COVER SHEET

0 0 0 0 0 0 0 9 1 4 4 7
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)

1 2 3 1
(Fiscal Year)

17-Q
(Form Type)

Month *Day*
(Annual Meeting[1])

(Secondary License Type, If Applicable)

CRMD
Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

[1] First Monday of May of each year.

SEC Number : 91447
File Number : _________

SEMIRARA MINING CORPORATION
Company's Full Name

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

888-3550 to 888-3565
Telephone Number

For the Period Ending March 31, 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 **March 31, 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:

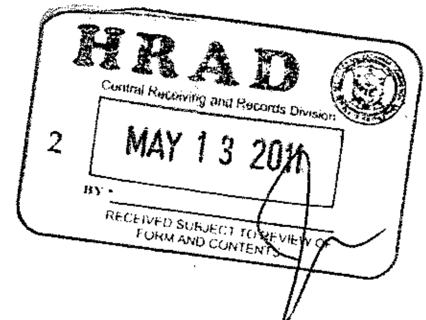
   SEMIRARA MINING CORPORATION

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

   2rd 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 March 31, 2011

	(Unaudited) March 31, 2011	(Audited) December 31, 2010
ASSETS		
Current Assets		
Cash and cash equivalents	4,106,372,734	3,813,283,517
Receivables - net	4,171,565,536	3,183,300,192
Inventories - net	2,957,785,292	2,375,874,790
Other current assets	1,420,099,516	912,018,769
Total Current Assets	12,655,823,078	10,284,477,268
Noncurrent Assets		
Property, plant and equipment - net	19,549,995,792	19,584,259,678
Investments and advances	313,858,330	310,229,558
Other noncurrent assets	279,535,482	317,587,850
Total Noncurrent Assets	20,143,389,604	20,212,077,086
TOTAL ASSETS	32,799,212,682	30,496,554,354
LIABIILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Short-term loans	417,703,935	449,845,179
Current portion of long-term debt	1,132,896,820	1,132,896,820
Trade and other payables	5,819,659,142	5,351,271,316
Total Current Liabilities	7,370,259,896	6,934,013,315
Noncurrent Liabilities		
Long-term debt - net of current portion	11,342,643,751	11,159,821,454
Deferred tax liabilities - net	28,087,305	28,087,305
Provision for decommissioning and site rehabilitation	11,883,508	14,732,350
Pension liability	19,996,748	19,996,748
Total Noncurrent Liabilities	11,402,611,312	11,222,637,857
Total Liabilities	18,772,871,208	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	6,994,564,063	5,308,125,771
Cost of shares held in treasury		-
Total Stockholders' Equity	14,026,341,474	12,339,903,182
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	32,799,212,682	30,496,554,354

SEMIRARA MINING CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Period Ending March 31, 2011 and 2010

For the Quarter Ending March 31, 2011 and 2010

	(Unaudited) For the Period		(Unaudited) For the Quarter	
	2011	2010	2011	2010
REVENUE				
Coal	3,951,842,158	3,602,369,280	3,951,842,158	3,602,369,280
Power	1,948,913,434	2,491,076,916	1,948,913,434	2,491,076,916
	5,900,755,592	6,093,446,196	5,900,755,592	6,093,446,196
COST OF SALES				
Coal	1,923,387,660	2,375,278,445	1,923,387,660	2,375,278,445
Power	1,248,144,952	1,834,379,101	1,248,144,952	1,834,379,101
	3,171,532,611	4,209,657,546	3,171,532,611	4,209,657,546
GROSS PROFIT	2,729,222,981	1,883,788,650	2,729,222,981	1,883,788,650
OPERATING EXPENSES	(958,675,640)	(1,064,943,755)	(958,675,640)	(1,064,943,755)
FINANCE INCOME (COSTS)	(113,984,530)	(201,203,501)	(113,984,530)	(201,203,501)
FOREIGN EXCHANGE GAINS (LOSSES)	16,017,759	11,039,431	16,017,759	11,039,431
EQUITY IN NET LOSSES OF ASSOCIATES		612,995	-	612,995
OTHER INCOME	17,143,345	(8,329,838)	17,143,345	(8,329,838)
	(1,039,499,067)	(1,262,824,668)	(1,039,499,067)	(1,262,824,668)
INCOME BEFORE INCOME TAX	1,689,723,915	620,963,982	1,689,723,915	620,963,982
PROVISION FOR INCOME TAX	3,516,182	27,122,620	3,516,182	27,122,620
NET INCOME	1,686,207,732	593,841,362	1,686,207,732	593,841,362
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME	1,686,207,732	593,841,362	1,686,207,732	593,841,362
Basic / Diluted Earnings per Share	4.73	2.14	4.73	2.14

Basis of EPS :

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

Wherein :

Wtd Average Outstanding Shares	356,250,000	(as of March 31, 2011)
Wtd Average Outstanding Shares	277,572,800	(as of March 31, 2010)

SEMIRARA MINING CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

As of March 31, 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	-	4,608,125,771	700,000,000	12,339,903,182		12,339,903,182
Net Income for the period				1,686,438,294		1,686,438,294		1,686,438,294
Additional Paid-In Capital						-		-
Deposit for Future Subscirption						-		-
Cost of Shares Held in Treasury						-		-
Stockrights Offering						-		-
Dividends						-		-
At March 31, 2011	356,250,000	6,675,527,411	-	6,294,564,065	700,000,000	14,026,341,476	-	14,026,341,476
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				593,841,363		593,841,363		593,841,363
Additional Paid-In Capital						-		-
Deposit for Future Subscription						-		-
Cost of Shares Held in Treasury						-		-
Dividends						-		-
At March 31, 2010	296,875,000	1,576,796,271	5,402,125,985	2,994,080,058	700,000,000	10,969,877,314	(528,891,260)	10,440,986,054

