COVER SHEET

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SEC Registration Number

SEMIRARA MINING CORPORATION

(Company's Full Name)

2ND FLOOR DMCI PLAZA BUILDING

2281 PASONG TAMO EXTENSION

MAKATI CITY

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

Junalina S. Tabor

(Contact Person)

888-3000

(Company Telephone Number)

12 31

(Fiscal Year)

17-Q

(Form Type)

Month *Day*

(Annual Meeting[1])

(Secondary License Type, If Applicable)

CFD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Domestic Foreign

Total No. of Stockholders

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

[1] First Monday of May of each year.

SEC Number : 91447
File Number : __________

SEMIRARA MINING CORPORATION
Company's Full Name

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

888-3550 to 888-3565
Telephone Number

For the Period Ending Sept. 30, 2011
Period Ended

QUARTERLY REPORT FORM 17-Q
Form Type

SEC FORM 17-Q

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

1. For the quarter period ended **Sept. 30, 2011**

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
Common Stock, P1.00 par value	356,250,000 shares

11. 356,250,000 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 AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of Sept. 30, 2011

	(Unaudited) Sept. 30, 2011	(Audited) December 31, 2010
ASSETS		
Current Assets		
Cash and cash equivalents	6,275,311,747	3,813,283,517
Receivables - net	2,246,569,434	3,183,300,192
Inventories - net	3,452,541,502	2,375,874,790
Other current assets	1,486,977,089	912,018,769
Total Current Assets	13,461,399,772	10,284,477,268
Noncurrent Assets		
Property, plant and equipment - net	19,785,094,303	19,584,259,678
Investments and advances	324,267,345	310,229,558
Other noncurrent assets	270,576,244	317,587,850
Total Noncurrent Assets	20,379,937,892	20,212,077,086
TOTAL ASSETS	33,841,337,663	30,496,554,354
LIABIILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Short-term loans	706,974,109	449,845,179
Current portion of long-term debt	1,144,414,776	1,132,896,820
Trade and other payables	6,074,069,350	5,351,271,316
Total Current Liabilities	7,925,458,235	6,934,013,315
Noncurrent Liabilities		
Long-term debt - net of current portion	11,902,707,753	11,159,821,454
Deferred tax liabilities - net	28,087,306	28,087,305
Provision for decommissioning and site rehabilitation	11,883,508	14,732,350
Pension liability		19,996,748
Total Noncurrent Liabilities	11,942,678,567	11,222,637,857
Total Liabilities	19,868,136,802	18,156,651,172
Stockholders's Equity		
Capital stock	356,250,000	356,250,000
Additional paid-in capital	6,675,527,411	6,675,527,411
Deposit For Future Subscription		-
Retained earnings	6,941,423,451	5,308,125,771
Cost of shares held in treasury		-
Total Stockholders' Equity	13,973,200,862	12,339,903,182
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	33,841,337,663	30,496,554,354

SEMIRARA MINING CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Period Ending Sept. 30, 2011 and 2010

For the Quarter Ending Sept. 30, 2011 and 2010

	(Unaudited) For the Period		(Unaudited) For the Quarter	
	2011	2010	2011	2010
REVENUE				
Coal	14,051,488,727	9,462,782,517	3,360,591,459	2,404,719,749
Power	7,401,322,412	7,432,402,353	2,120,916,478	1,475,591,669
	21,452,811,138	16,895,184,871	5,481,507,937	3,880,311,418
COST OF SALES				
Coal	8,089,075,460	6,487,226,204	2,611,381,765	1,881,001,799
Power	4,808,414,153	5,245,370,880	1,547,878,050	1,296,582,857
	12,897,489,613	11,732,597,084	4,159,259,815	3,177,584,656
GROSS PROFIT	8,555,321,526	5,162,587,786	1,322,248,122	702,726,761
OPERATING EXPENSES	(3,139,941,146)	(1,742,145,997)	(608,481,796)	(75,706,459)
FINANCE INCOME (COSTS)	(290,944,853)	(491,613,372)	(106,034,645)	(161,086,618)
FOREIGN EXCHANGE GAINS (LOSSES)	(11,220,865)	140,309,038	(18,202,598)	111,604,638
EQUITY IN NET LOSSES OF ASSOCIATES		146,405,455		82,185,654
OTHER INCOME	91,192,955	(1,843,190)	31,362,776	4,593,156
	(3,350,913,909)	(1,948,888,065)	(701,356,264)	(38,409,628)
INCOME BEFORE INCOME TAX	5,204,407,616	3,213,699,721	620,891,858	664,317,133
PROVISION FOR INCOME TAX	8,840,495	1,355,046	2,486,585	782,906
NET INCOME	5,195,567,121	3,212,344,675	618,405,273	663,534,227
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME	5,195,567,121	3,212,344,675	618,405,273	663,534,227
Basic / Diluted Earnings per Share	14.58	10.42	1.74	2.15

Basis of EPS :

EPS = NET INCOME (LOSS) FOR THE PERIOD/NO. OF OUTSTANDING SHARES

Wherein :

Wtd Average Outstanding Shares	356,250,000	(as of Sept. 30, 2011)
Wtd Average Outstanding Shares	308,285,940	(as of Sept. 30, 2010)

SEMIRARA MINING CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

As of Sept. 30, 2011 and 2010

	Common Stock	Additional Paid-In Capital	Deposit for Future Stock Subscriptions	Unappropriated Retained Earnings	Appropriated Retained Earnings	Total	Cost of Shares Held in Treasury	Grand Total
At January 1, 2011	356,250,000	6,675,527,411	-	4,608,356,330	700,000,000	12,340,133,741		12,340,133,741
Net Income for the period				5,195,567,122		5,195,567,122		5,195,567,122
Additional Paid-In Capital						-		-
Deposit for Future Subscirption						-		-
Cost of Shares Held in Treasury						-		-
Stockrights Offering						-		-
Dividends				(3,562,500,000)		(3,562,500,000)		(3,562,500,000)
At Sept. 30, 2011	356,250,000	6,675,527,411	-	6,241,423,452	700,000,000	13,973,200,863	-	13,973,200,863
At January 1, 2010	296,875,000	1,576,796,271	5,402,125,985	2,400,238,695	700,000,000	10,376,035,951	(528,891,260)	9,847,144,691
Net Income for the period				3,212,344,675		3,212,344,675		3,212,344,675
Additional Paid-In Capital		5,098,731,140				5,098,731,140		5,098,731,140
Deposit for Future Subscription			(5,402,125,985)			(5,402,125,985)		(5,402,125,985)
Cost of Shares Held in Treasury						-	528,891,260	528,891,260
Stock Rights Offering	59375000					59,375,000		59,375,000
Dividends				(1,781,250,000)		(1,781,250,000)		(1,781,250,000)
At Sept. 30, 2010	356,250,000	6,675,527,411	-	3,831,333,370	700,000,000	11,563,110,781	-	11,563,110,781

SEMIRARA MINING CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOW
As of Sept. 30, 2011 and 2010

	(Unaudited) 2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	5,204,407,616	3,212,344,675
Adjustments for:		
Depreciation and amortization	2,426,247,125	1,910,862,790
Finance costs and revenues	290,944,853	491,613,372
Gain on sale of equipment	(53,477,507)	
Provision for impairment loss	1,923,114	
Net unrealized foreign exchange gains	73,970,177	(108,659,346)
Equity in net earnings of associates		(146,405,455)
Provision for Income Tax		(1,355,046)
Pension expense	2,251,870	1,501,248
Operating income before changes in working capital	7,946,267,248	5,359,902,239
Decrease (increase) in:		
Receivables	968,813,350	(887,154,611)
Inventories	(1,076,666,712)	(21,730,067)
Other current assets	(520,067,396)	(493,774,941)
Increase (decrease) in:		
Trade and other payables	1,136,520,055	361,509,142
Cash generated from (used in) operations	8,454,866,544	4,318,751,762
Interest received	90,646,658	19,527,449
Income tax paid	8,840,495	(1,355,046)
Interest paid	(364,987,839)	38,355,362
Net cash provided by (used in) operating activities	8,189,365,859	4,375,279,527
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in other noncurrent assets	4,187,526	251,074,665
Proceeds from sale of equipment	53,477,507	
Decrease (increase) in Investments	(14,037,787)	(308,304,345)
Retirement Fund Contribution	(28,464,526)	
Additions to property, plant and equipment	(2,782,372,162)	(2,189,108,040)
Net cash used in investing activities	(2,767,209,442)	(2,246,337,719)
CASH FLOWS FROM FINANCING ACTIVITIES		
Short-term loans	280,388,649	
Loan Availments	2,413,848,905	19,845,006,406
Payment of dividend	(3,562,500,000)	(1,781,250,000)
Loan Repayment	(2,091,865,743)	(18,395,488,800)
Movement in deposit for future stocks		(2,377,723,728)
Proceeds from sales of shares held in Treasury		1,293,247,400
Proceed from additional issuance of capital stocks		1,369,347,743
Net cash provided by (used in) financing activities	(2,960,128,189)	(46,860,980)
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,462,028,228	2,082,080,829
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,813,283,519	481,920,935
CASH AND CASH EQUIVALENTS AT END OF YEAR	6,275,311,747	2,564,001,764

1. Summary of Significant Accounting policies

Basis of Preparation

The consolidated financial statements have been prepared using the historical cost basis. The consolidated financial statements are prepared in Philippine Peso, which is the Group's functional currency. All amounts are rounded off to the nearest peso unless otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as at Sept. 30, 2011 and for the year then ended. A subsidiary is an entity over which the Parent Company has the power to govern the financial and operating policies of the entity. The subsidiary is fully consolidated from the date of incorporation, being the date on which the Parent Company obtains control, and continues to be consolidated until the date that such control ceases. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the date of acquisition or up to the date of the disposal, as appropriate.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the subsidiary are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

All intra-group balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intra-company transactions that are recognized in assets are eliminated in full.

