



FINE TUNING

COVER RATIONALE

Market forces in the past year presented Semirara Mining Corporation with a plethora of challenges which pushed your Company to spread its wings beyond its limits and its own borders. Armed with blazing determination and a clear vision of a prosperous nation, the foundation for a stronger business entity was steadily put into place.

It can be said that like the fuel that feeds the fire, Semirara Mining Corporation has built itself as one of the key players in supporting the power industry, laying the groundwork for the Philippines' continued self-sustainability.

The challenges from last year also created the opportunity for your company to fine tune itself – literally and figuratively speaking. From expansion into the regional market to state-of-the-art equipment, improved productivity equates to higher profitability. A few twists and turns here, and there then its full steam ahead in 2007.

MISSION / VISION

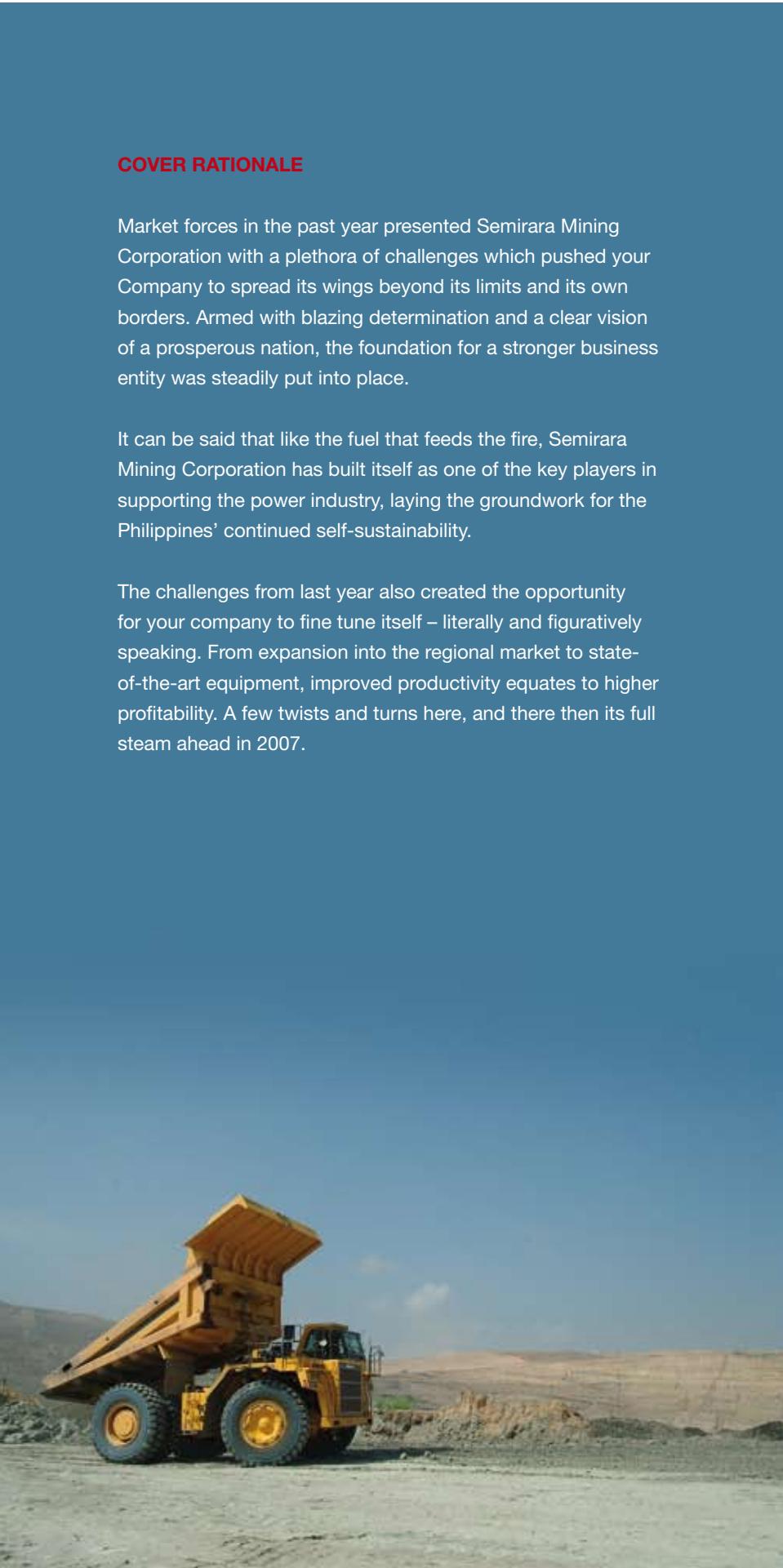
Coal Towards an Energy-Sufficient Philippines

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

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MESSAGE TO STOCKHOLDERS

Semirara Mining Corporation has weathered another challenging year, enduring unfavorable market forces. Although profitability level has taken a steep decline, the experience provided the perfect setting for your Company to dig deep, establish its roots and spread its wings.

