



The two power generating units of Sem-Calaca Power Corporation (SCPC) attained their expected capabilities



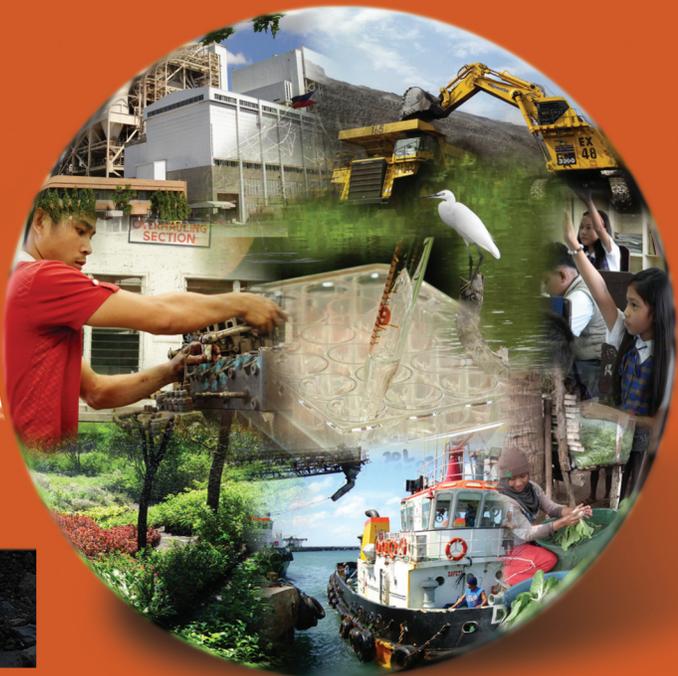
The Company is committed to the principles and leading practices of good corporate governance that promote higher standards of accountability and transparency



The challenge of maximizing the value of our finite resources encouraged us to revisit our strategies on maximization of economic returns of investment in our core product - coal

SEMIRARA

REPORT TO SHAREHOLDERS 2010



Embracing Sustainability



**SEMIRARA
MINING
CORPORATION**

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MISSION / VISION

Coal Towards An Energy-Sufficient Philippines

ABOUT THE COVER

“Embracing Sustainability” signifies that Semirara is true to its vision and mission of promoting the use of coal towards an energy-sufficient Philippines through sustainable mining.

Over the years, the Company has been in the forefront of developing its host communities to uplift their economic and social status while engaging in the judicious use and rational conservation of the country’s natural minerals. (They have banner programs called FIVE Es – Electrification, Education, Employment, Economics and Environment that has been continuously enhanced, being the central theme of the Company’s CSR efforts.)

In 2010 the company’s determined and continuous drive towards sustainable growth and development achieved a milestone when it successfully integrated power generation to its core business of coal mining, alongside another capacity expansion in the coal segment. This feat not only helped assure continuing off-take of the Company’s coal by the newly acquired power plant but more significantly, it resulted to net earnings of more than double of last year’s profits.

In its quest to promote the use of coal as a major energy source, Semirara Mining Corporation will endeavor to be the undisputed leader in the coal mining industry in the Philippines:

- Playing a vital role in the energy sector and working in harmony with the government to promote the use of coal
- Supplying its customers with quality coal that meets their stringent specification
- Providing reasonable economic returns to its investors and business partners
- Empowering its employees to prosper in a climate of integrity and excellence
- Working in partnership with its host communities to uplift their economic and social status while engaging in the judicious use and rational conservation of the country’s natural resources

Message to Shareholders



As your Company achieves economic success over the years, our goal has evolved into ensuring sustainability of our progress. The challenge of maximizing the value of our finite resources encouraged us to revisit our strategies on maximization of economic returns of investment in our core product - coal. The investment into the power sector was a huge step in creating a multiplier effect in the earnings potential of our business. Moreover, as a new player in the power

expansion in the coal segment, resulted to net earnings of more than double of last year's profits. This feat has been realized through our determined and continuous effort to strive for sustainable growth and development.

In support to your Company's investment in power and mining capacity expansion, we successfully raised additional equity through a Stock Rights Offering in July for 59,375,000 shares at P74/share. This activity generated net proceeds of PHP4.38 billion, of which, P2.7 billion was used to partly fund equity requirement of Sem-Calaca Power Corporation, while the balance was used to pay off debt relative to mining capacity expansion. The overwhelming response of investors indicated that your Company is highly attractive given its good potential for investment.

Since our domestic and international public offering in 2005, our annual cash dividend pay out ratio is consistently higher than our adopted policy of minimum 20% of prior year Net Income After Tax. Moreover, your Company was a recipient of "Most Committed to a Strong Dividend Policy" award conferred by Finance Asia Magazine as a result of its 10th Annual Best Managed Companies in the Philippines poll.

For the third year in a row, your Company was among the companies cited by the Securities and Exchange Commission as a silver awardee in "Corporate Governance Scorecard for Publicly-Listed Companies in the Philippines." This award reaffirms our commitment to higher standards of performance, transparency and accountability to all stakeholders.



"2010 carved another milestone in your Company's history. The successful integration of power generation to the company's core business of coal mining, alongside another capacity expansion in the coal segment, resulted to net earnings of more than double of last year's profits."

generation sector placed us in the direct front in propelling our country towards economic progress.

2010 carved another milestone in your Company's history. The successful integration of power generation to the company's core business of coal mining, alongside another capacity

Beyond creating economic value for your Company, we are continuously searching for ways to be socially and environmentally responsible. We have been continuously improving our CSR projects through our 5Es program, encompassing Electrification, Education, Employment, Economics and Environment. We have partnered with Endesa Carbono in our ambitious pursuit to be the world's first registered open pit coal mine methane project under the United Nation's Framework Convention on Climate Change. We aim to develop a Clean Development Mechanism (CDM) Coal Bed Methane Project, wherein methane from the mine will be used as an additional source of power, as well as a measure to reduce carbon emissions. After the preparation of project design

in November and drilling test in November to December, we target to complete preliminary drilling plans for Panian and East Panian in 2011, and subsequently determine the potential of methane gas emission as source of electricity.

