COVER SHEET

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

SEC Registration Number

S E M I R A R A   M I N I N G   C O R P O R A T I O N

(Company's Full Name)

2 N D   F L O O R   D M C I   P L A Z A   B U I L D I N G

2 2 8 1   P A S O N G   T A M O   E X T E N S I O N

M A K A T I   C I T Y

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

Atty. John R. Sadullo

(Contact Person)

888-3622

(Company Telephone Number)

1 2   3 1

(Fiscal Year)

1 7 - Q

(Form Type)

Month *Day*

(Annual Meeting[1])

(Secondary License Type, If Applicable)

Corporate Finance Dept.

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

[1] First Monday of May of each year.

SEC Number : 91447
File Number : _________

SEMIRARA MINING CORPORATION
Company's Full Name

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

888-3550 to 888-3565
Telephone Number

For the Quarter Ending June 30, 2008
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 **June 30, 2008**

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

   2nd 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
<u>Common Stock, P1.00 par value</u>	<u>277,572,800 shares</u>

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

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

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

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SEMIRARA MINING CORPORATION
Balance Sheets
As of June 30, 2008

	(Unaudited) June 30, 2008	(Audited) December 31,2007
ASSETS		
CURRENT ASSETS		
Cash	194,705,364	237,357,196
Short-term Investment	1,771,057,320	1,413,449,141
Trade Receivables - net	1,225,599,295	1,046,226,519
Receivable from Related Parties	42,162,429	57,920,745
Other Receivable-net	13,291,673	11,668,902
Inventories - net	846,826,234	1,452,670,221
Other Current Assets	251,315,119	215,241,438
Total Current Assets	4,344,957,434	4,434,534,162
NONCURRENT ASSETS		
Property, Plant and Equipment - net	1,289,568,801	1,904,372,202
Financial Lease Asset	699,716,715	-
Investment and Advances	225,000,000	80,871,207
Other Noncurrent Assets - net	4,239,338	2,869,167
Total Noncurrent Assets	2,218,524,854	1,988,112,576
TOTAL ASSETS	**6,563,482,288**	**6,422,646,738**
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts and Other Payables	973,499,615	533,680,900
Current Portion of Long Term Debt	325,851,731	730,171,195
Financial Lease Payable -Curr	263,834,388	-
Income Taxes Payable	136,126,507	40,166,543
Payable to related parties	9,250,461	12,920,756
Customer's Deposit	58,469,285	8,867,023
Total Current Liabilities	1,767,031,987	1,325,806,417
NONCURRENT LIABILITIES		
Long Term Debt - net of current portion	424,378,652	397,581,035
Financial Lease Payable - net of current	339,824,917	-
Pension Liability	4,659,224	4,659,224
Asset Retirement Obligation	12,205,198	12,205,198
Deferred Tax Liability	67,603,210	67,603,209
Total Noncurrent Liabilities	848,671,201	482,048,666
TOTAL LIABILITIES	2,615,703,188	1,807,855,083
STOCKHOLDERS' EQUITY		
Capital Stock - common stock	296,875,000	296,875,000
Additional Paid-In Capital	1,576,796,271	1,576,796,271
Retained Earnings	2,602,999,089	3,270,011,644
	4,476,670,360	5,143,682,915
Treasury Shares, at cost	(528,891,260)	(528,891,260)
TOTAL STOCKHOLDERS' EQUITY	3,947,779,100	4,614,791,655
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**6,563,482,288**	**6,422,646,738**