The decrease in demand for coal gave us the opportunity to focus our efforts on expanding our facilities, enhancing our cost reduction measures, and upgrading our quality improvement systems. All these improvements have been geared towards making your Company more competitive in the domestic market and against lower-priced imports. The completion of the improvement and expansion program this year took us a hundred steps forward towards the fulfillment of our goals.

The slump in domestic market likewise propelled your Company to ramp up marketing efforts and explore other avenues where it can sell Semirara coal. Setting an ambitious goal of exporting coal, strategies were geared towards preparing operations to accommodate expanded market requirements, including quality improvement measures.

The end of last year brought to fruition one of the major goals of your Company. We are going to make our presence felt in the South East Asian region in 2007 and the years to come! It has long been a dream of your Company to achieve this and with the test shipment to China already accomplished, it is now our reality. The Asian market is booming and opens up many business opportunities for Semirara. And we are set to face the challenge head-on. It is an exciting time ahead, as Filipino business expertise makes its mark in the region.

On 28 February 2007, we have sent off our maiden export voyage to South China. After the successful initial shipment, we have proven to the world that our coal has a vast potential in the international market.

Meanwhile, forward integration efforts of the parent Company, DMCI Holdings, Inc. (DMCI-HI) further





Availability of coal inventory and pre-stripped volumes would allow an immediate foray into exports without disturbing the stream of supplies for the local market.



A handwritten signature in black ink, appearing to read "David M. Consunji".

DAVID M. CONSUNJI

Chairman of the Board

augments your Company's potential. Its plans to invest in coal-fired power plants will create new markets for your Company. Towards the end of 2006, DMCI-HI kicked off its diversification to the power industry by winning a bid in the privatization of Masbate power generation. DMCI-HI is confident that it will establish a niche in off-grid locations, like Masbate, for power generation.

As we leave behind another year and plow forward into the future, we will continue to perform and prepare to grab every opportunity in the coal business at a global scale. We will also keep our ears to the ground and open our eyes to future downstream activities that will make use of the full potentials of our presence and resources in Semirara Island and our strength in mining and engineering.

My fellow stakeholders: to the good people of Semirara Island, the local governments of the Municipality of Caluya and the Province of Antique... all of you who helped us in various ways to steer Semirara to continued success, I would like to express

my deepest appreciation. To my fellow shareholders, thank you for sharing our vision and for your continued trust and confidence.



EXECUTIVE MANAGEMENT REPORT

The year 2006 marked several important milestones for Semirara Mining Corporation, paving the way for increased productivity and, subsequently, higher profitability in succeeding business cycles.

The first step towards this direction is the completion of the Modernization and Expansion program that your Company started putting into place in 2004. This was in response to the growing demand for Semirara coal. Demand is expected to grow dramatically in the coming years with your Company spreading its wings in 2007 into potential export markets within the Southeast Asian region.

The first notable result of the expansion program is the increased material movement capacity, moving up to 40 million bank cubic meters (bcm) which translates to 4 million to 4.5 million metric tons (MTs) run-of-mine (ROM) coal per year. The economies of scale achieved is expected to bring down over-all production costs. The combined formula of the increased capacity and cost savings puts your Company in a stronger position against coal imports in the local front while bringing up business to the level where it will be poised to compete in the export market.

The year 2006 registered the highest material movement in your Company's history, with a remarkable 38% increase from the previous year. The deployment of additional trucks imported in the 1st quarter of the year contributed to this unprecedented performance. Further analysis also revealed that the increase in capacity was largely utilized for waste stripping in the light of a slower market for Semirara coal resulting into a very high strip ratio (or waste materials to coal ratio) of 14.13:1, significantly higher than last year's ratio of 8.02:1. By the end of the year, Net Product Coal produced by your Company registered lower by 21% as a direct result of management's decision to use available capacity by removing material burden to fully utilize its production equipment. Stripped coal remained at the pit for future extraction and delivery in the coming year. The market value of the 1.3 million MTs of pre-stripped coal is estimated to be at least P2.3 billion at yearend. Coal stockpile inventory was listed at 606 thousand MTs

with a market value of P1.02 billion pesos. Mining operations were managed to approximate demand to control coal inventory levels and avoid losses due to overstocking. Final coal extraction was deferred to 2007 to meet anticipated demand for the local market as well as potential exports in the first quarter. On the downside, pre-stripped coal inventory is not recognized in the Company's Balance Sheet in accordance with the Generally Accepted Accounting Standards, while stripping costs are recognized as current production costs, thus increasing production cost per metric ton of coal.

