561.01	5,446,128.29	3,393,445.03	3,708,288.93	2,593,764.45		11,207,823.57
2. APEC	30,508,480.21	8,309,772.63	22,072,717.16	125,990.42					
3. PNOC	137,374,464.56	120,122,075.66	14,082,263.96	60,580.82	3,109,544.12				
4. TPC	35,968,475.24	17,729,975.84	7,733,293.33		10,505,206.07				
5. APO	36,448,268.08	23,014,357.95	13,433,910.13						
6. PPFC	-								
7. JPC	20,598,756.20	20,598,756.20							
8. PICOP	5,293,701.00	5,293,701.00							
9. SOLID	10,489,596.55	2,316,559.10	8,173,037.45						
10. GFCC	10,146,775.36		10,146,775.36						
11. EXPORT	147,357,582.59	147,357,582.59							
12. NPC - Coal Handling	6,828,636.54	6,828,636.54							
	886,850,450.64	568,877,944.11	289,029,558.40	5,632,699.53	17,008,195.22	3,708,288.93	2,593,764.45	-	11,207,823.57
Less: Allowance for doubtfull account	11,207,823.57								
TOTAL	875,642,627.07	-							

	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	198,303.01		5,096.15	193,206.86					
2. Advances - Employees	6,917,286.17	6,843,182.06	74,104.11						822,913.36
3. Advances - Suppliers	38,289.53			38,289.53					
4. Advances - Operations	-								
5. Advances - Contractors	13,773,137.94	1,998,679.49	1,924,359.36	8,955,714.88	894,384.21				2,303,257.85
6. Advances - for Liquidation	2,636,278.20	24,067.52	99,367.29	2,512,843.39					1,948,808.90
7. Advances - SSS Claims	591,790.28	52,500.00	6,612.50	59,052.50			319,701.85	153,923.43	500,910.10
8. Advances - Others	814,092.26	35,250.30		396,174.51	382,667.45				917,702.67
9. Advances - Medical Accounts	1,077,523.62		4,677.38	668,108.40	404,737.84				
10. A / R - Historical	9,504,648.24							9,504,648.24	9,201,433.10
11. Receivable from Related Parties	174,902,902.95	174,902,902.95							
	210,454,252.20	183,856,582.32	2,114,216.79	12,823,390.07	1,681,789.50	-	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	194,759,226.22								
NET RECEIVABLES (A & B)	1,070,401,853.29								