With each success, we embrace the challenge to surpass our past achievements. This is the force that will continue to drive your Company to greater heights. We are here for the long haul, and we will not be where we are now, nor get to where we want to be without the continued trust and support of our stakeholders. In behalf of the management and staff of Semirara Mining Corporation, I wish to express my deepest appreciation to the people of Semirara Island for

their hospitable reception, to the local governments of the Municipality of Caluya and the Province of Antique for their continued support, to the community and local government of the Municipality of Calaca and the Province of Batangas for welcoming us, and to my fellow shareholders for your confidence in our Company.

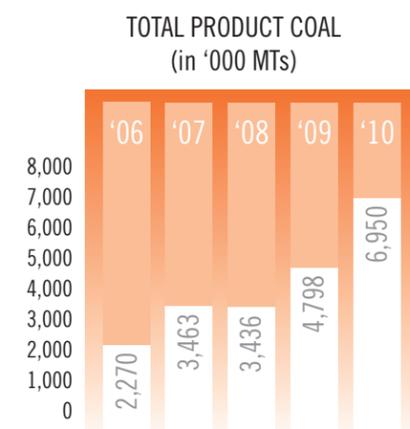
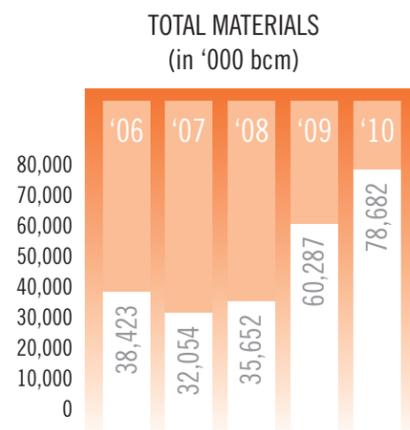
David M. Consunji
DAVID M. CONSUNJI
Chairman of the Board

Executive Management Report

COAL

PRODUCTION AND OPERATIONS

Global consumption for thermal coal has steadily increased over the years. To meet rising demand, your Company expanded capacity in 2010 by investing in new set of mining equipment worth USD32.25 million. With the commissioning of additional three units of 16-cubic meter excavators, 25 units 100-tonner dump trucks, and corresponding support equipment, operations registered a new record high of total material movement of 78,681,611 bank cubic meters (bcm). This is 31% higher than 2009 material movement of 60,286,812 bcm. Strip ratio likewise improved by 17% at 9.73:1 from 10.91:1 in 2009. As a result, production posted a higher increase of 47% at 7,536,094 metric tons (MTs) run-of-mine (ROM) coal from 5,144,143 MTs in 2009. Net total product coal correspondingly grew by 45% at 6,950,333 MTs from 4,798,398 MTs in 2009. Favorable weather conditions during the 12-month period also contributed in the achievement of all time high





production this year, compensating some delays in the commissioning of the new units.

Moreover, the company invested USD16 million to purchase tugboats and barges to match increased level of production, and for more reliable logistic support. This ensures

availability of vessels for domestic deliveries and increases mid-stream loading rate for vessels with capacity greater than 30,000 MTs.

To further support production capacity expansion, your Company continues its effort to increase its inventory of coal resource and

recoverable reserve by conducting more exploratory and confirmatory drilling activities. Initial results of the drilling program showed positive results and indicated that coal seams extend throughout the eastern part of the 5,500-hectare island. In-house estimates are now being reviewed by a local competent person and your Company plans to consequently have this validated according to JORC standards.

Strong demand from both local and export markets is manifested by a 64% drop in inventory, despite increased production, from a beginning coal inventory of 763,575 MTs to 490,713 MTs as at the end of the year.

MARKET

Increasing number of coal-fired plants and supply disruption in key coal exporting countries fueled domestic and global demand for Semirara coal in 2010. The latest round of capacity

expansion enabled your Company to meet more orders, thus recording another marketing milestone with an impressive 60% growth in sales from 4,464,029 MTs in 2009 to 7,146,286 MTs in 2010.

Local sales comprised 43% of total volume at 3,047,405 MTs, while 57% were export sales totaling to 4,098,781 MTs. In 2009, market shares of local and the export sales were 49% and 51%, respectively.

Of the total volume sold to local markets, more than half were delivered to power plants. Deliveries to your Company's wholly-owned power generation company aggregated to 957,908 MTs, while other power plants' sales totaled to 746,911 MTs, thus registering total sales to local power plants at 1,704,819 MTs. Two newly commissioned plants in the Visayas area started to buy Semirara coal this year. The 31% increase over 2009 power plants' sales of 1,301,776 MTs resulted to 24% market share of the local power industry.

Sales to local cement plants accounted for 9% market share in 2010 and posted a modest growth of 8% from 615,164 MTs in 2009 to 661,392 MTs in 2010. A major player in the cement industry started to use Semirara coal this year.

Conversely, other industrial plants increased its market share from 6% in 2009 to 10% in 2010 with a more significant increase of 139% in sales volume. A total of 681,242 MTs were delivered in 2010 to different industrial users, usually through local traders who have the logistic support to supply inland customers. This market only accounted for 285,392 MTs in 2009.

Export sales continued to be your Company's main growth driver with a remarkable 81% increase from



2009 sales volume of 2,261,695 MTs. Around 75% of export deliveries in 2010 went to China. The rest were delivered to India, Thailand, Hong Kong, and South Korea.

Composite average FOB price per MT dropped by 10% at PHP2,343 this year from PHP2,600 in 2009.

When your Company acquired the power business from the government in December 2009, the pricing mechanism was amended to reflect current market prices, instead of the import parity pricing scheme based on quarterly average prices as provided for in the Coal Supply Agreement.

SEM-CALACA POWER CORPORATION

PRODUCTION AND OPERATIONS

Meanwhile, the two power generating units of Sem-Calaca Power Corporation (SCPC), which is 100% owned by the Company, attained their expected capabilities based on their pre-rehabilitation conditions. In terms of availability, Unit 1 was running for 238 days while Unit 2 was running for 174 days representing 65% and 48% availability, respectively. The availability for Unit 2 was significantly lower as it underwent rehabilitation during the second semester of 2010, from August 8 until end of the year.