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

	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	For the period		For the quarter	
	2008	2007	2008	2007
Revenue:				
Sales	4,748,186,813	2,849,040,056	2,584,902,676	1,545,578,003
Cost of Sales:				
Cost of Coal Sold	3,428,928,189	2,012,826,997	1,670,619,474	994,339,203
Shipping,Loading and Hauling Cost	196,265,186	87,447,349	111,694,237	47,619,526
	3,625,193,375	2,100,274,346	1,782,313,711	1,041,958,729
Gross Profit	1,122,993,438	748,765,710	802,588,965	503,619,274
Operating Expenses:				
Government Share	433,263,732	84,049,834	368,643,733	45,727,081
General and Adm. Expenses	65,285,737	46,509,981	38,790,123	21,860,368
	498,549,469	130,559,815	407,433,856	67,587,449
INCOME FROM OPERATIONS	624,443,969	618,205,895	395,155,110	436,031,825
Other (Income)Expense				
Other (Income)Charges	(49,646,112)	(19,098,483)	(52,458,646)	(2,951,320)
Interest and Financing Charges	54,254,728	77,771,819	28,158,763	36,500,514
Foreign Exchange(Gain)Loss	(18,085,847)	(54,505,035)	(20,035,686)	(39,732,213)
	(13,477,231)	4,168,301	(44,335,569)	(6,183,019)
NET INCOME BEFORE TAX	637,921,200	614,037,594	439,490,679	442,214,844
PROVISION FOR INCOME TAX	194,642,553	204,969,901	136,126,506	153,087,785
NET INCOME AFTER TAX	443,278,647	409,067,693	303,364,173	289,127,059
EARNINGS PER SHARE (EPS)	1.597	1.474	1.093	1.042

Basis of EPS:
EPS = NET INCOME(LOSS) FOR THE PERIOD/NO. OF OUTSTANDING SHARES
Wherein:
Wtd Average Outstanding Shares = 277,572,800 (as of June 30, 2007)

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

SEMIRARA MINING CORPORATION
Statement of Changes in Stockholders' Equity
For the periods ended June 30, 2008 and 2007

	(UNAUDITED) 2008	2007
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	1,500,000,000	1,000,000,000
Appropriation during the quarter	-	-
Balance at end of the quarter	1,500,000,000	1,000,000,000
Unappropriated		
Balance at beginning of the quarter, as previously stated	799,634,918	1,756,667,282
Appropriation during the quarter	-	-
Balance at beginning of the quarter as restated	799,634,918	1,756,667,282
Net income during the quarter	303,364,172	289,127,061
Dividends	-	-
Appropriation for future capital expenditures	-	-
Balance at end of the quarter	1,102,999,090	2,045,794,343
	2,602,999,090	3,045,794,343
COST OF SHARES HELD IN TREASURY	(528,891,260)	(528,891,260)
TOTAL STOCKHOLDERS' EQUITY	3,947,779,101	4,390,574,354

SEMIRARA MINING CORPORATION

Statement of Cashflows

For the period ended June 30, 2008 and 2007

	(Unaudited) 2008	(Unaudited) 2007
CASHFLOWS FROM OPERATING ACTIVITIES		
Net Income before tax	637,921,200	614,037,593
Prior Period Adjustment		
Adjustments to reconcile net income to net cash		
Provided by operating activities:		
Depreciation and depletion and amortization	664,200,541	769,900,884
Interest and Financing Charges	54,254,728	77,771,819
Loss on disposal/retirement/write-off of assets	(44,713,500)	(493,112)
Pension liability provision (net of amortization)	-	1,501,248
Net Unrealized Foreign Exchange Losses	(20,049,589)	(42,207,514)
Provision for income taxes	(194,642,553)	(204,969,901)
Interest Income	(30,309,727)	(15,384,633)
Operating Income before working capital changes	1,066,661,100	1,200,156,384
Changes in operating assets and liabilities		
Decrease(increase) in:		
Receivables	(165,237,231)	(468,556,351)
Inventories	605,843,986	(2,277,808)
Other current assets	(36,073,681)	(44,801,770)
Financial Lease	(699,716,715)	-
Increase (decrease) in:		
Accounts payable and accrued expenses	(627,589,882)	46,899,411
Financial Lease liability	603,659,305	-
Customer's Deposit	49,602,262	(16,896,307)
Net cash generated from operations	797,149,144	714,523,559
Interest Received	22,652,611	15,178,093
Income Tax Paid	85,062,868	(73,132,566)
Interest Paid	(34,621,713)	(69,089,654)
Net cash provided by operating activities	870,242,910	587,479,432
CASHFLOWS FROM INVESTING ACTIVITIES		
Short term investment palcement	-	300,000,000
Additions to property, plant and equipment	245,722,770	(104,801,539)
Additions to investment	(144,128,793)	-
Proceed from sales of assets	44,713,500	700,000
Decrease(Increase) in other non-current assets	(1,370,171)	(5,294,148)
Net cash used in investing activities	144,937,306	190,604,313
CASHFLOWS FROM FINANCING ACTIVITIES		
Availment of long-term debt	311,155,756	205,707,572
Repurchased shares of stocks (treasury shares)	-	-
Proceeds from sale and leaseback of equipment	754,304,960	-
Payment of Dividend	(1,017,856,174)	(304,894,425)
Repayment of long-term debt	(747,828,411)	(522,845,735)
Net cash used in financing activities	(700,223,869)	(622,032,588)
NET INCREASE(DECREASE) IN CASH	314,956,347	156,051,157
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,650,806,337	510,439,222
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,965,762,684	666,490,379