Waste stripping activities played a vital part in improved over-all productivity in 2006. Unlike in 2005 where focus of equipment deployment was on slopes stabilization in the pit, this period's stripping activities were focused on the exposure of coal blocks made for easier and quicker coal extraction in the immediate future. On a year-to-date comparison, total waste stripped from the pit registered an impressive 43% increase over last year's performance. Strip Ratio demonstrated a significant increase of 76% compared to last year, which translated to a decrease in ROM coal production by 19%. Total Net Product Coal also registered a 21% slump from 2005. Understandably, the advance stripping undertaken in 2006 will benefit the subsequent production period in terms of a lower Strip Ratio.

The focus on quality improvement was manifested via expansion of the coal washing plant. Drying facilities were also installed as a means to cater to the needs of the cement industry, currently a growing market segment for your Company.

Your Company was also able to implement cost reduction measures with the installation of a second Crusher and Conveyor System to minimize the use of trucks and shovels for material handling. These are in line with efforts to reduce fuel costs, the single biggest cost item listed in the books. It also allowed the company to dispose of old



The combined formula of the increased capacity and cost savings puts the Company in a stronger position against coal imports in the local front while bringing up business to the level where it will be poised to compete in the export market.



and inefficient equipment while realizing gains on the sale. Year-end installed material handling capacity is at 30% of total. However, this project necessitated the rehabilitation of your 2 x 7.5 MW coal-fired power plants to efficiently run the two lines.

MARKET

There was an over-all decrease of 16% in the demand for Semirara coal in 2006. Total sales volume declined, registering at 2.076 million MTs from last year's 2.479 million MTs. This was a direct result of competition from alternative fuel sources as well as cheaper coal imports. In 2006, natural gas-fired power plants were given dispatch priority since these plants have paid and held unutilized "banked" natural gas accumulated over the years. These power plants have take-or-pay contracts with natural gas suppliers.

Sales made to the National Power Corporation's (NPC) Calaca Plants accounted for 62% of total coal delivered in 2006. This posted a 6% increase from last year, cushioning the broad retreat experienced in the rest of your Company's market. Import commitments sealed in the prior years for the Masinloc, Sual and Pagbilao plants kept your Company from achieving full sales potential in the power industry for the period. Corollary to that, technical problems at the Sual plant also led to the diversion of coal imports to Pagbilao resulting into high inventory for the latter. Other plants outside of NPC likewise slowed down on Semirara coal opting for cheaper and lower quality imported coal, thus contributing to the overall decline in consumption by power plants in 2006. While this may appear to signify a downturn, it only triggers your Company to explore other potential industries using coal outside the power plant industry.

Although coal off-take by the cement companies dropped in 2006, the dependability of the industry as an alternative market is already securely established as majority of the cement plants now use Semirara coal. Despite the slump in the industry, cement plants were able to take a fair share of 26% of total sales of your Company at 531.29 thousand MTs.

On the brighter side, contrary to the performance of the power and cement markets, sales to industrial users of Semirara coal increased by 56% to 48.94 thousand MTs in the current period from 31.46 thousand MTs in the previous year. Although the total volume may not be impressive, it is worthy to note that towards the end of the year, the Company started to deliver to small industrial and manufacturing plants who were shifting to coal from more expensive fuels like bunker and diesel. This is a welcome development for your Company since market diversification has been the thrust of management to reduce dependence on a few major customers and enhance business stability. The abundant number of these factories can aggregate into a potentially major driver for non-traditional markets.