In terms of capacity utilization, the two generating units churned out their expected output when it was bid out by Power Sector Asset & Liability Management (PSALM). Utilization rate registered an average of 53% and 57% of its rated capacity (300 MW per unit) for Unit 1 and Unit 2, respectively.

Coal consumption for the generating units totaled 1,059,538 MTs for the year, inclusive of imported coal.

Total energy generated reached 937 million Kwh for Unit 1 and 720 million Kwh for Unit 2, or an aggregate generation of 1,657 million Kwh for the year 2010.

MARKET

A total of 1,370 million Kwh was sold to SCPC's customers by virtue of its

Transition Supply Contracts (TSCs), which form part of the Asset Purchase Agreement (APA) when SCPC acquired the Calaca Coal-fired Power Plants from PSALM in December 2009. The major customers under the TSCs include Meralco, which comprised 51% of total TSC volume sold, the Cavite Export Processing Zone (CEPZ) for 29%, Batangas Electric Cooperative 1 (Batelec 1) for 18%, and other small customers for the remaining 2%.

A portion of realized revenue came from sale to the Wholesale Electricity Spot Market (WESM), representing excess power generation over SCPC's TSC commitments during off-peak hours. Total spot sales reached 480 million Kwh for the year.

At certain time interval during peak hours, SCPC purchased power from the WESM to be able to meet its commitment under the TSCs. Power purchased from the spot market totaled to 340 million Kwh for the year. It is worthy to note that replacement power contracts with other power generators were put in place before the scheduled rehabilitation of Unit 2, thus putting a cap on SCPC's exposure from the WESM, translating to opportunity gains of over PHP200 million during the year.

Of the total sales volume for the year, sales mix ratio was at 77% for TSCs and 23% for spot sales. This sales mix ratio is deemed to be within the ideal mix to limit SCPC's exposure to the volatility of the spot market, and to minimize exposure to the contracted capacities in case of unavailability.



FINANCE

A. Sales and Profitability

Consolidated Revenue of PHP22.90 billion is almost double 2009's Revenues of PHP11.94 billion. Net of eliminating entries, PHP14.24 billion and PHP8.66 billion represented coal and energy revenues, respectively. The 24% increase in coal revenues versus PHP8.92 billion generated in 2009 is mainly driven by the significant increase in sales volume. Before elimination, total coal revenue amounted to P16.75 billion. On the other hand, the surge in energy sales from PHP443.49 million in 2009 is due to the full year contribution of SCPC in the current period under review against barely a month of operation in 2009.

Net of eliminating entries, the coal and power segments recorded Cost of Sales amounting to PHP10.14 billion and PHP5.77 billion, respectively. Although consolidated Cost of Sales increased by 70% from PHP9.34 billion in 2009 to PHP15.90 billion this year due to higher number of units sold for both coal and power, the results nevertheless reflected a lower cost for each unit sold. For the coal segment, Cost of Coal Sold/MT dropped from 2009 level, manifesting the positive impact of economies of scale. Non-Cash Cost slightly rose from 12% in 2009 to 14% this year due to increase in depreciation cost as a result of the capital investment incurred in 2010. On the other hand, cost of energy sales registered at PHP3.12 per Kwh sold.

The resulting consolidated Gross profit recorded an increase of 169% from PHP2.60 billion in 2009 to PHP6.99 billion this year. Gross profit margin likewise registered an



improvement at 31% in the current year as against 22% last year.

Operating Expenses of the coal segment amounting to PHP1.81 billion in 2010 is mainly composed of government royalty at PHP1.31 billion. SCPC incurred PHP982.09 million, thus resulting to a consolidated Operating Expenses of PHP2.79 billion. The 272% increase from 2009 consolidated Operating Expenses of PHP749.58 million is due to expanded operations for the coal segment and full year accounting for the power business.

A substantial portion of consolidated Finance Costs of PHP685.91 million this year was incurred by SCPC mainly in relation to its PHP9.6 billion loan which refinanced the PSALM debt. SCPC booked total

financing charges of PHP490.63 million, while the coal segment incurred a total of PHP195.27 million for new loans availed to finance purchase of equipment and other capital expenditures. Finance Cost in 2009 is significantly lower at PHP112.19 million.

Meanwhile, Finance Income rose by 9% from 2009 level of PHP52.75 million to PHP57.67 million this year. It is however important to note that ending cash balance is healthier this year. Two factors explained the minimal growth in finance income vis-à-vis higher increase in cash: interest rates are lower this year and your Company only accumulated cash towards the end of the year after it has paid dividends and fully funded the equity requirement of its wholly-owned power subsidiary.



Moreover, fluctuations in foreign exchange rates resulted in recognition by the coal segment of PHP235.8 million Forex Gains, of which P67.3 million is unrealized. Conversely, the power business incurred Forex Losses of PHP36.3 million due to peso depreciation at the time of full settlement of PSALM loan in USD. Consolidated Net Forex Gains is PHP199.5 million or 318% higher than 2009 level.



In July 2010, your Company divested its investments in DMCI Power Corp. and DMCI Mining Corp. As presented at consolidated level, it booked Equity in Net Income of Associates amounting to PHP76.83 million, prior to divestment. At beginning of the year, the accumulated share in equity losses amounted to PHP39.35 million, thus recognized Income from Divestments during the year is PHP41.38 million using equity method. At the parent level,

recognized gain on sale of investment is P77.09 million using the cost method.

In addition, the coal segment recorded Other Income amounting to PHP24.05 million from gain on sale of retired equipment, recoveries from insurance claims and other miscellaneous income. In 2009, Other Income was remarkably higher at 107.94 million, also consisting of similar nature.