1. Summary of Significant Accounting policies

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

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

Changes in Accounting Policies

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

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

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

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

The principal effects of these changes are as follows:

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

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

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

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

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

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

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

Future Changes in Accounting Policies

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

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

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

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

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

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

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

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

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

<u>Revenue Recognition</u>

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

Sale of coal

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

Rendering of services

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

Interest income

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

Cash and Cash Equivalents

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

Financial Instruments

Date of recognition

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

Initial recognition of financial instruments

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

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

Determination of fair value

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

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

Day 1 profit

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

Loans and Receivables

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

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

Other financial liabilities

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

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

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

Impairment of Financial Assets

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

Loans and receivables

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

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

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

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

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

Derecognition of Financial Assets and Liabilities

Financial Assets

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

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial Liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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

Mine Exploration and Development Costs

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

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

Decommissioning and Site Rehabilitation Costs

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

Intangible Assets

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

Software Cost

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

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

Impairment of Non-financial Assets

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

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

Borrowing Costs

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

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

Pension Expense

The Company has a noncontributory defined benefit retirement plan.

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

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

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

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

Income Tax

Current Tax

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

Deferred Income tax

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

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

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

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

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

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

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

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

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

<u>Provisions</u>

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

<u>Leases</u>

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

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

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

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

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

<u>Foreign Currency Translation</u>

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

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

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

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

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2. Significant Accounting Estimates, Judgments and Assumptions

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

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

Revenue recognition

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

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

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

Estimates and Assumptions

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

Estimating allowance for doubtful accounts

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

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

Estimating stock pile inventory quantities

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

Estimating allowance for write down in spare parts and supplies

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

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

Estimating decommissioning and site rehabilitation costs

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

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

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

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

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

Estimating impairment for nonfinancial assets

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

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

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

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

Deferred income tax assets

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

Estimating pension and other employee benefits

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

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

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

2008 FIRST HALF OPERATION

New mining equipment started to arrive during the first quarter of the year. The additional capacity enabled operations to maintain a high level of total material movement of 19,220,787 bank cubic meters (bcm), despite adverse weather conditions. Heavy rains towards the end of April disrupted coal mining activities at the lower level. Efforts were then directed to stabilize the slope and mining operation was diverted to waste stripping and coal mining was concentrated at upper level for awhile. Moreover, a typhoon hit the country in June and again brought heavy rains in the island which disrupted again coal mining at the lower level where the major seam is located. The resulting run-of-mine (ROM) coal production amounted to 1,878,232 metric tons (MTs), indicating a waste-to-coal or strip ratio of 9.52:1. Out of the ROM coal production, 1,604,227 MTs were clean coal and 274,005 MTs were washable coal. Net product coal during the first half of the year amounted to 1,750,944 MTs.

To cater to the growing demand for Semirara coal, both from local users and off-shore buyers, the Company launched another capacity expansion and modernization program. During the first half of the year, sixteen (16) units 100-tonner dump trucks and three (3) units excavators (1 unit 16-cubic meter capacity and 2 units 12-cubic meter capacity) arrived at the mine site and were immediately used in the operations. Support equipment were also purchased to complement the imported conventional mining equipment.

Meanwhile, exploratory drilling operations were undertaken beyond the ultimate pit limits of Panian to survey whether there are coal reserves outside the established pit limits. More drilling equipment were bought during the first half of the year to accomplish this program.

A 4 MW bunker-fired generator set was commissioned during the first quarter for back-up power supply, which will become useful to power up dewatering pumps during rainy season.