Changes in Accounting Policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those of the previous financial year except for the following new and amended PFRS and Philippine Interpretations of International Financial Reporting Interpretation Committee (IFRIC) effective as of January 1, 2010.

New and Amended Standards and Interpretations

- PFRS2, *Share-based Payment : Group Cash-settled Share-based Payment Transactions (effective January 1, 2010)*
- PFRS3, *Business Combinations (Revised)* and Philippine Accounting Standards (PAS) 27, *Consolidated and Separate Financial Statements (Amended)* (effective July 1, 2009, including consequential amendments to PFRS 2, PFRS 5, PFRS 7,

PAS 7, PAS 21, PAS 28, PAS 31 and PAS 39)

- PAS 39, *Financial Instruments : Recognition and Measurement – Eligible Hedged Items (Amended)* (effective July 1, 2009)
- Philippine Interpretation IFRIC 17, *Distributions of Non-cash Assets to Owners* (effective July 1, 2009)
- Improvements to PFRSs 2008, with respect to PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*
- Improvements to PFRSs 2009

Standards or interpretations that have been adopted by the Group are described below. However, the adoption of these standards and interpretations did not have an impact on the consolidated financial statements of the Group, unless otherwise stated.

- PFRS 2, *Share-based Payment (Amendment) – Group Cash-settled Share-based Payment Transactions*
  The amendment to PFRS 2 clarified the scope and the accounting for group c ash-settled share-based payment transactions.

- PFRS 3 (Revised), *Business Combinations* and PAS 27 (Amended), *Consolidated and Separate Financial Statements*
  PFRS 3 (Revised), introduces significant changes in the accounting for business combinations occuring after becoming effective. Changes affect the valuation of non-controlling interest (NCI), the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results.

  PAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by PFRS 3 (Revised) and PAS 27 (Amended) affect acquisitions or loss of control of subsidiaries and transactions with NCI after 1 January 2010.

- PAS 39, *Financial Instruments : Recognition and Measurement (Amendment) – Eligible Hedged Items*
  The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations.

- Philippine Interpretation IFRIC 17, *Distributions of Non-cash Assets to Owners*
  This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of

reserves or as dividends.

Improvements to PFRSs
Improvements to PFRSs, an omnibus of amendments to standards, deal primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

Improvements to PFRSs 2009

- PFRS 5 clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRSs only apply if specifically required for such non-current assets or discontinued operations.

- PFRS 8, *Operating Segments,* clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker. As the Group's chief operating decision maker does review segment assets and liabilities, the Group has c ontinued to disclose this information.

- PAS 7, *Statement of Cash Flows,* states that only expenditure that results in recognizing an asset can be classified as a cash flow from investing activities. This amendment will impact among others, the presentation in the statement of cash flows of the contingent consideration on the business combination completed in 2010 upon cash settlement.

- PAS 36, *Impairment of Assets,* amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in PFRS 8 before segregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

Other amendments resulting from the 2009 Improvements to PFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- PFRS 2, *Share-based Payment*
- PAS 1, *Presentation of Financial Statements*
- PAS 17, *Leases*
- PAS 38, *Intangible Assets*
- PAS 39, *Financial Instruments: Recognition and Measurement*
- Philippine Interpretation IFRIC 9, *Reassessment of Embedded Derivatives*
- Philippine Interpretation IFRIC 16, *Hedge of a Net Investment in a Foreign Operation*

Future Changes in Accounting Policies

This listing consists of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective. The Group does not expect the adoption of these standards to have a significant impact in the financial statements, unless otherwise stated.

- PAS 24 (Amended), *Related Party Disclosures*

  The amended standard is effective for annual periods beginning on or after January 1, 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate the inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government related entities. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

- PAS 32, *Financial Instruments: Presentation (Amendment) – Classification of Rights Issues*

  The amendment to PAS 32 is effective for annual periods beginning on or after February 1, 2010 and amended the definition of a financial liability in order to classify rights issues (or certain options of warrants) as equity instruments in c ases where such rights are given pro rata to all of the existing owners of the same class of an antity's non-derivative equity instruments, or to acquirea fixed number of the entity;s own equity instruments for a fixed amount in any currency.

- PAS 12, *Income Taxes (Amendment) – Deferred Tax: Recovery of Underlying Assets*

  The amendment to PAS 12 is effective for annual periods beginning on or after January 1, 2012. It provides a practical solution to the problem of assessing whether the recovery of an asset will be through use or sale. It introduces a presumption that recovery of the carrying amount of an asset will normally be through sale.

- PFRS 7, *Financial Instruments: Disclosures (Amendments) – Transfers of Financial Assets*

  The amendments to PFRS 7 are effective for annual periods beginning on or after July 1, 2012. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

- PFRS 9, *Financial Instruments: Classification and Measurement*
  PFRS 9 as issued reflects the first phase of the IASB's work on the replacement of PAS 39 and applies to classification and measurement of financial assets as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The completion of this project is expected in early 2011. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.
- Philippine Interpretation IFRIC 14, *(Amendment), Prepayments of a Minimum Funding Requirement*
  (effective for annual periods beginning on or after July 1, 2009 with early application permitted)
  The amendment to IFRIC 14 is effective for annual periods beginning on or after January 1, 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset.

- Philippine Interpretation IFRIC 15, *Agreement for Construction of Real Estate*
  This interpretation, effective for annual periods beginning on or after January 1, 2012, covers accounting for revenue and associated expensesby entities that undertake the construction of real estate directly or through subcontractors. The Interpretation requires that revenue on construction of real estate be recognized only upon completion, except where such contract qualifies as construction contract to be accounted for under PAS 11, Construction Contracts, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion.

- Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*
  IFRIC 19 is effective for annual periods beginning on or after July 1, 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

Improvements to PFRSs 2010
Improvements to IFRSs is an omnibus of amendments to PFRSs. The amendments have not been adopted as they become effective for annual periods on or after either July 1, 2010 or January 1, 2011. The amendments listed below, are consideredto have a reasonable possible impact on the Group :

- PFRS 3, *Business Combinations*
- PFRS 7, *Financial Instruments: Disclosures*
- PAS 1, *Presentation of Financial Statements*
- PAS 27, *Consolidated and Separate Financial Statements*
- Philippine Interpretation IFRIC 13, *Customer Loyalty Programmes*

The Group, however, expects no impact from the adoption of the amendments on its financial position or performance.

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.

Financial Instruments
Date of recognition
The Group recognizes a financial asset or a financial liability on the consolidated statement of financial position 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 Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, and loans and receivables. The Group 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 financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As of Sept. 30, 2011 and December 31, 2010, the Group's financial instruments are of the nature of loans and receivables, and other financial liabilities.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are

reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

Determination of fair value
The fair value for financial instruments traded in active markets at the reporting 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 difference
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 Group recognizes the difference between the transaction price and fair value (a day 1difference) in the profit or loss 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 profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'day 1' difference amount.

Embedded Derivatives
An embedded derivative is separated from the host financial or non-financial contract and accounted for as a derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative and;
- the hybrid or combined instrument is not recognized as at FVPL.

Financial asset

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 reporting date otherwise; these are classified as noncurrent assets. This accounting policy relates to the consolidated statement of financial position accounts "Cash and cash equivalents" and "Receivables" and Security Deposits under "Other current assets".

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 "Finance income" in the consolidated statement of comprehensive income. The losses arising from impairment are recognized in the consolidated statement of comprehensive income as "Finance costs".

Financial liabilities

The Group financial liabilities consist of other financial liabilities at amortized cost.

Other financial liabilities

Other financial liabilities include interest bearing loans and borrowings and trade and other payables. 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.

Deferred Financing Costs

Deferred financing costs represent debt issue costs arising from the fees incurred to obtain project financing. This is included in the initial measurement of the related debt. The deferred financing costs are treated as a discount on the related debt and are amortized using the effective interest rate method over the term of the related debt.

Impairment of Financial Assets

The Group assesses at each reporting 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.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Group 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 Group 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 Group 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 profit or loss 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 Group 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 Group 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 Group has transferred its rights to receive cash flows from the asset and either: (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has 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 Group'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 Group could be required to repay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

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

Offsetting of Financial Instruments

Financial assets and financial liabilities are only offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a legally enforceable right to set off the recognized amounts and the Group 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.