SEMIRARA MINING CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOW

As of March 31, 2011 and 2010

	(Unaudited) 2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	1,689,723,915	620,963,982
Adjustments for:		
Depreciation and amortization	802,633,614	645,098,769
Finance costs and revenues	113,984,530	201,203,501
Gain on sale of equipment	(16,388,186)	-
Provision for impairment loss	2,694,948	
Net unrealized foreign exchange gains	8,181,850	12,514,613
Equity in net earnings of associates		(612,995)
Provision for Income Tax		27,122,620
Pension expense		750,624
Operating income before changes in working capital	2,600,830,671	1,507,041,114
Decrease (increase) in:		
Receivables	(988,265,343)	(1,177,680,077)
Inventories	(581,910,502)	726,185,268
Other current assets	(463,997,009)	(343,733,411)
Increase (decrease) in:		
Trade and other payables	190,697,929	1,701,036,340
Cash generated from (used in) operations	757,355,746	2,412,849,234
Interest received	7,249,319	1,038,731
Income tax paid	(3,516,182)	-
Interest paid	(89,178,303)	261,907,321
Net cash provided by (used in) operating activities	671,910,580	2,675,795,286
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in other noncurrent assets	(3,553,670)	284,291,670
Proceeds from sale of equipment	16,388,186	-
Decrease (increase) in Investments	(3,628,772)	-
Additions to property, plant and equipment	(568,444,038)	(1,125,176,763)
Net cash used in investing activities	(559,238,294)	(840,885,093)
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan Availments	961,313,673	8,457,085,765
Proceeds from sale and leaseback of equipment		
Payment of dividend		
Loan Repayment	(780,896,743)	(9,696,372,120)
Movement in deposit for future stocks		
Proceeds from sales of shares held in Treasury		
Proceed from additional issuance of capital stocks		
Net cash provided by (used in) financing activities	180,416,930	(1,239,286,355)
NET INCREASE IN CASH AND CASH EQUIVALENTS	293,089,216	595,623,838
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,813,283,519	481,920,935
CASH AND CASH EQUIVALENTS AT END OF YEAR	4,106,372,734	1,077,544,773

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 March 31, 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
The Group has not applied the following PFRS and Philippine Interpretations which are not yet effective as of December 31, 2010. 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 c lassify 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 March 31, 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 amorized 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 releease 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.

<u>Cost of Sales</u>
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.

<u>Operating Expenses</u>
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.

Income Tax

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 FIRST QUARTER OPERATION

Mining capacity increased in 2010 when the Company invested in new equipment. This increase in capacity is reflected in high total material movement of 26,850,240 bank cubic meters (bcm) in the first quarter of operations this year. With strip ratio standing at 14.03:1, run-of-mine (ROM) coal produced totaled to1,821,530 metric tons (MTs), comprised of 1,413,665 MTs of clean coal and 407,865MTs of washable coal. Net product coal produced during the period totaled to 1,641,800MTs.

In its pursuit to increase mineable coal reserve inventory, the Company conducts exploration activities. Currently, drilling activities are done at the Eastern part of the island. Once the in-house program is concluded, the Company plans to have the additional reserves certified by a local competent person on coal resource and mineable reserve and have it further certified in accordance with JORC standards.

Meanwhile, increase in production and sales necessitated corresponding improvement in logistic support. To augment the existing three (3) loading facilities, the Company is currently constructing another barge loading facility proximate to the auxiliary stockpile area to hasten coal transfer.

Domestic demand for Semirara coal during the period remained strong. However, with healthy inventory levels in China as at the end of 2010, export sales is not as robust compared to previous periods. Nonetheless, total coal sold during the quarter is still impressive at 1,641,514 MTs. Ending coal inventory closed at 469,429 MTs.

On the other hand, the power segment generated 432 GWhr this period. Unit 2, the newly rehabilitated plant, underwent several post rehabilitation shutdowns, for fine tuning. Meanwhile, Unit 1 registered an average capacity of 160 MW with 53% utilization and Unit 2 at 171 MW with 57% utilization during the period. Energy generation by Unit 1 and 2 registered at 243GWhr and 189GWhr, respectively.

2011 FIRST QUARTER FINANCIAL CONDITION

Consolidated Revenues for the first three months of operations posted at PHP5.90 billion, while Cost of Sales totaled to PHP3.17 billion. Net of eliminating entries, the coal and power segments generated Revenues of PHP3.95 billion and PHP1.95 billion, respectively. At the parent level, there is a positive sales variance of 16% resulting from improvement in average coal price, offset by reduction in volume sold compared to Q1 of prior year. In contrast, the power subsidiary recorded a 22% reduction in

energy sales due to lower average price per kwhr than Q1 2010 and 12% decline in volume sold.

Meanwhile, the coal business recorded Cost of Sales of PHP1.92 billion, while the power segment incurred PHP1.25 billion. At the parent level, cost of sales decreased by 2% resulting from the decrease in number of unit sold, offset by the impact in increase in cost of coal sold per unit. The power subsidiary on the other hand, recorded a decline in Cost of Sales by 32% resulting from lower volume in power sold and lower volume and cost of spot purchase.