The continuous increase in coal demand brought down inventory to a meager level of 13,819 MTs at close of first half. A new record high of 6-month period coal sales of 2,118,095 MTs registered during the period.

The impressive sales level translated to Coal Revenues of P4.728 billion, at a composite average FOB price of P2,231/MT for coal sold with an average heating value of 9,715 BTU/lb or 5,338 kcal. Added to Coal Handling Revenues from coal handling operations at the Calaca coal yard amounting to P20.396 million, the resulting Gross Revenues amounted to P4.748 billion for the first half of the year.
Cost of Sales, which included Coal Handling Costs of P26.722 million and Shipping, Loading and Hauling Costs of P196.265 million, amounted to P3.635 billion. Consequently, Gross Margin was recorded at P1.113 billion, indicating a Gross Profit Margin of 23%.

Cost of Sales, which included Coal Handling Costs of P26.722 million and Shipping, Loading and Hauling Costs of P196.265 million, amounted to P3.635 billion. Consequently, Gross Margin was recorded at P1.113 billion, indicating a Gross Profit Margin of 23%.

Operating Expenses amounting to P488.616 million mainly comprised of provision for Government Share of P433.264 million. The remaining P55.352 million reflected General and Administrative Expenses. As a result, Operating Income amounted to P624.444 million, reflecting 13% of Revenues.

Other Income of P38.969 million included Interest Income on short-term investments, sale of electricity to the local electric cooperative in Semirara (ANTECO), and insurance claim on equipment for partial loss due to accident. On the other hand, Interest and Other Financing Charges totaling to P54.255 million were incurred for interest expenses on short-term and long-term loans. Meanwhile, the fluctuation of the peso against the US dollar (at P41.28: 1USD at beginning of the year to P44.76: 1USD at end of June 30, 2008) prompted the recording to Realized Foreign Exchange Loss of P1.964 million and Unrealized Foreign Exchange Gain of P20.050 million.

After accounting for Non-Recurring Income of P10.677, representing gain on sale of phased out fully depreciated equipment of P44.6 million, offset by P34 million accrual of Philippine Ports Authority Fees (back-charges) of which 50% was paid under protest, Net Income Before Tax posted at P637.921 million. With full Provision for Income Tax of P194.643 million, the resulting Net Income After Tax amounted to P443.279 million.

2008 FIRST HALF FINANCIAL CONDITION

The Company continued to maintain a healthy level of Total Assets at P6.563 billion as at the end of the first half of the current year, recording a 2% growth from beginning balance of P6.423 billion.

Total Current Assets of P4.345 billion showed a slight 2% dip from beginning balance of P4.435 billion, mainly as a result of the huge drop in Coal Inventory due to coal sales outpaced coal production during the first half.

Cash and Cash Equivalents amounted to P1.966 billion, reflecting a 19% increase from P1.651 billion beginning balance. Short-Term Investments of P1.771 billion that are denominated in Philippine peso (P1.16 billion) and US dollars ($13.75 million), mainly accounted for the increase.
Meanwhile, Total Receivables amounted to P1.281 billion, up by 15% from start of the year level of P1.116 billion. The increase is primarily trade-related, with Trade Receivables amounting to P1.226 billion as at the end of the current period. The bulk of the balance represented receivables from the National Power Corporation (NPC) on price differentials for second quarter and May and June 2008 shortfall billing amounting to around P540 million. Receivables from Related Parties of P42.162 million represented normal operating advances for coal freight charges, drilling services, equipment rental, and pile driving. Other Receivables of P13.292

million accounted for advances for liquidation by employees, medical accounts receivables, and advances to suppliers and/or contractors.

On the other hand, Inventories registered a substantial decrease of 42% from beginning level of P1.453 billion to ending balance of P846.826 million. Coal Inventory dropped by 96% to P22.197 million as at the end of the period from P570.807 million beginning balance, as a result of strong demand for coal vis-à-vis production. Meanwhile, the 6% drop in materials and parts from P881.864 million at the start of the year to P824.315 million reflected issuance of supplies for use in mining operations.

Other Current Assets posted a 17% increase at P251.315 million from P215.241 million beginning balance. This included creditable withholding taxes on coal sales and erroneously withheld VAT for coal deliveries to NPC, which has a pending claim with the Bureau of Internal Revenue.