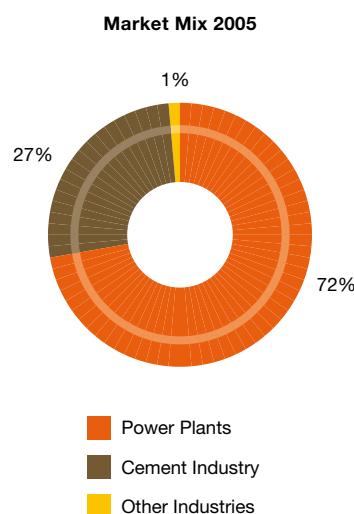
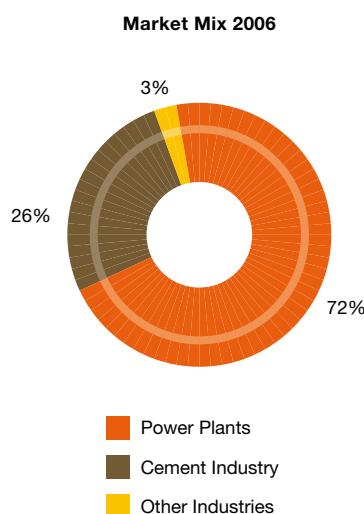
The implementation of the E-VAT Law lifting the exemption of coal imports from VAT increased the import parity price which serves as basis for pricing coal deliveries to the Calaca plant of NPC in 2006. This largely contributed to the stable composite price for Semirara coal at P2,211.76/MT compared to the previous year's price of P2,204.67/MT in spite of the lower price of coal imported by NPC during the second half of the year.

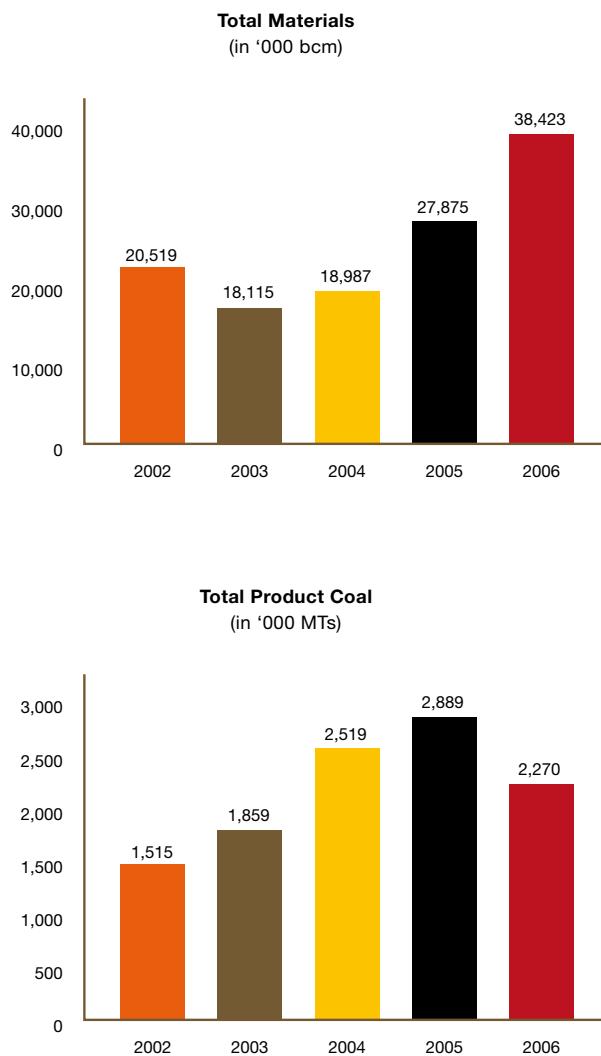
The decline in the domestic market has propelled your Company to re-evaluate its existing market strategies. Armed with a modernized and expanded capacity, it has launched a program to expand its business regionally. Availability of coal inventory and pre-stripped volumes would allow an immediate foray into exports without disturbing the stream of supplies for the local market. Your Company's vast reserves, open pit mining operations, modern equipment and close proximity of the loading port to the mine combine to provide competitive advantage in the global market. Inquiries for coal exports to China led to a deal for a trial shipment to South China for 29,000 MTs delivered in February 2007.

Your company has established a beach head in the regional market which could potentially drive sales volumes dramatically in the coming years.

FINANCE

The year 2006 was marked by a series of high and low points in the financial front. There was a 16% drop in Coal Sales Revenue, to P4.59 billion by year end from P5.5 billion in 2005. On the other hand, Coal Handling Revenues rose by 11% from P86.5 million in 2005 to





P96.34 million. The resulting Gross Revenues is P4.69 billion, 16% lower than the previous year's level of P5.55 billion. The Revenue breakdown stays at 98% Coal Sales and 2% Coal Handling Revenues.