Consolidated Net Income Before Tax showed a sizeable jump of 105% from PHP1.91 billion in 2009 (as restated) to PHP3.92 billion this year. The coal and power segments posted net Income Before Tax of PHP2.48 billion and PHP1.41 billion, respectively, before eliminating entries. As both business segments enjoy Income Tax Holidays, consolidated Tax Provision was (PHP 35.16) million, due to reversal of deferred income tax provision on the power segment net of current tax provision representing final taxes on interest income for both segments. The resulting consolidated Net Income After Tax is PHP3.95 billion, the coal and power segments each contributing PHP2.52 billion and PHP1.44 billion, respectively. This year's Net Income is 114% higher than PHP1.85 million in 2009. Increased number of shares outstanding slightly tempered growth

in consolidated Earnings per Share to 82% from PHP6.65 in 2009 to PHP12.10 this year.

B. FINANCIAL CONDITION, SOLVENCY AND LIQUIDITY

Your Company recorded consolidated Ending Cash balance of PHP3.81 billion, almost 7x the beginning Cash balance of PHP481.92 million. The remarkable increase in the coal segment's sales this year was sufficient to fund its own working capital requirements, pay cash dividends of PHP1.78 billion and service debts totaling to PHP5.89 billion. Net Ending Cash contribution of the coal segment was at PHP2.81 billion. Meanwhile, SCPC posted ending cash balance of PHP1.00 billion this year.

Consolidated Net Receivables reflected an increase of 154% from

PHP1.25 billion in 2009, closing at PHP3.18 billion as at the end of 2010. The substantial Receivables of the coal segment were due to increased sales towards the end of the year when it took advantage of rising coal prices. SCPC's Receivables are mostly composed of Energy Sales.

On the other hand, consolidated Net Inventories dropped by 20% from PHP2.98 billion in 2009 to PHP2.38 billion this year. Orders for Semcoal exceeded production, such that ending coal inventory dropped by 43% in terms of value at PHP833.47 million from beginning level of PHP1.47 billion due to reduced number of units in ending inventory and lower production cost. This offset the 70% increase in value of spare parts and supplies, which corresponded to increased equipment complement, from PHP527.64 million in 2009 to



PHP894.80 million as at the end of the year. SCPC booked an ending inventory of PHP658.81 million in 2010, recording a 34% drop from beginning balance of PHP998.50 million, which consisted mostly of spare parts and supplies.

Meanwhile, consolidated Other Current Assets increased by 50% from PHP608.94 million 2009 (as restated) closing balance to PHP912.76 million as at the end of 2010. Bulk of this is comprised of security deposits from operating leases and, advances to suppliers. SCPC accounted for PHP138.02 million of Other Current Assets, representing prepaid rent.

As a result of the movements of the foregoing accounts, consolidated Total Current Assets registered a growth of 93% at PHP10.29 billion as at the end of the period from PHP5.33

billion (as restated) in 2009. Before consolidation, the coal and power segments' Total Current Assets registered at PHP6.94 billion and PHP4.00 billion, respectively.

Consolidated Non-Current Assets registered a more modest growth of 7% at PHP20.21 billion as at the end of the period from 2009 ending balance of PHP18.93 billion (as restated).

Consolidated Net Property, Plant and Equipment (PPE) registered a 7% growth from PHP18.36 billion in 2009 to PHP19.58 billion as at the end of the review period. This is mainly due to accounting of additional mining equipment that arrived during the year. The coal and power segments recorded PHP3.70 billion and PHP15.88 billion ending balances, respectively.

Investment and Advances increased by 27% from PHP244.43 million in 2009 to PHP310.23 million as at end 2010, consisting solely of the sinking fund of SCPC.

Consolidated Other Non-Current Assets reflected a 5% decline to PHP317.59 million from PHP334.95 million (as restated) as at end 2009 due mainly to reclassification to current portion of some accounts. The coal and power segments each contributed PHP139.92 million and PHP138.02 million, at each respective level.

The resulting consolidated Total Assets grew by 26% from PHP24.26 billion in 2009 to PHP30.49 billion this year. Of this amount, PHP10.74 billion is attributed to the coal segment, while PHP19.75 billion reflected SCPC's Total Assets. Before consolidation, each segment reported Total Assets



of P18.79 billion and P20.33 billion, respectively.

Consolidated Total Liabilities likewise increased by 26% at PHP18.15 billion from PHP14.38 billion in 2009. Current and Non-current portions of the coal segment stood at PHP4.43 billion and PHP2.86 billion, respectively, adding up to

Total Liabilities of PHP7.29 billion. On the other hand, SCPC's Current and Non-current portions closed at PHP2.50 billion and PHP8.36 billion, respectively, resulting to Total Liabilities of PHP10.87 billion.

Consolidated Current Liabilities of PHP6.93 billion recorded a 17% growth from PHP5.91 billion in 2009.

The 64% increase in consolidated Accounts and Other Payables which closed at PHP5.35 billion this year from PHP3.25 billion as at end 2009 is mainly due to significant provision for government royalty close to P1.0 billion, consignment payables and accrued payable for materials, supplies and contracted services. This increase is offset by decrease in Current-portion of Long Term loans which closed at PHP1.13 billion from PHP1.81 billion in 2009. The account reflected the current portion of SCPC's PHP9.6 billion loan availed to take out PSALM liabilities. Last year's loan balance was fully serviced during the year.

Consolidated Non-Current Liabilities posted a 33% increase from 2009 closing balance of PHP8.47 billion to PHP11.22 billion. This is mainly due to the coal segment's loan availments in 2010 to finance its capacity expansion. This is specifically reflected in the 33% increase in consolidated Long-Term Debt from PHP8.36 billion in 2009 to PHP11.16 billion as at the end of 2010. The acquisition of the power plant assets was refinanced by a 7-year project loan of PHP9.6 billion syndicated by three local banks in May 2010. This was already reflected in the books as at the end of 2009 as debt to PSALM.

In the second quarter of the year, your Company reissued its 19,302,200 Treasury Shares, generating a total of PHP 765 million. In addition, on 19 July 2010, your Company went into a 1:5 stock rights offering, listing additional 59,375,000 shares, and thus increasing issued shares to 356,250,000 from 296,875,000. The proceeds amounting to PHP4.39 billion was used to finance its investment in SCPC. These activities further augmented the cash generated by your Company and beefed up Total Stockholders' Equity by 25% from



PHP9.88 billion in 2009 to PHP12.34 billion as at the end of 2010. Your Company recognized additional paid in capital of P5.10 billion resulting from the issuance of new shares via a stock rights offering and reissuance of the treasury shares.