In the meantime, Total Non-Current Assets recorded a 12% growth from P1.988 billion as at the start of the year to P2.219 billion ending balance. Property, Plant and Equipment (PPE) reduced by 32% from P1.904 billion beginning balance to P1.290 billion as a result of accounting for additional depreciation expenses for the period, purchase of additional equipment amounting to P699.717 million, which are subjected to a sale and leaseback arrangement and booked as Financial Lease Assets, cause the increase in the Non-Current Assets portion. Furthermore, Investments as at the end of the period amounted to P225 million from P80.871 million beginning balance, reflecting additional cash infusion to the Company's investments to the group's nickel mining venture and forward integration to the power industry. Meanwhile, the 48% growth of Deferred Charges and Other Non-Current Assets, from P2.869 million beginning balance to P4.239 million as at the end of the first half of the current period, represented software costs. They all accounted for the 12% growth of total Non-Current Assets.

Availment of credit accommodations for new mining equipment and increase in government share are the two major factors explaining the jump in Total Liabilities by 45% from P1.808 billion at the start of the period to P2.616 billion as at the end of the first half of the year.

The 33% growth in Current Liabilities, from P1.326 billion beginning balance to P1.767 ending balance, is mainly attributed to the 82% increase in Accounts and Other Payables, from P533.681 million to P973.500 million, which included provision for government share amounting to P372.4 million, accrued materials payable of P219 million, and P84 million payable for utilized equipment parts under consignment agreement with equipment suppliers.. The coal price efficiency coupled with improved production efficiency resulted to better cost management, but in turn result to a 416% increase in Government Share for the first half of this year as against the previous year's comparable period. As operation becomes more efficient the government will get more premium beyond the 3% minimum government share out of gross coal revenue.

Continuous debt servicing resulted to a 59% decline in Current Portion of Long-Term Debt from P730.171 million as at the start of the period to P325.852 million ending balance. However, entering into a Financial Lease arrangement for new mining equipment prompted the Company to recognize Financial Lease Payable, the current portion of which amounted to P263.834 million as at the end of the first half this year.

Income Taxes Payable likewise recorded a significant increase of 239% from the beginning balance of P40.167 million to ending balance of P136.127 million with the provision of taxes for the second quarter income.

Payable to Related Parties which comprised of payables related to use of affiliates' equipment for Calaca operations, dropped by 28% from P12.921 million to P9.250 million as at the end of the six-month period.

Finally, Customer's Deposit also showed a sizeable growth of 559% from P8.867 million as at the start of the period to P58.469 million ending balance, reflecting advance payments made by few customers.

Similarly, Total Non-Current Liabilities posted a growth of 76% from P482.049 million beginning balance to P848.671 million as at the end of the period. Again, this is mainly attributed to the availment of financing for new mining equipment covered by Financing Lease arrangements. Moreover, although total long-term debts continued to decline, the Long-Term portion recorded a slight 7% increase from P397.581 million to P424.379 million at the end of the current period.

The declaration and payment of P1.11 billion Cash Dividends during the first quarter, which was partially offset by Net Income After Tax of P443.279 million for the current period, tapered Total Stockholders' Equity to P4.477 billion as at the end of first half.

2008 COMPARATIVE REPORT

I. PRODUCTION

The arrival of new mining equipment units ordered in accordance with the new expansion and modernization program launched by the Company started to reflect in the improved volume of total materials moved during the current quarter at 9,940,985 bcm, 7% higher than Q1 2008 material movement of 9,279,804 bcm and 10% better than Q2 2007 volume of 9,042,553 bcm. H1 2008 total materials moved is higher by 8% at 19,220,787 bcm as compared to the 2007 first six months' material movement of 17,760,461 bcm as capacity expansion already made an impact in 2008

Conversely, ROM coal production of 812,845 MTs during the recent quarter suffered a setback and dropped by 24% compared to Q1 2008 level of 1,065,387 and 26% from Q2 2007 volume of 1,101,335 MTs. The slump in production volume can be attributed to heavy rains during the period which adversely affected the coal mining activity at lower levels. The resulting waste movement during the current quarter showed a strip ratio of 11.52:1, posting a 44% increase from Q1 2008 strip ratio of 8.00:1 and 54% higher than Q2 2007 strip ratio of 7.50:1. Accordingly, H1 2008 ROM coal produced is 1% lower at 1,878,232 MTs compared to H1 2007 production of 1,714,978 MTs. Year-to-date (YTD) strip ratio is higher this year at 9.52:1 as against H2 2007 strip ratio of 8.67:1.