The resulting consolidated Gross Profit stood at PHP2.73 billion, with the coal and power segments each contributing PHP2.03 billion and PHP700.77 million, respectively.

Consolidated Operating Expenses totaled to PHP958.68 million. The coal segment's Operating Expenses of PHP718.95 million is inclusive of provision for Government Share of PHP582.97 million. Meanwhile, management fees of PHP172.90 million is the biggest item in the power segment's Operating Expenses of PHP239.72 million.

To finance its capital expenditures and rehabilitation of Unit 1 of Calaca Power Plants, the Company availed of loans with consolidated accrued Interest Expenses of PHP124.94 million for the period. Of this amount, PHP38.39 million is attributed to the coal segment, while the remaining PHP86.56 million was incurred by the power segment. For both segments, the 38% decline in finance cost is essentially due to lower interest rates.

Meanwhile, due to cash accumulation from healthy sales levels, the coal segment recorded Interest Income of PHP10.96 million from short-term placements compared to last year same period where utilization of internally generated cash was maximized for the Company's investment in power asset.

As the peso further strengthened against the US dollar, the Company booked consolidated Forex Gains of PHP16.02 million during the period. The coal and power segments each accounted for gains of PHP14.89 million and PHP1.13 million, respectively.

The coal segment recognized Other Income of PHP17.14 million. This is mainly comprised of gains on sale of assets which amounted to PHP16.39 million for the period.

The resulting consolidated Income Before Tax stood at PHP1.69 billion. The coal and power segments' contribution was at PHP1.31 billion and PHP375.62 million, respectively.

Both business segments enjoy Income Tax Holidays as Bureau of Investments (BOI)-registered companies. Hence, consolidated Income Tax Provision is at minimal level of

PHP3.52 million. The coal and power segments each accounted for PHP1.59 million and PHP1.93 million, respectively.

As a result, consolidated Income After Tax stood at PHP1.69 million, the coal and power segments' contribution was at PHP1.31 billion and PHP373.69 million, respectively. The group's EPS for Q1 stood at P4.73 per share.

Consolidated Current Assets closed at PHP12.67 billion, posting a 20% increase from beginning balance of PHP10.28 billion. The coal and power segments respectively accounted for PHP8.01 billion and PHP4.65 billion.

Consolidated Cash and Cash equivalents grew by 8% at PHP4.11 billion, from beginning balance of PHP3.81 billion. Positive income generation from the coal and power segments boosted ending cash levels at PHP2.74 billion and PHP1.37 billion, respectively.

Consolidated Receivables stood at PHP4.17 billion, reflecting a 31% increase from beginning level of PHP3.18 billion. The coal and power segments Receivables of PHP2.03 billion and PHP1.96 billion are mainly trade related. Included in this account is Due from Related Parties of PHP177.41 million from the coal segment, representing operating advances.

Consolidated Net Inventories likewise increased by 24% at PHP2.96 billion from PHP2.38 billion beginning balance. This is mainly due to high ending levels of spare parts and supplies for both business segments, resulting from facilities expansion and increase in equipment complement. The coal and power segments ending Inventories for the period stood at PHP1.98 billion and PHP974.94 million, respectively.

Consolidated Other Current Assets closed at PHP1.42 billion, registering a significant increase of 56% from beginning level. The coal segment's Other Current Assets of PHP1.07 billion is mainly comprised of advances to suppliers and security deposits, pre-paid rent and insurance. Meanwhile, the power segment's Other Current Assets amounting to PHP339.54 million mainly accounted for advances to suppliers and pre-paid insurance.

Consolidated Non-Current Assets remained flat at PHP20.14 billion from PHP20.21 billion beginning balance. The coal and power segments each contributed PHP3.54 billion and PHP16.60 billion, respectively.

Acquisitions of additional equipment during the period were offset by depreciation. Hence, consolidated Property Plant and Equipment (PPE) also remained flat at PHP19.55 billion from PHP19.58 billion beginning balance. The coal and power segments accounted for PHP3.40 billion and PHP16.16 billion, respectively.

Consolidated Investments and Advances posted a minimal 1% growth at PHP313.86 million from PHP310.23 million. The coal and power segments accounted for PHP2.50 million and PHP311.36 million, respectively.

The movements of the foregoing accounts resulted to an 8% growth in consolidated Total Assets which closed at PHP32.80 billion from beginning balance of PHP30.50 billion. The coal segment's Total Assets stood at PHP11.55 billion, while the power segment'sclosed at PHP21.25 billion.

Consolidated Total Liabilities likewise increased by 3% at PHP18.77 billion from PHP18.16 billion as at the start of the year. The coal and power segments accounted for PHP7.39 billion and PHP11.38 billion, respectively.

Consolidated Total Current Liabilities recorded an increase of 6%, closing at PHP7.37 billion from PHP6.93 billion beginning balance. The coal and power segments' portions closed at PHP4.35 billion and PHP3.02 billion, respectively.