Consolidated Current Ratio significantly improved at 1.48:1 compared to 0.90:1 in 2009 (based on restated amounts). However, Debt-to-Equity ratio dipped slightly from 1.45:1 to 1.47:1 as at the end of 2010. This is due to the availment of additional debts during the year.

EMBRACING SUSTAINABILITY

Both the coal and the power segments have surpassed expectations in 2010. The improved performance of the coal segment is mainly attributed to its ability to serve growing global demand for coal. Meanwhile, as one of the cheapest power producer in the grid, SCPC significantly benefitted from

high spot prices, especially during the first half of the year.

Motivated by good prospects in the power industry, your Company aggressively expanded its operations for both business segments. The coal segment launched another expansion program, thus enabling it to serve strong demand in 2010. Meanwhile, Unit 2 of SCPC underwent rehabilitation works to restore its rated capacity, and improve dependable generating capacity and operating efficiency of the plant. Moving forward, these activities are geared to create more value for your Company.

After defying the odds in the past, your Company has matured into a reliable coal producer, and now a power generator with high earnings potential. The challenge has then transformed from survival, to success, and now to embracing sustainability.

Isidro A. Consunji
ISIDRO A. CONSUNJI
 Vice- Chairman, CEO

Victor A. Consunji
VICTOR A. CONSUNJI
 President, COO

Corporate Governance

Semirara Mining Corporation is committed to the principles and leading practices of good corporate governance that promote higher standards of accountability and transparency, provide effective oversight of the Company's business, and enhance shareholder value. The Board of Directors and Management support this continuing commitment in the performance of their fiduciary responsibilities and day-to-day operations.

THE BOARD

The Board of Directors (Board) is responsible for the overall corporate governance of the Company. It formulates the vision, mission, strategic objectives, key policies and adequate control mechanisms to effectively manage and monitor Management's performance.

The full Board consists of eleven (11) Directors, including two (2) Independent Directors, with qualifications and such numbering in compliance with the Philippine regulatory requirements for publicly-listed companies. An Independent Director is defined as one with no interest or relationship with the Company that may hinder his independence from the Company or

its management, or interfere in the exercise of independent judgment in carrying out the responsibilities expected of a director.

The roles of the Chairman and Chief Executive Officer (CEO) are separate to foster an appropriate balance of power, increased accountability and better capacity of the Board for independent decision-making. The Chairman oversees

and leads the Board on behalf of the shareholders, while the CEO implements the key strategies set by the Board. The Vice Chairman concurrently holds the position of CEO.

BOARD PERFORMANCE

The Board had eleven (11) meetings including its organizational meeting, and one (1) shareholders' meeting in 2010. All Directors have fully complied with SEC's minimum attendance requirement of 50%. Board meetings are open and candid with independent views given due consideration. The Independent Directors bring an objective mindset during Board deliberations.

BOARD COMMITTEES

The Board established three (3) Committees in aid of good governance to support its fiduciary functions and to achieve effective checks and balances. The Committees are guided by Board-approved Charters in the discharge of their roles and oversight responsibilities. The Board Committees annually assess the effectiveness of their Charters, and recommend any proposed changes to the Board for approval. The Corporate Secretary, Good Governance Officer and Legal unit provide full support to the Board's good governance committees.

Nomination And Election Committee

The Nomination and Election Committee is comprised of three (3) Members of the Board, two of whom are Independent Directors. The Committee's main function is to review, recommend and promulgate guidelines involving the nomination process and criteria for the Board of



Directors as stated in the Amended By-Laws, Revised Code of Corporate Governance and pertinent SEC rules.

In 2010, the Committee had one (1) meeting attended by all Members. It reviewed the qualifications of Board nominees for directorship ensuring they meet the requisite qualifications and endorsed the final list of nominees for election. It periodically conducts the Board's performance evaluation process involving board self-assessment as a whole and individual peer director evaluation, provides the results thereof to the Board, including private feedback to individual directors for affirmation and/or improvement of performance.

Compensation And Remuneration Committee

The Compensation and Remuneration Committee is comprised of three (3) Members of the Board, one of whom is an Independent Director. The Committee's main function is to establish a formal and transparent procedure for developing a remuneration policy for Directors, officers and key employees consistent

with the Company's culture, strategy and control environment. It also requires Directors and Officers to declare all their existing business interests or shareholdings that may directly or indirectly cause conflict of interest in the performance of their duties.

In 2010, the Committee had two (2) meetings attended by all Members. It reviewed and discussed the overall Director and Executive remuneration and benefits framework, results of the Board's evaluation of the CEO's performance based on Board-approved financial and non-financial measures, as well as provided private feedback of the evaluation results to the CEO. It also assisted and reviewed the compensation-related disclosures of Directors and Executives in the Company's annual and related reports to be in accordance with regulatory requirements and reporting standards.

Audit Committee

The Audit Committee is comprised of three (3) Members of the Board, two of whom are Independent Directors. The Committee's main function is to assist the Board in



Good Governance Committees and Officers

NOMINATION AND ELECTION COMMITTEE

Isidro A. Consunji
Committee Chair

Victor C. Macalincag
Independent Director

Federico E. Puno
Independent Director

AUDIT COMMITTEE

Victor C. Macalincag
Committee Chair
Independent Director

Federico E. Puno
Independent Director

Victor A. Consunji

COMPENSATION AND REMUNERATION COMMITTEE

Ma. Cristina C. Gotianun
Committee Chair

Victor C. Macalincag
Independent Director

Herbert M. Consunji

COMPLIANCE OFFICER & COMPLIANCE COMMITTEE

Ma. Cristina C. Gotianun
Compliance Officer
Committee Chair

George G. San Pedro

Junalina S. Tabor

Atty. John R. Sadullo

GOOD GOVERNANCE OFFICER

Nena D. Arenas

fulfilling its oversight responsibilities of financial reporting, external audit performance, internal audit function, internal control and risk management processes as well as compliance in reporting, legal and regulatory requirements.