Exploration and Evaluation Costs

Once the legal right to explore has been acquired, exploration and evaluation expenditure is charged to the consolidated statement of comprehensive income as incurred. These costs include materials and fuel used, surveying costs, drilling costs and payments made to contractors.

Mining Reserves

Mining reserves are estimates of the amount of coal that can be economically and legally extracted from the Group's mining properties. The Group estimates its mining reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the coal body, and requires complex geological judgments to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgments made in estimating the size and grade of the coal body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, provision for rehabilitation, recognition of deferred tax assets, and depreciation and amortization charges.

Property, Plant and Equipment

Upon completion of mine construction, the assets are transferred into property, plant and equipment. Items of property, plant and equipment are carried at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property, plant and equipment also comprises its purchase price or construction cost, 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. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

Equipment in transit and construction in progress, included in property, plant and equipment, are stated at cost. Construction in progress includes the cost of the construction of property, plant and equipment and, for qualifying assets, borrowing cost. Equipment in transit includes the acquisition cost of mining equipment and other direct costs.

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

Depreciation and amortization of property, plant and equipment are computed on a straight-line basis over the estimated useful lives (EUL) of the respective assets as follows:

	Number of years
Mining, tools and other equipment	**2 to 13 years**
Power plant and buildings	**10 to 25 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.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

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 profit or loss in the year the item is derecognized.

Investments and Advances

This account includes investments and advances for future stock acquisition in associates.

An associate is an entity in which the Group has significant influence and which is

neither a subsidiary nor a joint venture. Investments in associates are accounted for under the equity method of accounting.

Under the equity method, the investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the associates, less any impairment in value. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. The profit or loss reflects the share of the results of the operations of associates. Profit and losses resulting from transactions between the Group and the investee companies are eliminated to the extent of the interest in the investee companies.

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

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

Other intangible assets

Other intangible assets include computer software.

Intangible assets acquired separately are measured on initial recognition at cost, which comprises its purchase price plus any directly attributable costs of preparing the asset for its intended use. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization on a straight line basis over their useful lives of three (3) to five (5) years and any accumulated impairment losses.

Internally generated intangible assets are not capitalized and expenditure is reflected in the consolidated statement of comprehensive income in the year in which the expenditure is incurred.

Gains or losses arising from 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 consolidated statement of comprehensive income when the asset is derecognized.

Input value-added tax (VAT)

Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations.

The input VAT that will be used to offset the Group's current VAT liabilities is recognized as a current asset. Input VAT representing claims for refund from the taxation authorities is recognized as a noncurrent asset. Input taxes are stated at their estimated NRV.

Business Combinations and Goodwill

Business Combinations prior - 2009

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs.

The purchase method of accounting involves recognizing identifiable assets and liabilties of the acquired business initially at fair value. If the acquirer's interest in the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination, the acquirer shall (a) reassess the identification and measurement of the acquiree's identifiable assets and liabilities and the measurement of the cost of the combination; and (b) recognize immediately in the consolidated statement of comprehensive income any excess remaining after that reassessment.

PFRS 3 provides that if the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values assigned to the acquiree's identifiable assets. Liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date as follows : (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

Impairment of Non-financial Assets

The Group assesses at each reporting date whether there is an indication that the property, plant and equipment, software, investment in associates or jointly controlled entities 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. Impairment losses of continuing operations are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If any such indication exists, the recoverable amount is estimated. 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 such 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 and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Investments in associates

After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the investee companies. The Group determines at each reporting date whether there is any objective evidence that the investment in associates or jointly controlled entities is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value and the carrying value of the investee company and recognizes the difference in the profit or loss.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements. 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.

Under the terms of arrangements with customers, local sales are billed 80% upon delivery and 20% upon release of coal quality test. Export sales are billed 100% after release of coal quality test. All quality test results are agreed by both the Parent Company and customers. Revenue is recognized upon 100% billing for both local and export sales.

Contract energy sales
These are revenue derived from its primary function of providing and selling electricity to customers of its generated and purchased electricity. Revenue derived from the generation and/ or supply of electricity is recognized based on the actual energy received by the customer or the actual energy nominated by the customer, net of adjustments, as agreed upon between parties.

Spot electricity sales
Revenue derived from the sale to the spot market of excess generated electricity over the contracted energy using price determined by the spot market.

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

Finance income
Finance income is recognized as interest accrues.

Cost of Sales
Cost of coal
Cost of coal includes expenses directly related to the production and sale of coal such as cost of fuel and lubricants, materials and supplies, depreciation and other related costs, are recognized when incurred.

Cost of power
Cost of power includes expenses directly related to the production and sale of electricity such as cost of coal, fuel, depreciation and other related costs. Cost of coal and fuel are recognized at the time the related coal and fuel inventories are consumed for the production of electricity. Cost of energy also includes electricity purchased from the spot market and the related market fees. It is recognized as expense when the Company receives the electricity and simultaneously sellss to its customers.

Operating Expenses
Operating expenses are expenses that arise in the course of the ordinary operations of the Group. These usually take the form of an outflow or depletion of assets such as cash and cash equivalents, supplies, and office furniture and equipment. Expenses are recognized in the consolidated statement of comprehensive income as incurred.

Borrowing Costs

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalized and added to the project cost during construction until such time the assets are considered substantially ready for their intended use i.e., when they are capable of commercial production. Where funds are borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. Where surplus funds are available for a short term out of money borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalized and deducted from the total capitalized borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period. All other borrowing costs are recognized in the profit or loss in the period in which they are incurred.

Even though exploration and evaluation assets can be qualifying assets, they generally do not meet the 'probable economic benefits' test and also are rarely debt funded. Any related borrowing costs are therefore generally recognized in the profit or loss in the period they are incurred.

Pension Expense

The Group has a noncontributory defined benefit retirement plan.

The retirement cost of the Group 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 consolidated statement of financial position 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 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.

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

Past-service costs, if any, are recognized immediately in the consolidated statement of comprehensive 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 Group and are charged against current operations.

<u>Income Tax</u>

Current tax

Current 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 reporting date.

Deferred tax

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the reporting 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 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, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences 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 reporting 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 reporting 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 reporting date.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Provisions

Provisions are recognized only when the Group 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 reporting date and adjusted to reflect the current best estimate.

Provision for decommissioning and site rehabilitation

The Group records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas. The obligation generally arises when the asset is installed or the ground / environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated cost is capitalized by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognized in the profit or loss as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they

occur. For closed sites, changes to estimated costs are recognized immediately in the consolidated statement of comprehensive income.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. It requires consideration as to whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or 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 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 the renewal or extension period for scenario (b).

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and the reduction of the lease liability so as to achieve a constant periodic rate of interest on the remaining balance of the liability. Finance charges are recognized in the consolidated statement of comprehensive income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

A lease is classified as an operating lease if it does not transfer substantially all of the risks and rewards incidental to ownership. Operating lease payments are recognized as an expense in the consolidated statement of comprehensive income on a straight line basis over the lease term.

Operating lease payments are recognized in the cost of coal sales under "Outside Services" on a straight line basis over the lease term.

Foreign Currency Translation

The Group's financial statements are presented in Philippine pesos, which is also the functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and

liabilities denominated in foreign currencies are translated at the functional currency closing rate at the reporting date. All differences are taken to the consolidated statement of comprehensive income.

Equity
The Group records common stocks at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity share. Incremental costs incurred directly attributable to the issuance of new shares are deducted from proceeds.

Retained earnings represent accumulated earnings of the Company less dividends declared.

Treasury Shares
Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognized in additional paid-in capital.

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 Group has no outstanding dilutive potential common shares.

Segment Reporting
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Contingencies
Contingent liabilities are not recognized in the consolidated 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 consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Events after the Reporting Period
Post period events up to the date of this report that provides additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Any post period event that is not an adjusting event is disclosed when material to the consolidated financial statements.

2. Significant Accounting Estimates, Judgments and Assumptions

The preparation of the accompanying consolidated financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual could differ from such estimates.

Judgment

In the process of applying the Group'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 consolidated financial statements:

Determining functional currency

The Group, based on the relevant economic substance of the underlying circumstances, has determined its functional currency to be the Philippine Peso. It is the currency of the economic environment in which the Group primarily operates.

Operating lease commitments - the Group as lessee

The Group has entered into various contract of lease for space, and mining and transportation equipment. The Group has determined that all significant risks and benefits of ownership on these properties will be retained by the lessor. In determining significant risks and benefits of ownership, the Group considered the substance of the transaction rather than the form of the contract.

Contingencies

The Group 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 Group's defense in these matters and is based upon an analysis of potential results. The Group 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.

Management's Use of Estimates

The key assumptions concerning the future and other sources of estimation uncertainty at the reporting 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.

Revenue recognition
The Group'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 Group's coal 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).

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

Estimating impairment of loans and receivables
The Group maintains an allowance for impairment losses 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 Group regularly performs a review of the age and status of receivables and identifies accounts that are to be provided with allowance.