Consolidated Trade and Other Payables closed at PHP5.82 billion, recording an increase of 9% from beginning level of PHP5.35 billion. Bulk of coal segment's Trade and Other Payables of PHP3.93 billion is trade related, amounting to PHP2.85 billion, while provision for Government share was at PHP582.97 billion. Payable to other government agencies, accrued expenses and due to related parties accounted for the balance. Meanwhile, the power segment posted Trade and Other Payables of PHP1.89 billion as at the end of the quarter, which is mainly comprised of trade related payables totaling to PHP1.85 billion. Other payables are accrued expenses and due to related parties.

The coal segment recorded Short-term loans amounting to PHP417.70 million. These are mainly letters of credits issued to suppliers for various materials and parts.

Meanwhile, the power segment posted Current-portion of Long Term Debt of PHP1.13 billion. This pertains to the current portion of the PHP9.6 billion project financing debt availed in 2010 related to the acquisition of the power business.

Consolidated Total Non-Current Liabilities amounted to PHP11.40 billion, registering a 2% growth from beginning balance of PHP11.22 billion. The coal and power segments accounted for PHP3.04 billion and 8.36 billion, respectively.

The 2% growth in consolidated Long-Term Debt at PHP11.34 billion from PHP11.16 billion as at the start of the year is attributed to the additionalloan availed by the coal segment to finance its capital expenditures.. Meanwhile, the power segment's Long-Term portion of its debt dropped after reclassification to short-term portion. The coal and power segments' long-term portion of debts closed at PHP2.98 billion and PHP8.36 billion, respectively.

There were no other significant movements in other non-current liabilities during the period. The coal segment recorded Pension Liability, Provision for Decommissioning and Site Rehabilitation, and Deferred Tax Liabilities remained at PHP20.00 million, PHP11.88 million, and PHP28.09 million, respectively.

Consolidated Stockholders' Equity showed a 14% growth at PHP14.03 billion from PHP12.34 billion as at the start of the year. Income generation during the period accounted for the growth. The coal and power segments' Equity closed at PHP12.12 billion and 1.91 billion, respectively.

2011 COMPARATIVE REPORT

I. PRODUCTION

Good weather conditions complement increased mining capacity, such that Total Material movement increased by 38% quarter on quarter. This year's material movement reached 26,850,240 bcm as compared to Q1 2010 material movement of 19,447,774bcm.

Strip ratio in the current quarter is 43% higher at 14.03:1 compared to 9.8:1 in Q1 2010 as there were more equipment that handled advance stripping of coal overburden. As a result, ROM coal production dipped by 1% at 1,821,530 MTs compared to 1,849,130 MTs in Q1 2010. Similarly, net product coal dropped by 2% at 1,641,800 MTs versus 1,672,346 in Q1 2010.

Meanwhile, ending inventory increased by 14% at 469,429 MTs this period as against 413,372 MTs in Q1 2010.

The power segment on the other hand only generated 432 GWhr, down by 7% compared to Q1 last year as the newly rehabilitated plant, Unit 2, underwent several post rehabilitation shutdowns to undergo further reconditioning and refinement of the rehabilitation works to reinstate it back to its rated capacity. Nevertheless, Unit 2 registered at 300MW capacity when it was operating post-rehab but not yet on a continuous basis. It has yet to be subjected to reliability test before it can be officially declare that it is operating at rated capacity. Meanwhile, Unit 1 registered an average capacity of 160 MW with 53% utilization and Unit 2 at 171 MW with 57% utilization during the period. Energy generation by Unit 1 and 2 registered at 243GWhr and 189GWhr, respectively.

II. MARKETING

Domestic demand for Semirara coal significantly increased as reflected by the impressive 58% increase in total local sales at 1,179,608 MTs this period compared to

747,880 MTs in Q1 2010. On the other hand, export demand softened as shown by the 63% drop in total export sales at 461,906 MTs from 1,262,887 MTs last year. As a result, total volume sold dropped by 18% from 2,010,767 MTs in Q1 2010 to 1,641,514 MTs.

The increase in local sales is largely attributed to the higher off-take by the power industry this year which totaled to 787,255 MTs, registering a 98% increase over Q1 2010 volume of 397,929 MTs. The power segment is the biggest single consumer of Semirara coal, buying 411,608 MTs this year, 49% higher than Q1 2010 total deliveries of 276,013 MTs. Meanwhile, the 208% increase in sales to other power plants, which reached 375,647 MTs this year as against 121,916 MTs in Q1 2010, is due to the commissioning of new plants that use Semirara coal in the Visayas region. The Company entered into a long-term coal supply contract these new plants.

Cement plants likewise posted an increase of 21% in the current quarter at 210,016 MTs as compared to 174,030 MTs last year. Other industrial plants registered a slighter 4% growth at 182,337 MTs from 175,921 in Q1 last year.

Most of export deliveries are to China. Since customers in China built up inventory during the last quarter of 2010, most orders for coal are scheduled for delivery starting Q2 this year. This mainly explains the drop in export sales quarter on quarter.

Meanwhile, composite average FOB price per MT recorded a robust growth of 42% at PHP3,040 per MT vis-à-vis PHP2,142 per MT in Q1 2010. Since the Company already benchmarks its prices with current market price, the increase in global coal prices correspondingly benefited the Company. This is notwithstanding the weakening of the dollar against the peso, which negatively impacts export revenues.