The Committee is chaired by an Independent Director. Its Members possess the requisite levels of financial and accounting competencies, experience and other qualification requirements set by the SEC, as well as having an adequate understanding of the Company's mining business and related industries.

Committee Meetings are scheduled at appropriate points to address matters on a timely basis. Written agenda and materials are distributed in advance to allow for meaningful review and full discussion during meetings. Minutes of the Committee meetings are subsequently circulated to all Board Directors.

In 2010, the Committee had nine (9) meetings attended by all Members, except in April and November 2010 when meetings were held with a quorum of two Members. It recommended, and the Board subsequently approved, a Related Party Transaction Policy with defined threshold levels for disclosure and shareholders approval, updated guidelines on Business Gifts and Entertainment policy, and an Audit Committee Event Matrix for specific incidents and timing of their reporting thereof to the Committee. The Committee also reviewed and discussed the Company's annual budget, strategic issues, equity investments, risk management, conflict-of-interest, tax planning, equity issues and market/industry developments. The Compliance Officer, Compliance Committee, and the management team of Finance, Legal, Internal Audit and

the Subsidiary are regularly invited to Committee meetings to discuss updates in financial performance, regulatory developments and compliance matters.

A summary of the Committee's significant activities and performance during the year are discussed in a separate Audit Committee Report to the Board of Directors included in the Consolidated Financial Statements report section.

INTERNAL AUDIT

The Internal Audit function is guided by a Board-approved Internal Audit Charter and adopts a risk-based, process-focused audit approach aligned with professional auditing standards and SEC's 2009 Revised Code of Corporate Governance. It functionally reports directly and has unrestricted access to the Audit Committee. The Internal Audit provides Management and the Audit Committee with independent and objective assurance and advisory services of the Company's business processes, controls, compliance and effectiveness of its risk management practices. The Internal Audit Manager annually attests that a robust internal audit, control and compliance system are in place and effective.

During the year, internal audit scope covered reviews of the management control framework, business risk assessments, policies, procedures and information used for decision making and reporting.

The Company supports the continuing professional development of its internal auditors through membership in The Institute of Internal Auditors, participation in seminars and courses to maintain their proficiency and stay informed about current developments in internal audit standards, procedures and techniques.

COMPLIANCE

Ma. Cristina C. Gotianun, Director and Vice President-Administration, is appointed by the Board as Compliance Officer designated to ensure adherence to corporate governance principles and best practices, as well as compliance to the Company's Revised Code of Corporate Governance.

The Compliance Committee shares in the responsibility of ensuring compliance with the Company's regulatory requirements. It is headed by the Compliance Officer and has three (3) other Members who are executive officers tasked with ensuring compliance covering SEC, PSE, legal, accounting and reporting standards, environmental, health and safety matters that are aligned to their functional scope of work responsibilities. Its regular reporting to the Audit Committee and continuous monitoring of regulatory developments, legal and compliance matters including claims, litigations, environmental, health, safety and governance issues assure the Board of effective management and strategic sustainability of these concerns.

SEC and PSE

The Company complies with the disclosure and reportorial requirements of the SEC and Philippine Stock Exchange (PSE). It is also compliant with the reporting of transactions involving any acquisition or disposal of the Company's shares by its Directors within the prescribed reporting period.

Environment

Environmental stewardship and social responsibility are core values of the Company. The Philippine coal industry is subject to stringent regulations of the Philippine government's Department of Environment and Natural Resources (DENR). The



Company is compliant with all the conditionalities of its Environmental Compliance Certificate issued by the DENR relative to the development and opening of the Panian coal mine, and the closing and rehabilitation of its old mine. A Multi-Partite Monitoring Team (MMT) comprised of various government sector representatives and surrounding stakeholders, oversees the Company's compliance with the ECC conditions and all other applicable laws, rules and regulations. Consequently, the MMT issues a Compliance Monitoring and Verification Report on a quarterly basis.

The Company's coal mining

activity is in its third year of certification as conforming to ISO 14001:2004 on Environmental Management System.

Safety

Safety is a core value of the Company. It defines the Company's culture as a responsible energy company. The Company adopts the Australian standards and best practices in open-pit coal mining operation. It strictly adheres to safety procedures, health and safety standards and worker education and training which have resulted to reduced accidents and injury events. The Company is compliant with the regulatory and



reporting requirements of various Philippine government agencies tasked to oversee occupational health and safety matters.

The Company's coal mining activity is in its third year of certification as conforming to OHSAS 18001:2007 on Health and Safety Management System.

ENTERPRISE RISK MANAGEMENT

The Board sets the tone and establishes the risk appetite level

for the Company's Enterprise Risk Management (ERM) framework which provides reasonable assurance that risks are identified, assessed, managed, monitored and communicated in a timely manner across the organization to enable the Board, Management and staff to carry out their responsibilities. It reviews and agrees on risk strategies for managing these risks. Management supports, implements and reports ERM processes, policies and practices.

Per Board-approved Audit

Committee Charter, the Audit Committee assists the Board in its risk management oversight that risk management practices are aligned with strategic objectives, policies are followed, limits are respected and controls are in place. The Internal Audit plays a significant role in the ERM through its continual monitoring and evaluation of the effectiveness of risk management processes.

The Company's ERM is an entity-wide management process applied across all levels of the organization and embedded within the Company's core business processes. It recognizes the Company's operational growth and considers not only existing operations, financial and compliance risks but also external developments and emerging risks deemed having significant impact to its strategic objectives and plans. The Company's Chief Executive Officer is the Chief Risk Officer who meets regularly with functional unit heads to assess, manage and monitor ERM activities. Being risk owners, unit heads are required periodically to undertake a full risk assessment process and identify both inherent and residual risks in terms of probability, exposure and control strengths of their respective business functions. Results of the risk reviews are reported to the Audit Committee and thereafter to the Board for its assurance review that controls are in place and risks effectively managed.