Consequently, net product coal registered a decline in Q2 this year at 747,401 MTs, a drop by 26% from Q1 volume of 1,003,542 MTs, and 27% lower than Q2 2007 figure of 1,025,716 MTs. YTD net coal production is nevertheless slightly higher by 0.5% in the current year at 1,750,944 MTs as against last year's volume of 1,742,386 MTs since Q1 2007 production registered a low figure.

Robust market demand resulted to the huge reduction in coal inventory level. The current semester closed with a minimal ending inventory of 13,819 MTs, 98% short of H1 2007 coal inventory of 814,330 MTs.

II. MARKETING

With limited supply of high grade coal against strong global demand for the commodity, the market has opened up to lower quality coal to fill in the increasing requirements of both traditional and non-traditional users of the product. As a result, Semirara coal has successfully gained stable acceptance in the export markets. As at the first half of the current year, export sales accounted for 40% of total sales at 842,337 MTs, compared to 99,847 MTs sold in H1 2007 which only accounted 7% of total sales in same period last year. Of this volume, 388,667 MTs were delivered in Q2, while 453,670 MTs were sold in Q1.

Meanwhile, the steady rise in oil prices encouraged more local users to consider the use of Semirara coal as a blending coal to more expensive imported coal that has a total landed cost which includes a sizeable freight component.

Historically, the Company has been dependent on a single market, with more than 90% of total sales delivered to the NPC Calaca plants in Batangas. Two years ago the Company's earnings has been adversely affected. when the plants were beseiged with a battery of technical problems that caused the shutdown of one plant for almost ten months. Currently however, despite the problems besetting the plants that resulted to a huge reduction in coal off take in the current semester, which dropped by 48% to 374,152 MTs compared to H1 2007 sales volume of 724,812 MTs, the Company has managed to increase total sales volume by 41% from 1,502,686 MTs in H1 2007 to a new historical high of 2,118,095 MTs in H1 this year. This only signified that the Company has finally weaned itself off from dependence to a single buyer and has successfully diversified its market.

Of the total sales volume in the current semester, 1,120,961 MTs were sold in Q1, while 997,134 MTs were delivered in Q2. Notably, the current quarter's sales volume is 19% more than Q2 2007 sales level of 839,774 MTs.

Increasing demand from Non-NPC power plants, which accounted for 15% of total sales this year, and non-traditional coal users like the cement plants and other industrial plants, comprising 20% and 5% of sales, respectively, cushioned the implact of the sizeable decrease in NPC sales. The resulting YTD total volume sold to local markets registered a 9% dip from 1,402,839 MTs in H1 2007 to 1,275,758 MTs.

III. FINANCE

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

Improved sales volume, matched by increased average YTD composite FOB price of P2,231/MT or 20% more than H1 2007 price/MT of P1,864 , translated to Coal Revenues of P4.728 billion for the first semester this year. This recorded a 69% growth from H1 2007 Coal Revenues of P2.802 billion.

This quarter's average FOB price of P2,444/MT is 27% higher than Q1 price of P1,923/MT and 35% better than Q2 2007 price of P1,815/MT. Current period's price level generated Coal Revenues of P2.436 billion, 19% more than Q1 Revenues of P2.290 billion and 60% more than Q2 2007 Revenues of P1.524 billion.

Increase in fuel cost, on going repairs and rehabilitation costs of mine facilities including road networks and increase in equipment complement resulted to higher Cost of Coal Sold/MT at P1,523/MT for the current period, compared to P1,376/MT in H1 2007. Shipping, loading and hauling costs is higher by 124% compared to same period last year due to higher volume sold. Higher cost applied to more volume sold translated to a 72% increase in Cost of Sales from P2.100 billion in H1 2007 to P3.625 billion in the current semester. Meanwhile, Government Share surged by 416% on a year-on-year H1 comparison as recoverable cost is limited to 69% of Revenues as a result to increased efficiency in the mine site and coal prices The increase in the Company's level of operations is reflected in the corresponding growth in General and Administrative Expenses. Increasing cash level generated more Interest Income for the Company, while decreasing debts correspondingly brought down Interest and Other Financing Charges. Fluctuations in foreign exchange resulted to the booking of Realized and Unrealized Forex Loss and Gains, respectively. Non-Recurring Income was generated as a result of disposal of phased out fully depreciated mining equipment. Meanwhile, the Company accounted for full provision of Regular Corporate Income Taxes on Taxable Income.