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

Estimating stock pile inventory quantities
The Group 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 Group 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 Group estimates its allowance for inventory write down in spare parts and supplies based on periodic specific identification. The Group 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 Group made different judgments or utilized different estimates. An increase in the allowance for inventory write down would increase the Group's recorded operating expenses and decrease its current assets.

Estimating decommissioning and site rehabilitation costs
The Group is legally required to fulfill certain obligations under its Department of Environment and Natural Resources issued Environmental Compliance Certificate when it abandons depleted mine pits. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases, and changes in discount rates. Those uncertainties may result in future actual expenditure differing from the amounts currently provided. An increase in decommissioning and site rehabilitation costs would increase the production cost and increase noncurrent liabilities. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required. Assumptions used to compute the decommissioning and site rehabilitation costs are reviewed and updated annually.

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

The Group 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 Group 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.

Estimating impairment for nonfinancial assets
The Group 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 Group 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 fair value less cost to sell and value in use. The fair value less cost to sell 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 Group is required to make estimates and assumptions that can materially affect the consolidated financial statements. The nonfinancial assets of the Group include investments in associates, property, plant and equipment, and software cost.

Deferred tax assets

The Group reviews the carrying amounts of deferred tax assets at each reporting date. Deferred tax assets, including those arising from unutilized tax losses require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilize recognized deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realize the net deferred tax assets recorded at the reporting date could be impacted.

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

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

2011 NINE-MONTH OPERATION

Coal

Efficient mining operations resulted to setting a new record in total material movement of 65,263,730 bank cubic meters (bcm) as at the end of Q3 2011. This is already 87% of full year capacity of 75 million bcm. With an average strip ratio of 10.25:1, total run-of-mine (ROM) coal produced was at 5,953,720 metric tons (MTs). During the dry season, the Company aggressively pre-stripped, exposing around 600,000 MTs of coal as at the beginning of Q3. Hence, despite the heavy rains in the island during the quarter, mining operations went on smoothly. Clean coal production stood at 4,798,646 MTs, while washable coal totalled to 1,155,074 MTs. The resulting net product coal was 5,436,773 MTs.

The Company continued its exploratory drilling all over the island, with special focus on the eastern part. Drilling data continued to indicate positive results during the period. The Company targets to jumpstart the certification of the additional volume discovered by a local competent person on coal resource and mineable reserve within the year to increase its mineable coal reserve inventory, prior to its certification in accordance with JORC standards.

Construction of the additional shiploading facility was finally completed and already operational, thus augmenting the mine loading capacity to match the increase in production and demand. The strategic location of the new pier will also provide efficiencies on coal transfer time. Strong demand for Semirara coal is reflected by the high coal sales of 5,617,104 MTs. Although export demand is still robust, especially from China, the Company prioritized servingthe local markets as these commanded higher prices. Ending coal inventory closed at 237,010 MTs.

Power

Meanwhile, the power segment's total gross generation during the period was 1,494 GWhr. Unit 1 and 2 generated 728 GWhr and 766 GWhr, respectively. Capacity factor and availability for Unit 1 was at 37% and 35%, while Unit 2 was at 33% and 32%, respectively. Dependable capacity of Unit 1 was at 160 MW with 51% utilization. On the other hand, dependable capacity of Unit 2 is already at 300 MW with 59% utilization.

Power Unit 2 experienced forced outage after its rehabilitation due to failure of some equipment during the commissioning, thus it registered low performance in Q1. These were immediately addressed at the onset of Q2, hence, the improvements in terms of gross generation, availability, capacity factor and efficiency of the unit were evident during the period.

2011 NINE-MONTH FINANCIAL CONDITION

The Company's consolidated earnings in just three quarters is already 31% higher than its 2010 full year profits.

After eliminations, Revenues generated by the coal and power segments amounted to PHP14.05 billion and PHP7.40 billion, respectively, thus consolidating to PHP21.45 billion. The coal segment's Revenues reflected both domestic sales, excluding Calaca, of 2.12 million MTs and export sales of 2.34 million MTs. Composite average price during the period was PHP 3,046 per MT. Meanwhile, the power segment's Revenue is composed of bilateral contracts sales of 1,217 GWhr and spot sales of 383 GWhr at an average price of PHP4.62 per KWhr.

Net of eliminating entries, Cost of Sales of the coal and power segments amounted to PHP8.09 billion and PHP4.81 billion, consolidating to PHP12.90 billion. The coal segment's Cost of Sales is mainly comprised of Materials, Fuel, Lube and Overhead of PHP6.55 billion and Depreciation and Amortization of PHP1.54 billion. On the other hand, Fuel Costs of PHP3.79 billion and Spot Purchases of PHP998 million mainly comprised the power segment's Cost of Sales.

Consolidated Gross Profit amounted to PHP8.56 billion, with the coal and power segments contributing PHP5.96 billion and PHP2.59 billion, respectively.

The coal segment's Operating Expenses of PHP2.26 billion is mainly comprised of temporary accrual of Government Share for the period amounting to PHP1.77 billion. Meanwhile, management fees representing O&M fees for Calaca Plants' operation amounting to PHP471.71 million is the single biggest item that comprised the power segment's Operating Expenses of PHP884.83 million. Consolidated Operating Expenses totalled to PHP3.14 billion.

The coal segment booked Net Other Income of PHP32.94 million. Financing Costs of PHP90.63 million for its outstanding loans and Net Forex Losses of PHP14.02 million were offset by Finance Revenue generation of PHP46.40 million and PHP91.19 million Other Income which is mainly comprised of gain on sale of equipments and insurance recovery of PHP53.48 million and PHP35.19 million. On the other hand, the power segment incurred Financing Costs of PHP278.80 million for its outstanding project finance loan. This was slightly offset by Finance Revenue of PHP32.08 million and Forex Gains of PHP2.80 million, thus Net Other Expenses amounted to PHP243.91

million. As a result, the Company recorded consolidated Other Expenses of PHP210.97 million for the period.
The resulting consolidated Income Before Tax stood at PHP5.20 billion. The coal and power segments' contribution was at PHP3.74 billion and PHP1.46 billion, respectively.

Both the coal and the power segments are BOI-registered companies, thus these are enjoying Income Tax Holidays. As a result, consolidated Income Tax Provision was minimal at PHP8.84 million, the coal and power segments provided for PHP5.67 million and PHP3.17 million, respectively.

As a result, consolidated Net Income After Tax amounted to PHP5.20 billion, the coal and power segments, accounted for PHP3.74 billion and PHP1.46 billion, respectively. Consolidated EPS stood at PHP14.58.

The Company's consolidated balance sheet closed with Assets amounting to PHP33.84 billion, Liabilities of 19.87 billion, and Equity of PHP13.97 billion.

The coal segment's total assets as at end of Q3 stood at PHP11.84 billion, posting a 10.2% increase from beginning balance of PHP10.74 billion. Of this amount, current portion stood at PHP8.34 billion, increasing by 22% from beginning balance of PHP6.86 billion. Bulk of Current Assets is comprised of Cash and Cash Equivalents at PHP4.37 billion, as a result of strong sales during the period. Net Receivables amounting to PHP1.01 billion are mainly trade related, while Net Inventories of PHP1.68 billion is comprised of coal inventory of PHP439.17 million and materials and supplies of PHP1.24billion. Due from related parties closed at PHP149.25 million. Other current assets of PHP1.12 billion mainly consist of advances to suppliers of PHP451.42 million; prepaid income taxes and VAT receivable of PHP347.65 million and PHP324.72 million security deposits and other prepayments.

Total non-current portion of the coal segment closed at PHP3.50 billion, 10% lower than beginning balance of PHP3.88 billion. This is comprised of Property, Plant and Equipment - net of depreciation amounting to PHP3.35 billion; Investment and Advances of PHP2.5 million accounting for Investments in Calaca Ecozone project; and other noncurrent assets of PHP144.22 million covering cost of software and noncurrent portion of VAT receivable.

The coal segment's total Liabilities closed at PHP9.10 billion, reflecting a 25% growth from beginning balance of PHP7.29 billion. Current Liabilities of PHP5.15 billion accounted for Accounts and Other Payables which are mainly trade-related at PHP4.39 billion, Due to Affiliated Companies of PHP48.24 million, and short-term and current portion of loans totalling to PHP706.97 million. Total Noncurrent Liabilities closed at PHP3.95 billion. This is comprised of Long-Term Debt – net of current portion of PHP3.91 billion, Provision for decommissioning and site rehabilitation of PHP11.88 million, and Deferred Income Tax of PHP28.09 million.

Meanwhile, the power segment's total assets closed at PHP21.15 billion, growing by 7% from beginning balance of PHP19.75 billion. Current assets which closed at PHP4.37 billion is comprised of Cash and Cash Equivalents of PHP1.16 billion, net Receivables of PHP1.02 billion, Inventories of PHP1.77 billion, due from related parties of PHP60.81 million, and Other Assets of PHP363.19 million. On the other hand, noncurrent assets closed at PHP16.79 billion. This accounted for Property, Plant and Equipment of PHP16.35 billion, Investments and Advances of PHP321.77 million, and Other noncurrent assets of PHP106.16 million.