On the other hand, the power segment sold a total of 455 Gwhr, of which 79.5% was served to transition/bilateral supply contracts, while the rest were sold to the sport market. Total volume sold is 12% lower than Q1 2010 as generated power was lower, just about enough to supply contracted energy demand with lower excess generated power sold to the spot market. The composite average price for the period is PHP3.47 per kwhr against PHP5.31 per kwhr in Q1 2010. BCQ price is almost the same as last year, however, average spot price is low at only PHP2.70 per kwhr compared to Q1 last year which is at PHP8.03 per kwhr. The lower spot price was driven by the availability of hydro power plants.

III. FINANCE

A. Sales and Profitability

Net of eliminating entries, consolidated Revenues dropped by 3% at PHP5.90 billion in the current period as against PHP6.09 billion last year. High composite average FOB price per MT offset the decrease in coal sales volume quarter on quarter. As a result, coal Revenues even posted a 10% growth at PHP3.95 billion over Q1 2010's PHP3.60 billion. On the other hand lower average price per KWh at PHP3.47 this year versus PHP5.31 in Q1 2010 and decreased energy sales of 455 GWh this quarter versus 469GWh last year caused the 22% drop in Energy Revenues at PHP1.95 billion in the current period as compared to last year's PHP2.49 billion.

Meanwhile, consolidated Cost of Sales recorded a steeper decline by 25% at PHP3.17 billion as against PHP4.25 billion in Q1 2010. This is mainly due to an 18% decline in volume of coal sold which resulted to a 20% drop in Cost of Sales at PHP1.92 billion versus PHP2.41 billion in Q1 2010. The power segment likewise reflected improvement in Cost of Sales with a 32% decrease compared to last year's level, due to lower total fuel cost resulting from lower generated power, and lower spot purchase in both volume and cost. Cost of Sales in the power segment is at PHP1.25 billion in the current period as against PHP1.83 billion in Q1 2010.

The resulting consolidated Gross Profit posted a 48% growth at PHP2.73 billion from PHP1.85 billion in Q1 2010. The coal and power segments accounted for PHP2.03 billion and PHP700.77 million, respectively. Consolidated Gross Profit Margin is higher at 46% this quarter versus 30% last year.

Meanwhile, consolidated Operating Expenses registered a 7% decrease at PHP958.68 million from PHP1.03 billion in Q1 2010. Higher coal Revenues correspondingly resulted to higher Government Share, hence the coal segment's Operating Expenses increased by 13% at PHP718.95 million as against PHP634.29 million in Q1 2010. On the other hand, the power segment recorded a significant 39% drop at PHP239.72 million from PHP394.02 in Q1 last year mainly due to lower recorded local taxes, licenses and fees. This effectively pulled down the consolidated Operating Expenses.

Lower interest rates brought down consolidated Financing Costs at PHP124.94 million from PHP202.24 in Q1 2010. The coal and power segments accounted for PHP38.39 million and PHP86.56 million respectively. The power segment's interest-bearing liabilities is more than the coal segment after it availed of PHP9.6 billion project financing loan in 2010.

With a healthy cash position, the coal segment recognized Finance Revenues of PHP10.95 million as at the end of the period. This is 956% higher than Q1 2010 generation of PHP1.04 million. In 2010, both business segments' cash were fully utilized to pre-pay PSALM debt to minimize interest expenses.

Consolidated Forex Gains improved by 45% at PHP16.02 million from PHP11.04 million in Q1 2010. This is due to the continuous strengthening of the peso against the dollar. The coal and power segments recognized PHP14.89 million and PHP1.13 million, respectively, this year.

The coal segment recognized Other Income of PHP17.14 million, mainly from gain on sale of retired assets. In Q1 2010, it incurred net Other Expenses of PHP8.33 million from bank charges, offset by meager interest income.

Consolidated Income Before Tax registered a 172% growth at PHP1.69 billion from PHP620.96 million in Q1 2010. The power segment obtained BOI registration in Q2 2010,.Since both companies have Income Tax Holidays this year as BOI-registered businesses, consolidated Provision for Income Tax is minimal at PHP3.52 million as compared to PHP27.12 million in Q1 last year.

The resulting Net Income After Tax reflected a 184% growth at PHP1.68 billion over last year's PHP593.84 million. The increase in Earnings per Share (EPS) is lower at 121% as the Company increased its outstanding shares after selling its treasuring shares in Q2 2010 and going into a stock rights offering in July 2010. Q1 2011 EPS stood at PHP4.73 this period as against PHP2.14 in Q1 2010.

B. Solvency and Liquidity

Consolidated Net Cash Provided by Operations totaled to PHP757.36 million, 69% lower than PHP2.41 billion in Q1 2010. Although Operating Income Before Working Capital Changes is 73% higher this year at PHP2.60 billion as against PHP1.51 billion in Q1 2010, the decrease in Inventories of PHP726.19 million and substantial increase by PHP1.71 billion in Trade and Other Payables largely contributed to the net positive change in working capital in Q1 of prior year. Notably, increased mining capacity this year correspondingly necessitated an increase in Inventories of parts, supplies and materials amounting to PHP581.91 million. The build up of trade receivables resulted to increase in receivables by PHP988.26 million. The net increase of Current Assets and Current Liabilities of P1.84 billion resulted to net cash generated from operations of PHP757.36 million.

Meanwhile, lesser Capex this year translated to lower additions to PPE at PHP568.44 million, as compared to PHP1.13 billion in Q1 2010.