In 2010, risk management practices included a more performance-based business risk management organization, regular review and enhancement of business processes, updating of control procedures and financial reporting system, among others. The Audit Committee in performing its risk management oversight function reviewed and discussed with Management and

its Subsidiary their management of principal risks deemed critical to the achievement of the annual budgets.

The Company's financial risk management objectives and policies to effectively manage its financial assets and liabilities are discussed in the Notes to Consolidated Financial Statements.

GOOD GOVERNANCE PROGRAM

The Company's good governance initiatives aim to foster a culture of compliance, performance, transparency and accountability within the organization and to enhance shareholder value. As part of its continuing advocacy on good corporate governance, it has fostered partnership with the Institute of Corporate Directors (ICD), an organization committed to the professional practice of corporate directorship, through participation in ICD's initiatives on governance forums and working sessions.

Board Performance Review

The Company's Board performance evaluation processes include full Board self-assessment and peer director evaluation using formal questionnaires and performance measures benchmarked against best practices. The Board annually conducts a formal review of the CEO's performance based on key result areas and performance goals.

The Board Committees annually conduct a review of the effectiveness of their performance using formal self-assessment questionnaires, raise and discuss recommended action steps for their improvement. The Audit Committee also solicits feedback from Executive Management to affirm and/or enhance its performance.

Board And Director Development Program

The Company's Board and Director development program aims to raise the quality of its Board operations to a higher level. This includes orientation, training, continuing education, committee assignments and Board evaluations for improvements. Directors are given a formal Board Director performance expectations list which provides a common ground for their individual performance. They undertook self-assessments of their skills and expertise using a questionnaire which included an identification of development areas of interest to enhance their qualifications and effectiveness as Directors.

Board orientation focuses on knowing the Company's unique aspects such as its history, operations, product and Board policies. Directors are provided with an orientation kit of compiled reading and video materials intended to serve as a useful tool and ready reference resource for the Board's work and duties during the year. They are encouraged to visit the Company's mine sites to gain a closer understanding of mining operations and ongoing Corporate Social Responsibility (CSR) projects.

Training varies upon each director's requirements, quality and relevance of the training available. During the year, the Company's Directors and senior management participated in its parent company's group-wide internal seminars on leadership, strategic partnership, cross-cultural competences and economic briefing. They are also periodically provided with reading updates on corporate governance, ERM and other relevant subjects for their continuing education. The Company encourages and supports enrollment of its Directors

in external courses and seminars such as ICD's Professional Directorship Program and eventual membership thereof.

Corporate Governance Training

The Board Directors, management and key Legal staff have participated in trainings and seminar updates on Corporate Governance and compliance-related topics.

Good Governance Guidelines for Board Directors

The Board formalized and approved good governance guidelines for its Directors regarding tenure, service on other company boards and conflict of interest, among others.

Code Of Conduct

Semirara Mining Corporation has adopted Codes of Conduct for Directors & Executive Officers, and Employees (Codes) to affirm the Company's standards of professional and ethical business conduct, workplace safety and environmental responsibilities. The Codes promote fair dealings with the Company's customers, service providers, suppliers, and other stakeholders. Principal contractors and consultants are likewise expected to adhere to the provisions of the Codes in the course of performance of their services to the Company. Directors, Officers and Employees are required to annually certify compliance with the Codes.

Fraud and Ethics Response Policy

This Policy reinforces the Company's commitment and determination to maintain a culture of integrity and an opposition to fraud and corruption. It sets out the ways in which employees and other stakeholders can voice their concerns and how the Company will deal with such issues.



Insider Trading Policy

Directors, Officers and employees are required to abide by the Company's prescribed restrictions and no-trading periods of its shares of stock in the market. They are also required to subsequently report their trades of the Company's shares for eventual compliance reporting to SEC and PSE.

Executive Succession Plan Policy

This Policy is a statement of commitment involving assessment of leadership needs and preparation for an eventual permanent leadership change to ensure the stability and accountability of the Company to its stakeholders. It also outlines succession

procedures including the process of appointment and time frame in case of an interim leadership.

Related Party Transaction Policy

It is the Company's policy that related party transactions are arms-length and at terms generally available to an unaffiliated third party under the same or similar circumstances. The Policy sets out the guidelines, categories and thresholds requiring review, disclosure and/or approval of such transactions by the Board or shareholders.

STAKEHOLDERS

The Company recognizes the rights and interests of its key stakeholders,

specifically shareholders, employees, customers, suppliers, creditors, government, host communities and environment. In conducting its business, it promotes a conflict resolution culture that will minimize conflicts or differences with shareholders and other key stakeholders, and will encourage their fair, efficient and equitable resolutions through alternative dispute resolution options and processes.

Shareholders

The Company promotes a good governance culture of transparency and equal respect of shareholder and investor rights embodied in its Revised Code of Corporate Governance. It

maintains a share structure that gives all shares equal voting rights. Its investor relations program aims to provide existing and potential investors with knowledge and understanding of the Company's business and financial condition. To sustain investor confidence, the Company maintains a policy of open and constant communication and disclosure of its activities, subject to insider information guidelines. It engages in conference calls and/or meets with institutional and prospective investors, analysts and the financial community, as appropriate. Mine site visits are arranged for institutional investors. Corporate information is communicated to shareholders by timely and adequate disclosures to the SEC, PSE and in company website.

Employees

The Company believes in the development of all its employees. Its workplace development program aims to empower its employees to prosper in a climate of integrity and excellence through employee welfare, training and development. Its policies and programs are implemented to meet its obligations toward its employees. Employee welfare includes health care, insurance and retirement provision. Mine site employees are provided housing benefits, free utilities and free education for dependents, among others. Employee development includes skills upgrade, training and continuing education for career growth. Its wellness program provides seminars on quality work, health, safety and personal financial planning, among others.

Customers

The Company promotes service and fair dealings with its customers. The Company's third year of certification as conforming to ISO 9001:2008 on

Quality Management System reaffirms its commitment to achieving and enhancing customer satisfaction through continual improvement of its processes.

Suppliers

The Company promotes partnership and trust with its suppliers, creditors and other business partners. It supports these core values with honoring commitments to agreements and timely payments of contracted obligations. The Company's Gift and Entertainment policy as embodied in its Code of Conduct explicitly disallows employees from any interest in or benefit from any supplier that could reasonably be interpreted as inducing favoritism towards a particular supplier over others.