The power segment's total Liabilities of PHP10.77 billion decreased by 1% from beginning balance of PHP10.87 billion mainly as a result to its amortization of its project finance debt. Current Liabilities closed at PHP2.78 billion, consisting of trade payable and due to government agencies, totalling to PHP1.58 billion; due to affiliated companies of PHP53.10 million; and short-term loans and current portion of long-term loans of PHP1.14 billion. Noncurrent liability of PHP7.99 billion is the long-term portion of the balance of the PHP9.6 debt incurred for the acquisition of the business.

The Company also accounted for its newest investment in expansion of its power generating capacity in its consolidated financial statements. Southwest Luzon Power Corporation (SCPC) was created for this expansion project. Its assets consist of PHP750 million of Cash and Cash Equivalents and total non-current assets of PHP104.18, which is comprised of Property, Plant and Equipment of PHP83.98 million and Other noncurrent assets of PHP20.20 million.

Strong earnings during the period beefed up the coal segment's Equity to PHP12.18 billion, even after paying dividends of PHP3.56 billion. In addition, the power segment's Equity closed at PHP1.80 billion after declaring dividends of PHP1.2 billion in April.

2011 COMPARATIVE REPORT

I. COAL PRODUCTION / POWER GENERATION

Improved mechanical availability of mining equipment, additional fleet capacity and shortened hauling distance were factors that increased efficiency of mining operations. As a result, total material movement reflected 11% increase from 2010 level of 58,802,443 bcm to 65,263,730 bcm this year. The table below shows the quarterly material movement for the two comparative years:

QUARTERLY MATERIAL MOVEMENT (in million BCM)

	2011	2010	Inc/(Dec)
Q1	26.85	19.45	38%
Q2	22.29	21.18	5%
Q3	**16.12**	**18.17**	**(11%)**
YTD	**65.26**	**58.80**	**11%**

Meanwhile, despite the increase in YTD strip ratio at 10.25:1 for the first three quarters this year as compared to 9.90:1 last year, ROM coal production increased by 8% at 5,953,720 MTs in the current period as compared to Q3 YTD 2010 level of 5,537,655 MTs. The table below shows the quarterly ROM coal production for the two comparative years:

QUARTERLY ROM COAL PRODUCTION (in million MTs)

	2011	2010	Inc/(Dec)
Q1	1.82	1.85	(1%)
Q2	2.30	1.86	24%
Q3	**1.84**	**1.83**	**0%**
YTD	**5.95**	**5.54**	**8%**

Net product coal production likewise increased by 7% from 5,086,182 MTs as at end of Q3 in 2010 to 5,436,773 MTs this year. The table below shows the quarterly net product coal production for the two comparative years:

QUARTERLY NET PRODUCT COAL (in million MTs)

	2011	2010	Inc/(Dec)
Q1	1.64	1.67	(2%)
Q2	2.15	1.71	26%
Q3	**1.65**	**1.70**	**(3%)**
YTD	**5.44**	**5.09**	**7%**

Lower beginning inventory and higher coal sales in the current period reflected a lower ending inventory level of 237,010 MTs at the close of Q3 this year, as against 702,088 MTs as at end of Q3 2010.

Meanwhile, the table below shows the quarterly generation of the power segment's two power plants for the two comparative years:

SCPC ENERGY GENERATION (in GWhr)

	2011			2010		
	Unit 1	**Unit 2**	**Total**	**Unit 1**	**Unit 2**	**Total**
Q1	243	189	432	224	241	465
Q2	245	395	640	295	322	617
Q3	**240**	**182**	**422**	**156**	**157**	**313**
YTD	**728**	**766**	**1,494**	**675**	**720**	**1,395**

Unit 2's rehabilitation which started in August last year lasted until Q1 this year. Fine tuning activities on the plant were still done in the first few months of the year to bring back the plant's performance up to its rated capacity. Hence, Unit 2's generation only marked a significant improvement in Q2 this year. On the other hand, Unit 1 was able to hold its ground as its rehabilitation was postponed to the second half of the year to take advantage of high electricity prices during the dry season. Unit 1 was shut down for rehabilitation in September.

II. MARKETING

Sales in the second quarter this year compensated for the weaker delivered volume in Q1. This was mainly driven by the recovery in export sales from an anticipated slump in the first few months of the year since China beefed up on inventory towards the end of 2010. However, as expected, sales in Q3 dropped as coal production was limited during the rainy season. Local customers were given dispatch priority over export orders since the former commanded higher prices. Nonetheless, Q3 this year is 24% higher than same period last year. As a result, YTD coal sales increased by 10% at 5,617,104 MTs this year from 5,092,309 MTs last year. The table below shows the quarterly coal sales for the two comparative years:

QUARTERLY COAL SALES (in MTs)

	2011	2010	Inc/(Dec)
Q1	1,641,515	2,007,530	(18%)
Q2	2,515,474	1,909,614	32%
Q3	1,460,115	1,175,165	24%
YTD	**5,617,104**	**5,092,309**	**10%**

Local sales accounted for 58%, while export sales' market share stood at 42% as at Q3 this year. On the contrary, export sales took up a bigger share in the pie at 52% as compared to 48% by local sales in the same period last year. The table below shows the comparative YTD sales volume per industry for 2010 and 2009:

COAL SALES PER INDUSTRY (in MTs)

	2011	2010	Inc/(Dec)
LOCAL			
Power	2,666,757	1,417,222	88%
Cement	459,685	653,874	(30%)
Other Industries	145,677	366,867	(60%)
Total LOCAL	**3,272,120**	**2,437,963**	**34%**
Export	**2,344,984**	**2,654,346**	**(12%)**
Total Sales Volume	**5,617,104**	**5,092,309**	**10%**

The increase in the off-take of the power industry was largely due to the increased purchases of a customer who signed a long-term contract with the Company, as well as increased deliveries to the power segment. The increase in deliveries to the power industry was more than enough to offset the 30% decrease in deliveries to cement plants and 60% drop in sales to other industries. As a result, local sales recorded a significant increase of 34% at 3,272,120 MTs this year as compared to 2,437,963 MTs in the same period last year.

On the other hand, total sales to the export market dropped by 12% at 2,344,984 MTs in the first three quarters this year from 2,654,346 MTs in the same period year.

Coal prices remained resilient this year despite global economic slowdown. Composite average FOB price per MT increased by 33% from PHP2,286 as at end of Q3 2010 to PHP3,046 this year.

Meanwhile, the power segment registered a slight 1% drop in total energy sales this period at 1,127 GWhr, as compared to 1,133 GWhr in H1 2010. This is due to lower volume sold in Q1 this year when Unit 2 was still under fine tuning after its commissioning. Of the total energy sold, 88% was sourced from generation of the plant and 12% was purchased from the spot market. Total spot purchase this year of

131 GWhr is almost the same as H1 2010 level of 133 GWhr. Average selling price/KWhr for the first half registered at PHP5.26 and PHP4.69 in 2010 and 2011, respectively. The table below shows the quarterly energy sales of the power segment's two power plants for the two comparative years:

SCPC ENERGY SALES (in GWhr)

	2011			**2010**		
	BCQ Sales	**Spot Sales**	**Total**	**BCQ Sales**	**Spot Sales**	**Total**
Q1	362	94	455	397	121	518
Q2	457	215	671	405	211	616
Q3	398	74	474	284	98	382
YTD	**1,217**	**383**	**1,600**	**1,086**	**430**	**1,516**

III. FINANCE

A. Sales and Profitability

Revenues generated by the coal segment, inclusive of sales to the power segments totalled to PHP17.11 billion, while the power segment generated PHP7.40 billion. After eliminations, consolidated Revenues stood at PHP21.45 billion, posting a 27% increase over Q3 2010 consolidated Revenues of PHP16.90 billion. The growth is mainly due to higher coal sales and increased coal prices, slightly tempered by lower energy prices this year.

Meanwhile, Consolidated Cost of Sales increased by 10% at PHP12.90 billion from PHP11.73 billion as at Q3 2010. Cost of mine rehabilitation activities, upgrading of support facilities, higher oil prices plus higher strip ratio caused upward pressure on cost of coal sold per MT, however this was fully compensated by the increase in selling price. Meanwhile, the power segment's cost of generation increased by 6% at PHP4.81 billion as against PHP4.53 billion last year due to higher start-up cost incurred resulting from unscheduled shutdowns and higher prices effective third quarter.

Before eliminations, the coal and power segments generated Gross Profit of PHP5.96 billion and PHP2.92 billion, respectively. Consolidated Gross profit closed at PHP8.56 billion, reflecting a 66% increase over PHP5.16 billion as at Q3 2010. Gross profit margin is more impressive at 40% this year as compared to 31% last year.

Improving efficiency at the minesite is reflected by higher government share provision at 10.33% of coal revenue. This largely accounted for the increase in the coal segment's Operating Expenses, before eliminations, of PHP2.25 billion from PHP1.15 billion last year. On the other hand, the standalone Operating Expenses incurred by the power segment mainly consisted of Management Fees and Taxes and Licenses amounting to PHP471.71 million and PHP246.83 million respectively. thus consolidating to PHP3.14 billion. This is 80% higher than last year's same period consolidated Operating Expenses of PHP1.74 billion.