The Company's loan availment of PHP961.31 million this year was partially offset by loan payments amounting to PHP780.90 million. Hence, it booked additional cash generated from financing activities amounting to PHP180.42 billion. On the other hand, loan payments in Q1 2010 was higher at PHP9.70 billion as compared to loan availments totaling to PHP8.46 billion, thus recording net cash used in financing activities of PHP1.24 billion.

Net cash inflow in the current period is 51% lower at PHP293.09 million compared to PHP595.62 million in Q1 2010. However, with healthier beginning balance, Cash End is 281% higher this period at PHP4.11 billion as against PHP1.08 billion in Q1 2010.

The Company's robust cash position greatly accounted for the improvement in Current Ratio at 1.70x as against 0.50x in Q1 2010. Debt-to-Equity ratio likewise improved at 1.34:1 as compared to 1.43:1 in Q1 2010.

IV. PERFORMANCE INDICATORS:

1. **Earnings per Share** – The 184% growth in the Company's Net Income resulted to a significant improvement in EPS, despite a bigger capital base this year. This indicates growth sustainability as the Company succesfully expanded its business.

2. **Debt-to-Equity Ratio** – The improving leverage position of the Company indicates that management is in the right track in operating its business. The timely expansion in capital base afforded the Company to finance its mining capacity expansion and rehabilitation of one power plant without unduly leveraging the business.

3. **Business Expansion** – The coal segment's capacity is at a record high. Meanwhile, unit 2 of the Calaca power plants has been successfully rehabilitated. Despite the costs that these activities required, the financial condition of the Company remains strong.

4. **Expanded Market** – It is worthy to note that during the quarter, the power segment successfully renegotiated an expiring bilateral contract and gained a new off-taker. Meanwhile, the coal segment has a long-term contract to supply new power plants in the Visayas region.

5. **Improved coal quality** – Enhancing the quality of its coal is a challenge that the Company continuously takes on. Customer satisfaction is an important aspect of the Company's operations. The Company recognizes that its marketing success stemmed from improving coal quality.

PART II OTHER INFORMATION

Other disclosures:

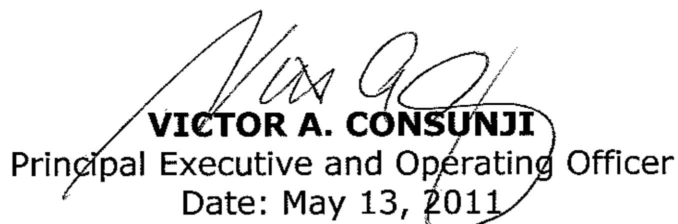
a. The Group's operation is not cyclical in nature or seasonal. Mining activities is continuous throughout the year;
b. There were no issuances, repurchases, and repayments of debt in equity securities which transpired during the quarter;
c. There are no subsequent events, that came to our knowledge, 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

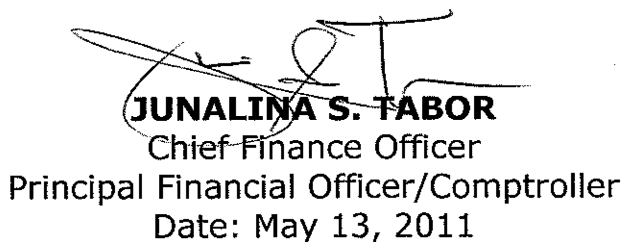
Pursuant to the requirement of the Revised Securities **Code**, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **SEMIRARA MINING CORPORATION**

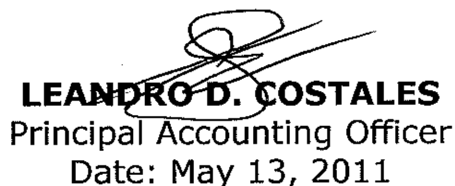
Signature and Title:



VICTOR A. CONSUNJI
Principal Executive and Operating Officer
Date: May 13, 2011



JUNALINA S. TABOR
Chief Finance Officer
Principal Financial Officer/Comptroller
Date: May 13, 2011