Current quarter registered an EBITDA of P863.119 million. Added up to the previous quarter's EBITDA of P669.738 million, first semester EBITDA posted an impressive level of P1.533 billion, marking a 9% growth over H1 2007 EBITDA of P1.407 billion.

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

The Company's operations generated Net Cash of P314.956 million. Added to the Beginning Cash balance of P1.651 billion, Ending Cash level increased to P1.966 billion.

Net Cash Provided by Operating activities amounting to P870.243 million in the current semester registered a 48% improvement over last year's comparative period's cash generation of P587.479 million. This is mainly caused by the considerable decrease in Inventories as coal sales exceeded the period's production. The minimal increase in Receivables of P165.237 million despite the spike in coal sales, compared to H1 2007 increase of P468.556 million, considering the lower sales volume is an attestation that sales collection performance improved. The increase in market share of export sales, which is covered by sight letter of credits and negotiated in a matter of days after coal loading accounted for this movement in the account. Meanwhile, Interest Received from short-term investments is higher due to the higher volume of investments. Conversely, Interest Paid is lower as a consequence of the decline in balances of interest-bearing debts.

Investing activities during the current semester reflected a net decrease P144.937 million as disposal of PPE is partially offset by Additions to Investment. Compared to H1 2007, Net Cash Generated from Investing Activities is higher at P190.604 million as the Company recouped its Temporary Investment of P300 million.

Finally, the sizeable payment of Cash Dividends amounting to P1.018 billion during the current period and Repayment of Long-Term Debts of P747.824 million, offset by Availment of Long-Term Debt of P311.156 million and cash generation from sale and leaseback arrangements for mining equipment amounting to P754.305 million, resulted to Net Cash Outflow for Financing Activities of P700.22 million. This figure is 13% higher than H1 outflow of P622.033 million since Cash Dividends paid is lower at P304.89 million, repayment of Long-Term Debt is lower at P522.84 million and Debt Availment is correspondingly lower at P205.71 million.

The Company's remarkable liquidity condition is demonstrated by healthy Current Ratios throughout the years. As at the end of the current semester, Current Ratio remains strong at 2.08x, although it has dropped from yearend 2007 level of 3.34x and 3.70x as at end H1 2007. In addition, the Company's solvency condition, as manifested by its Total Debt to Equity Ratio, also remained impressive at 0.66:1 as at the end of H1 this year, although it has gone up from yearend 2007 level of 0.39:1 and H1 2007 ratio of 0.42:1.

Earnings Per Share (EPS) is 8% higher at P1.59 compared to P1.47 in H1 2007.

IV. PERFORMANCE INDICATORS:

1. <u>Average Selling Price</u> – The movements in global coal prices affect price of Semirara coal as pricing to local buyers is benchmarked to the total landed cost of imported coal. Meanwhile, as the Company has successfully penetrated the export markets, it gained more leverage in pricing its coal to local buyers. After the strategic low introductory pricing to new export customers, Semirara has proven its reliability as a coal supplier and has started to bring up its prices at par with current market prices. As a result, the Company's composite average FOB price reflects a steady growth over the periods.

2. <u>Debt to Equity Ratio</u> - Notwithstanding the huge declaration of Cash Dividends in the current period, the Company managed to maintain a healthy Debt to Equity Ratio. As a result, its credit standing remained strong, enabling it to enjoy prime borrowing rates for its loan accommodations. Moreover, the Company now affords to evaluate investment opportunities to further create shareholders' value.

3. <u>Capital Expenditures</u> – The steadily improving demand for Semirara coal encouraged the Company to launch another expansion and modernization program. In addition, it is actively pursuing exploration activities beyond the ultimate pit limit to determine the feasibility of expanding the current active mine. Remarkably, demand has increased so much that during the period, production fell short of coal sales. Evidently, the Company's decision to launch another capacity expansion project is timely and necessary.