Consolidated Interest Expenses dropped by 28% at PHP369.43 million as compared to PHP511.14 million last year. The power segment has started to amortize its PHP9.6 billion debt related to the asset's acquisition. Moreover, the coal segment enjoys significantly lower interest rates on its dollar borrowings this year.

With healthier cash levels, consolidated Interest Income is 302% higher this year at PHP78.48 million as compared to PHP19.53 million last year.

Meanwhile, the fluctuation of the PHP against the USD resulted to net Forex Losses of PHP11.22 million in the current period. In the same period last year, consolidated Forex gains totalled to PHP140.31 million.

Other Income of PHP91.19 million is mainly comprised of the coal segment's gain on sale of retired equipment amounting to PHP53.48 million and Insurance claims of 35.19 million.

The resulting consolidated Income Before Tax stood at PHP5.20 billion, posting a 66% increase over Q3 2010 level of PHP3.13 billion.

Since both business segments enjoy Income Tax Holiday as BOI-registered companies, consolidated tax provision is minimal at PHP8.84 million. Total tax provision as at Q3 2010 was at even lower level of PHP1.36 million.

Consolidated Net Income After Tax of PHP5.20 billion is 62% higher than YTD Q3 2010 net earnings of PHP3.21 billion. Despite a bigger capital base, EPS of PHP14.58 posted a 40% growth over last year's level of PHP10.42.

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

The Company's robust income generation during the period, augmented by collection of some Receivables, allowed the Company to spend sizeable amounts in investments,

particularly additional property, plant and equipment which recorded a consolidated amount of PHP2.78 billion.

In addition, it paid dividends of PHP3.56 billion, which is double of last year's total payout.

Moreover, consolidate debt payments during the period amounted to PHP4.5 billion, of which PHP2.41 billion and PHP2.09 billion serviced the coal and power segments' debts, respectively.

Despite the substantial cash outlay of the Company during the period, ending Cash balance is robust as total cash generation during the period of PHP2.46 billion augmented beginning balance of PHP3.81 billion, thus posting a consolidated Cash end of PHP6.28 billion.

Notably, despite a slow start, the power segment contributed significantly to the Company's cash generation during the period. Its healthy cash position enabled it to pay PHP1.2 billion in dividends its parent company.

The Company's liquidity position continued to improve with Current ratio closing at 1.70x. Meanwhile, Debt-to-Equity ratio also improved to 1.42:1, reflecting the Company's solid financial standing.

IV. PERFORMANCE INDICATORS

1. **Earnings per Share** - An important indicator of the Company's operations is its EPS. The Company's increasing EPS reflects its notable efforts in managing its resources efficiently. Despite a bigger capital base, this period's EPS of PHP14.58 is 40% higher than same period of last year's EPS of 10.42.

2. **Debt-to-Equity Ratio** - Manifesting the continued strengthening of the Company's financial strength is the corresponding improvement of its DE ratio. The Stock Rights Offering exercise last year, strong earnings and debt amortization are the major factors that improved the Company's DE ratio.

3. **Business Expansion** - After recovering from the financial stress of a huge investment made in 2009, the Company is again reinforcing its artillery as it is once again financially strong to make new investments. The Company is poised to expand its power generating capacity within the next three years to take advantage of the supply and demand gap in the energy sector.

4. **Expanded Market** - The power segment was able to renegotiate an expiring bilateral power supply contract with improved terms. Also, it gained a new customer for a continuous flat load for 24 hours. Meanwhile, the coal segment's market is more reliable with its long term supply contract with one of the country's biggest power company.

5. **Improved coal quality** – Market acceptability of Semirara coal is a manifestation of its successful efforts in improving its coal quality. Moreover, the continuous advancement of technology augurs well for Semirara coal as even its lowest quality stock, which was not marketable before, can be sold already.

PART II OTHER INFORMATION

Other disclosures:

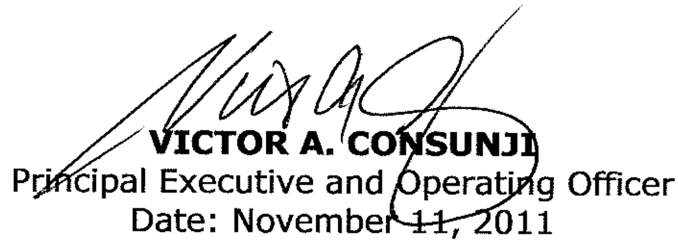
a. The Group's operation is not cyclical in nature or seasonal. Mining activities is continuous throughout the year;
b. There were no issuances, repurchases, and repayments of debt in equity securities which transpired during the quarter;
c. There are no subsequent events, that came to our knowledge,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

PART III SIGNATURES

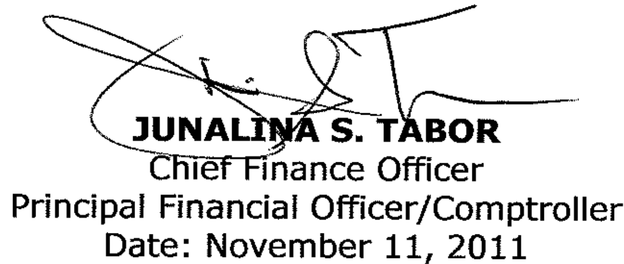
Pursuant to the requirement of the Revised Securities **Code**, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **SEMIRARA MINING CORPORATION**

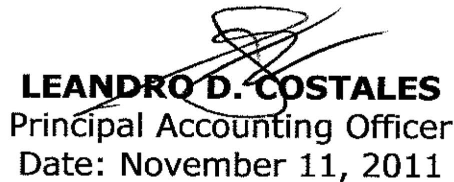
Signature and Title:



VICTOR A. CONSUNJI
Principal Executive and Operating Officer
Date: November 11, 2011



JUNALINA S. TABOR
Chief Finance Officer
Principal Financial Officer/Comptroller
Date: November 11, 2011



LEANDRO D. COSTALES
Principal Accounting Officer
Date: November 11, 2011

PART IV - ANNEX A

SEMIRARA MINING CORPORATION
AGING OF ACCOUNTS RECEIVABLE
As of September 30, 2011

	TOTAL	Current	2 - 3 Mon	4 - 6 Mon	7 Mon to 1 Yr	1 to 2 Years	2 to 5 Years	Over 5 Years	Allow for DA
A. AR TRADE RECEIVABLES									
COAL									
CEDC	317,183,878	246,095,003	70,937,936		150,939				
PEDC	149,233,309	145,244,775	3,988,534						
HOLCIM	120,435,150	84,538,771	35,455,510	166,952	273,917				
EXPORT	102,578,938		102,578,938						
APEC	63,410,520				63,410,520				
JPC	56,115,197	56,115,197							
PNOC	53,368,065	53,368,065							
SOLID	51,592,352		49,071,736	2,520,616					
TPC	42,876,957	23,234,421	19,642,536						
ECC	27,152,424	27,152,424							
GFCC	6,724,071	6,724,071							
PPFC	6,498,323			6,498,323					
APO	5,737,429			5,737,429					
OTHERS	(6,471,307)						(6,471,307)		7,892,343
POWER									
MERALCO	641,196,812	540,248,422	-	77,369,196	23,579,195				
PEMC	190,913,032	26,153,276	138,540,052	26,219,704	-				53,523,802
BATELEC 1	126,192,016	86,259,339	25,104,378	-	14,828,299				
TRANS-ASIA OIL AND ENERGY DEV'	82,841,744	82,841,744	-	-	-				
CAVITE ECONOMIC ZONE	16,561,998	-	2,545,607	4,672,130	9,344,261				
STEEL CORPORATION	8,648,663	8,648,663	-	-	-				
PUYAT STEEL	2,239,932	2,239,932	-	-	-				
HIGH STREET	1,686,270	-	-	-	1,686,270				
JORAM	1,545,952	1,545,952	-	-	-				
POZZOLANIC	1,195,472	479,630	689,404	26,439	-				
ECSCO	1,028,701	1,028,701	-	-	0				
ABOTIZ POWER	494,718	-	-	-	494,718				
TEAM ENERGY	31,000	-	-	-	31,000				
	2,071,011,814	**1,391,919,394**	**448,554,630**	**123,210,788**	**113,799,119**	-	**(6,471,307)**	-	**61,416,146**
Less: Allowance for doubtful account	61,416,145.52								
	2,009,595,468.24								
B. NON - TRADE RECEIVABLES									
COAL									
Advances - Officers	386,876.99	386,876.99							
Advances - Employees	8,228,468.98	8,228,468.98							
Advances - Contractors	14,086,875.38	14,086,875.38							519,697.08
Advances - for Liquidation	8,587,313.67	8,587,313.67							6,475,856.38
Advances - SSS Claims	452,559.10	452,559.10							1,948,808.90
Advances - Others	712,470.14	712,470.14							500,910.10
Advances - Medical Accounts	3,061,673.55	3,061,673.55							917,702.67
POWER									
Advances-Employees	288,037.18	288,037.18							
Advances-For liquidation	202,057.44	202,057.44							
Advances-Others	31,170.79	31,170.79							
Adv.for Govt Institutions	1,240,204.39	1,240,204.39							
	37,277,697.61	**37,277,697.61**	-	-	-	-	-	-	**10,362,975.13**
Less: Allowance for D/A-AR Others	10,362,975.13								
Net NON - TRADE RECEIVABLE	**26,914,722.48**								
C. DUE FROM AFFILIATED COMPANIES	210,059,242.89								
NET RECEIVABLES (A + B + C))	**2,246,569,433.61**								

ANNEX B

SEMIRARA MINING CORPORATION
FINANCIAL RISK MANAGEMENT DISCLOSURES
As of Sept. 30, 2011

The Group has various financial assets such as trade receivables and cash and cash equivalents, security deposits and environmental guarantee fund, which arise directly from operations.