LEANDRO D. COSTALES
Principal Accounting Officer
Date: May 13, 2011

PART IV - ANNEX A

SEMIRARA MINING CORPORATION
AGING OF ACCOUNTS RECEIVABLE
As of March 31, 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									
EXPORT	806,862,013.16	806,862,013.16							
CEDC	413,213,661.97	294,673,809.64	117,119,675.66	1,420,176.67					
HOLCIM	208,027,798.71	116,434,062.03	91,593,736.68						
TPC	139,522,459.08	139,522,459.08							
PNOC	126,441,623.30	103,522,522.48	22,919,100.82						
JPC	98,489,904.60	98,489,904.60							
APEC	92,992,751.74	61,326,666.59	31,666,085.15						
PEDC	79,307,348.99	70,992,218.37	8,315,130.62						
APO	50,780,141.70	-	50,780,141.70						
SOLID	25,403,528.98	-	25,403,528.98						
OTHERS	6,674,332.86	-	1,030,165.80	-	-	24,771.05	5,619,396.01	-	7,892,343.05
POWER									
MERALCO	1,122,797,503.11	432,142,067.95	438,689,489.83	12,424,591.69	239,541,353.64				53,523,802.47
CEZ - PEZA	427,710,884.22	164,127,583.94	24,205,133.76	16,610,168.67	222,767,997.85				
BATELEC 1	177,108,358.32	117,939,644.17	19,286,815.38	11,800,197.73	28,081,701.04				
PEMC	143,019,965.08	48,970,148.48	-	-	94,049,816.60				
PSALM	77,369,195.74	-	-	-	77,369,195.74				
STEEL CORP	10,515,055.97	8,227,796.01	-	-	2,287,259.96				
PUYAT STEEL	3,460,468.54	2,324,087.78	-	-	1,136,380.76				
POZZOLANIC	1,838,646.98	626,920.90	463,629.57	-	748,096.51				
JORAM INC.	1,511,457.34	1,357,288.74	-	-	154,168.60				
ECSCO, INC.	1,115,588.48	955,839.81	-	-	159,748.67				
ABOTIZ POWER	494,717.97	-	-	-	494,717.97				
POZZOLANIC	161,468.23	135,030.29	-	-	26,437.94				
TEAM ENERGY	31,000.00	-	-	-	31,000.00				
	4,014,849,875.07	**2,468,630,064.02**	**831,472,633.95**	**42,255,134.76**	**666,847,875.28**	**24,771.05**	**5,619,396.01**	**-**	**61,416,145.52**
Less: Allowance for doubtful account	61,416,145.52								
	3,953,433,729.55								
B. NON - TRADE RECEIVABLES									
COAL									
Advances - Officers	435,502.18	20,000.00	195,139.10	67,678.00	152,685.08				
Advances - Employees	1,424,535.80		(296,123.84)	1,720,659.64					519,697.08
Advances - Contractors	15,893,271.56	596,082.49	5,344,537.09	6,759,310.88	3,193,341.10				6,475,856.38
Advances - for Liquidation	6,151,890.51	-	917,425.14	1,241,620.04	3,992,845.33				1,948,808.90
Advances - SSS Claims	516,309.10	-		21,895.00	20,788.82		319,701.85	153,923.43	500,910.10
Advances - Others	486,071.68	46,352.79	103,777.01	335,941.88					917,702.67
Advances - Medical Accounts	2,897,511.67	4,997.72	194,069.00	213,856.38	380,471.88	2,104,116.69			
POWER									
Advances-Employees	524,668.35	524,668.35							
Advances-For liquidation	1,462,871.25	1,462,871.25							
Advances-Others	17,749,081.22	17,749,081.22							
Adv.for Govt Institutions	3,538,723.26	3,538,723.26							
	51,080,436.58	**23,942,777.08**	**6,458,823.50**	**10,360,961.82**	**7,740,132.21**	**2,104,116.69**	**319,701.85**	**153,923.43**	**10,362,975.13**
Less: Allowance for D/A-AR Others	10,362,975.13								
Net NON - TRADE RECEIVABLE	**40,717,461.45**								
C. DUE FROM AFFILIATED COMPANIES	177,414,344.73								
NET RECEIVABLES (A + B + C))	**4,171,565,535.73**								

ANNEX B

SEMIRARA MINING CORPORATION
FINANCIAL RISK MANAGEMENT DISCLOSURES
As of March 31, 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 :

	03/31/2011	12/31/2010
Domestic Market	46.79%	29.24%
Export Market	28.14 %	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 March 31, 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	03/31/2011	12/31/2010
Increase by 10%	142,704,750	114,971,049
Decrease by 10%	(142,704,750)	(114,971,049)

Based on coal sales volume	Effect on income Before income tax	
Change in coal price	03/31/2011	12/31/2010
Increase by 10%	498,996,322	1,674,330,035
Decrease by 10%	(498,996,322)	(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.

MARCH 31, 2011

	Interest	Within 1 year	1-2 years	2-3 years	3-4 years	More than 4 years	Carrying Value
		(In Thousands)					
Cash equivalents	2% to 4.5%	1,868,646	–	–	–	–	1,216,638
Short term loans	1.188%	69,641					69,641
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	-	694,240	-	-	-	694,240
$29.98 million loan (USD)	1.94% p.a. payable semi-annually in arrears, to be repriced every 6 months	-	1,301,236	-	-	-	1,301,236
$10.09 million loan (USD)	1.80 p.a. for 92 days, to be repriced every 30 to 180 days	-	437,841	-	-	-	437,841
$12.13 million loan (USD)	1.82% p.a., to be repriced every 3 months	-	526,760	-	-	-	526,760
$0.47 million loan (USD)	1.18 p.a. for 90 days, to be repriced every 30 to 180 days		20,307	-	-	-	20,307
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
		1,199,226	4,489,260	1,514,248	1,521,153	3,821,294	12,545,181

DEC. 31, 2010

	Interest	Within 1 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 March 31, 2011 and December 31, 2010 based on undiscounted contractual payments.