Government

The Company is committed to its vital role in the country's coal mining industry and related energy sector. It partners with the government in economic development through responsible corporate citizenship, judicious use of the country's natural resources and compliance with relevant laws and regulations.

Community and Environment

The Company works in partnership with its host communities to uplift their economic and social status while engaging in the sustainability of the country's environment and natural resources. Its comprehensive Corporate Social Responsibility program encompasses Five Es – Electrification, Education, Employment, Economics and Environment.

RECOGNITION

The Company is a consistent silver awardee in the Securities and

Exchange Commission's "Corporate Governance Scorecard for Publicly-Listed Companies in the Philippines" in 2009 and 2008. Likewise, it was among the Top 20 Philippine Listed Companies accorded the same due recognition in 2007. These achievements affirm the Company's significant and continuing progress in its overall corporate governance framework through the adoption of global best practices promoting higher standards of performance, transparency and accountability to all stakeholders.

In 2010, Semirara Mining Corporation is among the awardees for "Most Committed to a Strong Dividend Policy" for "The Best Managed Companies in the Philippines from Finance Asia Magazine's 10th Annual Best Managed Company's Poll". Since its domestic and international shares offering in 2005, the Company has been consistently paying out cash dividends more than its adopted dividend policy of 20% of Net Income After Tax.

WEBSITE

The Company's organization structure, performance and significant corporate information, including disclosures may be viewed at the Company's website, www.semiraramining.com.



**ISIDRO
A. CONSUNJI**
Vice Chairman of the Board
Chief Executive Officer



**DAVID
M. CONSUNJI**
Chairman of the Board

Board of Directors

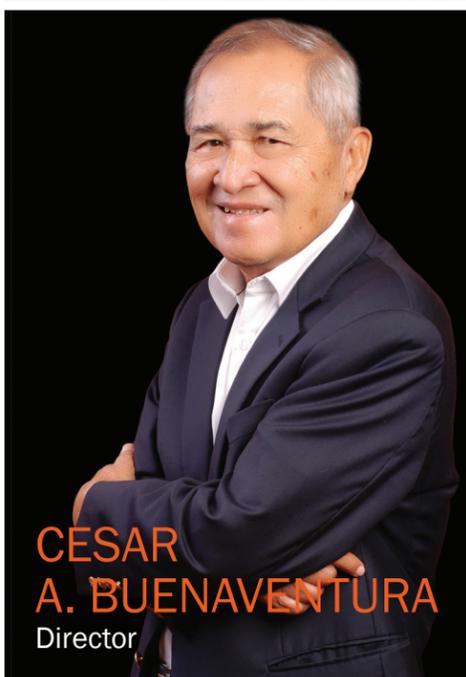
**VICTOR
A. CONSUNJI**
President and Chief
Operating Officer
Member-Audit Committee



**MA. CRISTINA
C. GOTIANUN**
Vice President-Administration
Chairman-Compensation and
Remuneration Committee



**GEORGE
G. SAN PEDRO**
Vice President for Operations
Resident Manager



**CESAR
A. BUENAVENTURA**
Director



**HERBERT
M. CONSUNJI**
Director
Member-Compensation and
Remuneration Committee



**JORGE
A. CONSUNJI**
Director



**MA. EDWINA
C. LAPERAL**
Director



**VICTOR
C. MACALINCAG**
Independent Director
Chairman-Audit Committee
Member-Nomination and
Election Committee
Member-Compensation and
Remuneration Committee



**FEDERICO
E. PUNO**
Independent Director
Member-Audit Committee
Member-Nomination and Election
Committee

Management

Minesite



From left to right: Peter M. Tink - Mining Operations Consultant, Arnel P. Jadormio - Safety Department Head, Mario V. Sadural - Mine Planning and Engineering Dept. Head, Juniper A Barroquillo - Administrative Division Manager, George G. San Pedro - VP for Operations & Resident Manager, Ruben P. Lozada - Asst. Resident Manager for Operations, Barry Charles Lewis - Mine Management Consultant, Masaaki Inoue - Consultant for Geology, Magno B. Villaflores - Mine Operations Auditor, Romeo S. Ibaos - Mobile Dept. Head, Elson J. Crisologo - Chief Geologist (CP, PMRC)



From left to right: Leandro D. Costales - Accounting and Controllership Dept. Head, Mark Louise A. Bentayo - Product Dept. Head, Jose Leo S. Valdemar - Power Plant Dept. Head, Edna A. Gayondato - Analytical Laboratory Dept. Head, Rodolfo D. Bacolcol - Mine Shift Manager, Leto T. Mac-liing - Mine Shift Manager, Felix T. Occeña - Mine Mechanical Services Dept. Head, Jerry O. Celo - OIC, Electrical Dept., Nestor V. Agapito - Materials Control Dept. Head, Janesto S. Diaz - Pollution Control Officer, Vicente Caesar V. Malig - Organizational Development Manager

Corporate Office



From left to right: Francisco B. Aragon - Marketing Consultant, Sharade E. Padilla - Investor Relations and Business Development Officer, Antonio R. delos Santos - Treasury Officer, Junalina S. Tabor - Chief Finance Officer, Jaime B. Garcia - Vice President for Procurement & Logistics, Atty. John R. Sadullo - Corporate Secretary and Corporate Counsel, Emelyn B. Javilar - Internal Audit Manager, George B. Baquiran - Vice President for Special Projects



From left to right: Teresita B. Alvarez - Information & Communications Technology Manager, Jose Anthony T. Villanueva - Marketing Manager*, Nena D. Arenas - Good Governance Officer, Antonio C. Jayme - Group Accounts Audit Manager, Melinda V. Reyes - Risks and System Control Officer, Ernesto P. Paculan - Logistics Manager, Mary Anne L. Tripon - Human Resources & Administration Manager

*As of 1 February 2011

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December 31, 2010 and 2009 and Years Ended December 31, 2010, 2009 and 2008
and Independent Auditors' Report