The Group's financial liabilities comprise bank loans, trade and other payables, and loans. The main purpose of these financial liabilities is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are price risk, interest rate risk, liquidity risk, foreign currency risk and credit risk. The BOD reviews and approves policies for managing each of these risks which are summarized below:

Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The price that the Parent company can charge its coal directly and indirectly related to the price of coal in the world coal market. In addition, as the Parent Company is not subject to domestice competition in the Philippines, the pricing of all its coal sales is linked to the price of imported coal. World thermal coal prices are affected by numerous factors outside the Parent Company's control, including the demand from customers which is influenced by their overall performance and demand for electricity. Prices are also affected by changes in the world supply of coal and may be affected by the price of alternative fuel supplies, availability of shipping vessels as well as shipping costs. As the coal price is reset on a periodic basis under coal supply agreements, this may increase its exposure to short-term coal price volatility.

There can be no assurance that world coal prices will be sustained or that domestic and international competitors will not seek to replace the Parent Company in its relationship with its key customers by offering higher quality, better prices or larger guaranteed supply volumes, any of which would have a materially adverse effect on the Parent Company's profits.

To mitigate the risk, the Parent Company continues to improve the quality of its coal and diversify its market from power industry, cement industry, or other local industries and export market. This will allow flexibility in the distribution of coal to its target customers in such manner that minimum target average price of its coal sales across all its customers will still be achieved (i.e. domestic vs local). Also, in order to

mitigate any negative impact resulting from price changes, it is the Parent Company's policy to set minimum contracted volume for customers with long term supply contracts for each given period (within the duration of the contract) and pricing is negotiated on a monthly basis to even out the impact of any fluctuation in coal prices, thus protecting its target margin. The excess volumes are allocated to spot sales which may command different price than those contracted already since the latter shall follow pricing formula per contract. Nevertheless, on certain cases temporary adjustments on coal prices with reference to customers following a certain pricing formula are requested in order to recover at least the cost of coal if the resulting price is abnormally low vis-à-vis cost of production (i.e. abnormal rise in cost of fuel, forex).

Below are the details of the Parent Company's coal sales to the domestic market (excluding those to the power-generating companies) and to the export market :

	09/30/2011	12/31/2010
Domestic Market	37.75%	29.24%
Export Market	41.75%	57.36%
as a percentage of total coal sales volume		

The following table shows the effect on income tax should the change in the prices of coal occur based on the inventory of the Parent Company as of Sept. 30, 2011 and 2010 with all other variables held constant. The change in coal prices is based on 1-year historical price movements.

Based on ending coal inventory	Effect on income before income tax	
Change in coal price	09/30/2011	12/31/2010
Increase by 10%	72,192,391	114,971,049
Decrease by 10%	(72,192,391)	(114,971,049)

Based on coal sales volume	Effect on income Before income tax	
Change in coal price	09/30/2011	12/31/2010
Increase by 10%	1,710,946,376	1,674,330,035
Decrease by 10%	(1,710,946,376)	(1,674,330,035)

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term obligations with floating interest rates. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The Group's policy is to maintain a balance of Peso-denominated and United States Dollar (US$) denominated debts.

The following table shows the information about the Group's financial instruments that are exposed to cash flow (floating rate instrument) and fair value (fixed rate instrument) interest rate risks and presented by maturity profile.

SEPT. 30, 2011

	Interest	Within1 year	1-2 years	2-3 years	3-4 years	More than 4 years	Carrying Value
		(In Thousands)					
Cash equivalents	2% to 4.5%	5,049,896	-	-	-	-	5,049,896
Foreign Long-term debts at floating rate							
$3.2 million loan (USD)	1.59-2.88% payable in arrears, to be repriced every 90 days	-	139,904	-	-	-	139,904
$29.96 million loan (USD)	1.94% p.a. payable semi-annually in arrears, to be repriced every 6 months	-	1,309,993	-	-	-	1,309,993
$15.67 million loan (USD)	1.80 p.a. for 92 days, to be repriced every 30 to 180 days	-	685,028	-	-	-	685,028
$19.45 million loan (USD)	1.82% p.a., to be repriced every 3 months	-	850,160	-	-	-	850,160
$21.24 million loan (USD)	1.309 p.a. for 90 days, to be repriced every 30 to 180 days		929,113	-	-	-	929,113
Mortgage Payable at floating rate	PDST-F benchmark yield for three-month treasury securities + 1.75%	1,144,415	1,536,000	1,536,000	1,536,000	3,485,354	9,237,768
		1,144,415	5,450,197	1,536,000	1,536,000	3,485,354	13,151,966

DEC. 31, 2010

	Interest	Within1 year	1-2 years	2-3 years	3-4 years	More than 4 years	Carrying Value
		(In Thousands)					
Cash equivalents	2% to 4.5%	1,216,638 –	–	–	–		1,216,638
Foreign Long-term debts at floating rate							
$16.0 million loan (USD)	1.59-2.88% payable in arrears, to be repriced every 90 days	-	701,440	-	-	-	701,440
$14.58 million loan (USD)	1.94% p.a. payable semi-annually in arrears, to be repriced every 6 months	-	639,057	-	-	-	639,057
$10.08 million loan (USD)	1.80 p.a. for 92 days, to be repriced every 30 to 180 days	-	442,081	-	-	-	442,081
$5.48 million loan (USD)	1.82% p.a., to be repriced every 3 months	-	240,239	-	-	-	240,239
Deferred purchase payment at floating rate	4% p.a. over the rate 180 days	-	774,743	-	-	-	774,743
Mortgage Payable at floating rate	PDST-F benchmark yield for three-month treasury securities + 1.75%	1,129,585	1,508,877	1,514,248	1,521,153	3,821,294	9,495,157
		1,129,585	4,306,437	1,514,248	1,521,153	3,821,294	12,292,717

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. The Group's policy is to maintain a level of cash that is sufficient to fund its monthly cash requirements, at least for the next four to six months. Capital expenditures are funded through a mix of suppliers' credit, letters of credit, trust receipts and long-term debt, while operating expenses and working capital requirements are sufficiently funded through cash collections. A significant part of the Group's financial assets that are held to meet the cash outflows include cash equivalents and accounts receivables. Although accounts receivables are contractually collectible on a short-term basis, the Group expects continuous cash inflows through continuous production and sale of coal and power generation. In addition, although the Group's short-term deposits are collectible at a short notice, the deposit base is stable over the long term as deposit rollovers and new deposits can offset cash outflows.

Moreover, the Group considers the following as mitigating factors for liquidity risk :

- It has available lines of credit that it can access to answer anticipated shortfall in sales and collection of receivables resulting from timing differences in programmed inflows and outflows.
- It has very diverse funding sources.

It has internal control processes and contingency plans for managing liquidity risk. Cash flow reports and forecasts are reviewed on a weekly basis in order to quickly address liquidity concerns. Outstanding trade receivables are closely monitored to avoid past due collectibles.

As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses the conditions in the financial markets for opportunities to pursue fund raising activities. Fund raising activities may include obtaining bank loans.

The tables below summarize the maturity profile of the Group's financial assets and liabilities as of Sept. 30, 2011 and December 31, 2010 based on undiscounted contractual payments.