MARCH 31, 2011

	Within 6 months	Next 6 months	1-2 years	2-3 years	More than 3 years	Total
Cash and cash equivalents	4,106,372,734					4,106,372,734
Receivables						
Trade						
Local sales	1,240,853,552					1,240,853,552
Export sales	806,862,013					806,862,013
Electricity sales	1,967,134,310					1,967,134,310
Due from related parties	177,414,345					177,414,345
Others	51,080,437					51,080,437
Security deposits	304,400,611					304,400,611
Environmental guarantee fund					1,500,000	1,500,000
	8,654,118,001	-		-	1,500,000	8,655,618,001
						8,655,618,001
Trade and other payables						
Trade	4,705,854,995	-	-	-	-	4,705,854,995
Payable to DOE and local government units	604,292,506	-	-	-	-	604,292,506
Accrued expenses and other payables	183,017,680	-	-	-	-	183,017,680
Due to related parties	74,424,976	-	-	-	-	74,424,976
Short term loans	417,703,935	-	-	-	-	417,703,935
Long term debt at floating rate	-					-
$16.0 million loan (USD) with interest payable in arrears, to be repriced every 90 days	-	-	694,240,000	-	-	694,240,000
$29.9 million loan (USD) with interest payable semi-annually in arrears, to be repriced every six (6) months	-	-	1,301,235,764	-	-	1,301,235,764
$10.08 million loan (USD) with interest payable in arrears, to be repriced every 30 to 180 days	-	-	437,841,000	-	-	437,841,000
$12.13 million loan (USD) with interest payable in arrears, to be repriced every three (3) months	-	-	526,760,000	-	-	526,760,000
$2.073 million loan (USD) with interest payable in arrears, to be repriced every 30 to 180 days		-	20,306,520	-	-	20,306,520
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
	6,478,804,500	889,111,096	4,732,660,967	1,709,598,558	5,653,301,175	19,463,476,316
	2,175,313,501	(889,111,096)	(4,732,660,967)	(1,709,598,558)	(5,651,801,175)	(10,807,858,315)

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:

		March 31, 2011			December 31, 2010	
		U.S. Dollar	Peso Equivalent		U.S. Dollar	Peso Equivalent
Assets						
Cash and cash equivalents	$	46,481,156	2,016,817,365	$	47,358,433	2,076,193,708
Trade receivables		18,595,575	806,862,013		12,857,285	563,663,374
	$	65,076,731	2,823,679,378		60,215,718	2,639,857,082
Liabilities						
Trade payables	$	6,969,861	302,422,272		10,304,844	451,764,348
Long-term debt (including current portion)		70,259,843	3,048,574,582		68,142,585	2,987,370,926
	$	77,229,704	3,350,996,854		78,447,429	3,439,135,274
Net foreign currency denominated assets (liabilities)	$	(12,152,972)	(527,317,476)	$	(18,231,711)	(799,278,192)

The spot exchange rates used in March 31, 2011 and December 31, 2010 were 43.39 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 March 31, 2011 and 2010.

Reasonably possible change in foreign exchange rate for every five units of Philippine Peso	Increase (decrease) in profit before tax	
	31-Mar-11	31-Dec-10
2	**(24,305,945)**	(36,463,422)
(2)	**24,305,945**	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:

	3/31/2011	12/31/2010
Trade		
Electricity	**48.38%**	52.19%
Local sales	**30.52%**	24.47%
Export sales	**19.84%**	19.01%
Other receivables	**1.26%**	4.34%
Total	**100.00%**	100.00%

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

	Gross Maximum Exposure	
	3/31/2011	12/31/2010
Cash and cash equivalents	**4,106,372,734**	3,804,596,734
Receivables		
Trade		
Local coal sales	**1,240,853,552**	749,328,994
Export coal sales	**806,862,013**	582,130,762
Electricity sales	**1,967,134,310**	1,598,431,667
Due from related parties	**177,414,345**	120,628,995
Others	**51,080,437**	132,779,773
Security deposits	**304,400,611**	304,400,611
Environmental Guarantee Fund	**1,500,000**	1,500,000
Total credit risk exposure	**8,655,618,001**	7,293,797,536

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 March 31, 2011 and December 31, 2010:

	3/31/2011	12/31/2010
Total paid-up capital	**7,031,777,411**	7,031,777,411
Retained earnings – unappropriated	**6,294,564,064**	4,608,125,771
Retained earnings – appropriated	**700,000,000**	700,000,000
	14,026,341,475	12,339,903,182

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 March 31, 2011 and December 31, 2010.

	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	**4,106,372,734**	**4,106,372,734**	3,813,283,517	3,813,283,517
Trade				
Electricity sale	**1,967,134,310**	**1,967,134,310**	1,598,431,667	1,598,431,667
Local sales	**1,240,853,552**	**1,240,853,552**	749,328,994	749,328,994
Export sales	**806,862,013**	**806,862,013**	582,130,762	582,130,762
Due from related parties	**177,414,345**	**177,414,345**	120,628,995	120,628,995
Others	**51,080,437**	**51,080,437**	132,779,773	132,779,773
Security deposits	**304,400,611**	**304,400,611**	304,400,611	304,400,611
Environmental Guarantee Fund	**1,500,000**	**1,500,000**	1,500,000	1,500,000
Total	**8,655,618,001**	**8,655,618,001**	7,302,484,319	7,302,484,319

	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Liabilities				
Other financial liabilities:				
Notes payable	**417,703,935**	**417,703,935**	449,845,179	449,845,179
Long-term debt	**12,475,540,284**	**12,475,540,284**	12,292,718,274	12,292,718,274
Trade and other payables				
Trade payables	**4,705,854,995**	**4,705,854,995**	3,681,704,251	3,681,704,251
Accrued expenses and other payables	**435,086,665**	**435,086,665**	202,980,678	202,980,678
Due to related parties	**74,424,976**	**74,424,976**	200,090,262	200,090,262
Payable to DOE and local government units	**604,292,506**	**604,292,506**	1,013,039,943	1,013,039,943
Total	**18,712,903,361**	**18,712,903,361**	17,840,378,587	17,840,378,587

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 March 31, 2011 and December 31, 2010, the Group does not have financial instruments measured at fair value.