4. <u>Expanded Market</u> – The successful breakthrough in the export market has transformed the Company's marketing opportunities and strategies. Sales going to the export markets is substantial at 40%. This favorable development provided the Company ample leverage to negotiate fair pricing for its product, both locally and internally.

5. <u>Improved coal quality</u> – Generally, acceptance for lower grade coal has improved in the global market, as high grade coal is becoming a rarer and more expensive commodity with demand from big users like China and Japan soaring. As a result, coal users learned to use lower grade coal for blending with high grade coal. This augurs well for Semirara coal. However, despite the warmer acceptance for the product, the Company continues to strive to maximize the full quality potential of its product through continues improvement and modernization of its quality-improving processes.

PART II OTHER INFORMATION

Other disclosures:

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

PART III SIGNATURES

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

Issuer: **SEMIRARA MINING CORPORATION**

Signature and Title:

VICTOR A. CONSUNJI
Principal Executive and Operating Officer

Date: August 7, 2008

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

Date: August 7, 2008

JUNALINA S. TABOR
Principal Accounting Officer

Date: August 7, 2008

PART III - ANNEX

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

	TOTAL	Current	2 - 3 Months	4 - 6 Months	7 Months to 1 Year	1 to 2 Years	2 to 5 Years	Over 5 Years	Allowance for doubtful acct.
A. ACCOUNTS RECEIVABLE - TRADE									
1. NPC	757,636,655.98	452,175,964.02	236,445,778.92	62,165,160.98	479,459.35	381,193.31	5,989,099.40		20,712,472.95
2. APEC	66,072,222.62	28,715,343.11	35,828,945.20	114,642.61	1,413,291.70				
3. PNOC	121,560,110.73	50,828,110.74	52,357,895.40	18,526,570.82	135,084.56	(287,550.79)			
4. TPC	113,931,369.88	50,527,839.97	45,892,250.74	16,320,563.02	(34,142.87)	1,224,859.02			
5. APO	35,820,480.24	26,466,319.71	7,460,415.81		1,893,744.72				
6. PPFC	885,028.64		885,028.64						
7. JPC	16,776,158.30	16,776,158.30							
8. PICOP	-								
9. SOLID	10,384,956.07	10,399,238.09			(14,282.02)				
10. GFCC	450,277.56		75,834.65	378,151.14	(3,708.23)				
11. EXPORT	113,952,094.41	107,740,401.37	6,211,693.04						
12. PLATINUM GROUP	605,988.96			605,988.96					
13. NPC - Coal Handling	8,236,424.38	3,846,136.69	4,390,287.69						
	1,246,311,767.77	747,475,512.00	389,548,130.09	98,111,077.53	3,869,447.21	1,318,501.54	5,989,099.40	-	20,712,472.95
Less: Allowance for doubtfull account	20,712,472.95								
TOTAL	1,225,599,294.82								

	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	327,224.07		327,224.07						
2. Advances - Employees	(1,418,534.29)	182,329.05	(80,702.34)	(1,520,161.00)					519,697.08
3. Advances - Suppliers	-								
4. Advances - Operations	-								
5. Advances - Contractors	15,068,233.18	855,040.43	2,105,752.88		12,107,439.87				2,303,257.85
6. Advances - for Liquidation	2,049,282.88	118,640.50		1,930,642.38					1,948,808.90
7. Advances - SSS Claims	530,604.10			56,978.82			319,701.85	153,923.43	500,910.10
8. Advances - Others	729,213.42	2,477.44	167,651.93	489,854.98	69,229.07				917,702.67
9. Advances - Medical Accounts	2,196,025.87	77,562.97	696,482.51	1,017,242.55	404,737.84				
	19,482,049.23	1,236,050.39	3,216,409.05	1,974,557.73	12,581,406.78	-	319,701.85	153,923.43	6,190,376.60
Less: Allowance for D/A-AR Others	6,190,376.60								
Net NON - TRADE RECEIVABLE	13,291,672.63								
NET RECEIVABLES (A & B)	1,238,890,967.45								