SEPT. 30, 2011

September 30, 2011	Within 6 months	Next 6 months	1-2 years	2-3 years	More than 3 years	Total
Cash and cash equivalents	6,275,312					6,275,312
Receivables						
Trade						
Local sales	894					894
Export sales	103					103
Electricity sales	1,075					1,075
Due from related parties	210,059					210,059
Others	37					37
Security deposits	304,401					304,401
Environmental guarantee fund					1,500	1,500
	6,791,880	-		-	1,500	6,793,380
						6,793,380
Trade and other payables						
Trade	2,504,110	-	-	-	-	2,504,110
Payable to DOE and local government units	1,404,266	-	-	-	-	1,404,266
Accrued expenses and other payables	2,064,349	-	-	-	-	2,064,349
Due to related parties	101,344	-	-	-	-	101,344
Short term loans	706,974	-	-	-	-	706,974
Long term debt at floating rate	-					-
$3.2 million loan (USD) with interest payable in arrears, to be repriced every 90 days	-	-	139,904	-	-	139,904
$29.9 million loan (USD) with interest payable semi-annually in arrears, to be repriced every six (6) months	-	-	1,309,993	-	-	1,309,993
$15.67 million loan (USD) with interest payable in arrears, to be repriced every 30 to 180 days	-	-	685,028	-	-	685,028
$19.45 million loan (USD) with interest payable in arrears, to be repriced every three (3) months	-	-	850,160	-	-	850,160
$21.24 million loan (USD) with interest payable in arrears, to be repriced every 30 to 180 days		-	929,113	-	-	929,113
P9.60 billion at PDST-F benchmark yield for 3-month treasury securities + 1.75%	398,830	745,585	1,536,000	1,536,000	5,021,354	9,237,768
	7,179,873	745,585	5,450,197	1,536,000	5,021,354	19,933,009
	(387,993)	(745,585)	(5,450,197)	(1,536,000)	(5,019,854)	(13,139,629)

DEC. 31, 2010

	Within 6 months	Next 6 months	1-2 years	2-3 years	More than 3 years	Total
Cash and cash equivalents	3,804,596,734					3,804,596,734
Receivables						
Trade						
Local sales	749,328,994					749,328,994
Export sales	582,130,762					582,130,762
Electricity sales	1,598,431,667					1,598,431,667
Due from related parties	120,628,995					120,628,995
Others	132,779,774					132,779,774
Security deposits	304,400,611					304,400,611
Environmental guarantee fund					1,500,000	1,500,000
	7,292,297,536	-	-	-	1,500,000	7,293,797,536
Trade and other payables						
Trade	3,681,704,251	-	-	-	-	3,681,704,251
Payable to DOE and local government units	1,013,039,943	-	-	-	-	1,013,039,943
Accrued expenses and other payables	183,017,680	-	-	-	-	183,017,680
Due to related parties	200,090,262	-	-	-	-	200,090,262
Short term loans	449,845,179	-	-	-	-	449,845,179
Long term debt at floating rate						
$16.0 million loan (USD) with interest payable in arrears, to be repriced every 90 days	-	-	714,934,072	-	-	714,934,072
$14.58 million loan (USD) with interest payable semi-annually in arrears, to be repriced every six (6) months	-	-	651,305,249	-	-	651,305,249
$10.08 million loan (USD) with interest payable in arrears, to be repriced every 30 to 180 days	-	-	490,537,511	-	-	490,537,511
$5.48 million loan (USD) with interest payable in arrears, to be repriced every three (3) months	-	-	244,279,517	-	-	244,279,517
$17.62 million deferred purchase payment at 4% interest p.a. over the rate 180 days	-	-	775,376,956	-	-	775,376,956
P9.60 billion at PDST-F benchmark yield for 3-month treasury securities + 1.75%	493,510,409	889,111,096	1,752,277,703	1,709,598,558	5,653,301,175	10,497,798,941
	6,021,207,724	889,111,096	4,628,711,008	1,709,598,558	5,653,301,175	18,901,929,561
	1,271,089,812	(889,111,096)	(4,628,711,008)	(1,709,598,558)	(5,651,801,175)	(11,608,132,025)

Foreign Currency Risk

The Group's foreign exchange risk results primarily from movements of the Philippine Peso (₱) against the US$. Majority of revenue are generated in Pesos, however, substantially all of capital expenditures are in US$.

The foreign currency-denominated loans of the Group are matched with the dollar revenues earned from export sales; hence, this is not viewed by the Group as a significant currency risk exposure.

Information on the Group's foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents follows:

	September 30, 2011			December 31, 2010	
		U.S. Dollar	Peso Equivalent	U.S. Dollar	Peso Equivalent
Assets					
Cash and cash equivalents	$	52,388,156	2,290,410,183	$ 47,358,433	2,076,193,708
Trade receivables		2,346	102,579	12,857,285	563,663,374
	$	52,390,502	2,290,512,762	60,215,718	2,639,857,082
Liabilities					
Trade payables	$	5,885,448	257,311,789	10,304,844	451,764,348
Long-term debt (including current portion)		89,528,748	3,914,196,857	68,142,585	2,987,370,926
	$	95,414,196	4,171,508,646	78,447,429	3,439,135,274
Net foreign currency denominated assets (liabilities)	$	(43,023,694)	(1,880,995,884)	$ (18,231,711)	(799,278,192)

The spot exchange rates used in September 30, 2011 and December 31, 2010 were 43.72 to US$1 and 43.84 to US$1, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in foreign exchange rates, with all variables held constant, of the Group's income before tax (due to changes in the fair value of monetary assets and liabilities) on Sept. 30, 2011 and 2010.

Reasonably possible change in foreign exchange rate for every five units of Philippine Peso		Increase (decrease) in profit before tax 30-Sep-11	31-Dec-10
	2	**(86,047,387)**	(36,463,422)
	(2)	**86,047,387**	36,463,422

There is no impact on the Group's equity other than those already affecting net income. The movement in sensitivity analysis is derived from current observations on fluctuations in dollar exchange rates.

Credit Risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group evaluates the financial condition of the local customers before deliveries are made to them. On the other hand, export sales are covered by sight letters of credit issued by foreign banks subject to the Group's approval, hence, mitigating the risk on collection. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group generally offers 80% of coal delivered payable within 30 days upon receipt of billing and the remaining 20% payable within 15 days after receipt of final billing based on final analysis of coal delivered.

With respect to the credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group transacts only with institutions or banks that have proven track record in financial soundness.

The credit risk is concentrated to the following markets:

	9/30/2011	12/31/2010
Trade		
Electricity	**50.97%**	52.19%
Local sales	**42.40%**	24.47%
Export sales	**4.87%**	19.01%
Other receivables	**1.77%**	4.34%
Total	**100.00%**	100.00%

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

	Gross Maximum Exposure	
	9/30/2011	12/31/2010
Cash and cash equivalents	**6,275,312**	3,804,597
Receivables		
Trade		
Local coal sales	**894**	749,329
Export coal sales	**103**	582,131
Electricity sales	**1,075**	1,598,432
Due from related parties	**210,059**	120,629
Others	**37**	132,780
Security deposits	**304,401**	304,401
Environmental Guarantee Fund	**1,500**	1,500
Total credit risk exposure	**6,793,380**	7,293,798

Capital Management

The primary objective of the Group's capital management strategy is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. There were no changes made in the Group's capital management objectives, policies or processes.

The following table shows the component of the Group's capital as of Sept. 30, 2011 and December 31, 2010:

	9/30/2011	12/31/2010
Total paid-up capital	7,031,777	7,031,777
Retained earnings – unappropriated	6,241,423	4,608,126
Retained earnings – appropriated	700,000	700,000
	13,973,201	12,339,903

Fair Values

The following tables set forth the carrying values and estimated fair values of the Group's financial assets and liabilities recognized as of Sept. 30, 2011 and December 31, 2010.

	9/30/2011		12/31/2010	
	Carrying Value	Fair Value	Carrying Value	
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	6,275,312	6,275,312	3,813,284	3,813,284
Trade				
Electricity sale	1,075	1,075	1,598,432	1,598,432
Local sales	894	894	749,329	749,329
Export sales	103	103	582,131	582,131
Due from related parties	210,059	210,059	120,629	120,629
Others	37	37	132,780	132,780
Security deposits	304,401	304,401	304,401	304,401
Environmental Guarantee Fund	1,500	1,500	1,500	1,500
Total	6,793,380	6,793,380	7,302,484	7,302,484

	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Liabilities				
Other financial liabilities:				
LCs and short term notes payable	706,974	706,974	449,845	449,845
Long-term debt	13,151,966	13,151,966	12,292,718	12,292,718
Trade and other payables			0	0
Trade payables	2,504,110	2,504,110	3,681,704	3,681,704
Accrued expenses and other payables	2,064,349	2,064,349	202,981	202,981
Due to related parties	101,344	101,344	200,090	200,090
Payable to DOE and local government units	1,404,266	1,404,266	1,013,040	1,013,040
Total	19,933,009	19,933,009	17,840,379	17,840,379

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

Financial Assets
Due to the short-term nature of the transactions, the fair value of cash and cash equivalents and receivables approximate carrying amounts at the reporting date.

The fair values of security deposits are calculated by discounting expected future cash flows at applicable rates for similar instruments using the remaining terms to maturity. The discount rate used ranged from 3.82% to 4.93% in 2010 and 2009.

Financial Liabilities
Trade and other payables
The fair values of trade and other payables approximate their carrying amounts as of reporting dates due to the short-term nature of the transactions.

Long-term Debt
Floating rate loans
The carrying values approximated the fair value because of recent and regular repricing (quarterly) based on market conditions.

Fixed rate loans
Estimated fair value is based on the discounted value of future cash flows using the applicable rates (5%-13%) for similar type of loans.

Fair Value Hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique :

Level 1 : quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2 : other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3 : techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

As of Sept. 30, 2011 and December 31, 2010, the Group does not have financial instruments measured at fair value.