A higher Strip Ratio resulted in a 12% rise in Cost of Sales to P3.7 billion, which already included Coal Handling Service costs of P 70.4 million. The impact of advanced stripping is reflected in the 36% increase in Cost of Coal Sold at P1,755/MT from P1,287/MT last year. Cash costs comprised 68% of total cost/MT, while Depreciation, Depletion and Amortization comprised 32%.

As a result, Gross Profit ratio for 2006 is considerably lower at 21% as against 2005 profitability ratio of 40%. In absolute amounts, the current period's Gross Profit registered a 57% decrease from P2.25 billion in 2005 to P974.53 million this year.

On a positive note, Over-all Operating Expenses experienced a substantial 51% reduction to P133.13 million as at yearend 2006, as compared to last year's P271.64 million. Lower Coal Sales also brought down Government Share by 13% in 2006. General and Administrative Expenses posted a reduction of 105%, due to the reversal of the Provision of Real Property Taxes amounting to P73.5 million, in accordance with Presidential Decree (PD) 972 exempting the Company from all taxes except income tax.

The Modernization and Expansion Program your Company completed in 2006 led to an 80% increase in Financing Cost compared to last year . This is attributed to the increased number and value of Letter of Credits opened for the purchase of various parts used for Machineries and Equipment, construction of second line In-pit Crushing and Overburden Conveying System, and rehabilitation of the Power Plants. Base rates for foreign-denominated loans, which comprised 49% of total loans, also increased with the rise in average 180-day LIBOR to 5.2737% and 90-day SIBOR to 5.1994% in 2006 from last year's 3.765% and 3.7696% respectively, contributing to the year's Financing Cost of P213.04 million. It should be noted however that there was a reversal in Accrued Interest Expenses on past due royalty for prior years in

2005 amounting to P86.7 million when a settlement was reached with the Department of Energy .

Finance Revenue, which reflected interest income on savings accounts and short-term placements and investments, slightly decreased from P55.11 million in 2005 to P54.53 million in the current year, despite the sizeable reduction in the cash level from P1.33 billion in 2005 to P510.44 million as at yearend 2006.

The continued strengthening of the Philippine Peso as against the US dollar, which is the currency of all foreign-denominated loans, was beneficial for your Company. It was able to recognize Foreign Exchange Gains of P119.96 million from its foreign loans, recording a 22% increase over the previous year's gains. Of the amount, P34.29 million were Realized while P85.70 million is Unrealized. The exchange rate of the PHP to the USD at the start of the year was PhP 53.09:USD 1, while the rate at the end of the year was PhP 49.03:USD 1.

Collection of Insurance Claims amounting to P70.21 million and Gains on Sale of phased-out Mining

Equipment amounting to P20.07 million substantially explain the increase of Other Income account by 24.2x to P107.61 million in 2006 from P4.44 million in the previous year, cushioning the decline in profitability.

The resulting Net Income Before Tax fell by 55% at P910.47 million, which is 19% of Revenues in 2006, from P2.01 billion in 2005 or 36% of Revenues. Provision for Income Tax in the current year amounted to P309.23 million, of which P297.26 million is due in the current year while P11.97 million represents Provision for Deferred Tax Liability. Total provision is effectively 33.96% of Taxable Income. The effective tax rate in the current period is higher compared to the previous year since 2005 provision included the application of the remaining Net Operating Loss Carry Over (NOLCO) amounting to P455.13 million and Minimum Corporate Income Tax (MCIT) of P67.42 million. Consequently, Net Income After Tax in the current year amounted to P601.24 million, registering a 62% drop from 2005 After-Tax Income of P1.59 billion.



Mining operations were managed to approximate demand to control coal inventory levels and avoid losses due to overstocking.

Economic factors and adverse market developments contributed significantly to your Company's inability to meet sales targets in 2006. This resulted in a drop in Revenues. However, despite the sluggish market, which is the root cause of reduced profitability, your Company was still able to maintain a healthy cash position at P510.44 million as at the end of the year. This is not taking into account the P300 million Temporary Investment with an affiliate that earned the Company Interest Income twice the going yields for short term securities. This placement was subsequently paid on the third week of March 2007. Similarly, your Company sustained a sound Balance Sheet. The decrease in Total Assets is constrained to 6% at P6.51 billion in the current year from P6.93 billion last year. On the other hand, notwithstanding the modest profitability reported during the current year, your Company was able to significantly trim down its Total Liabilities by 20% to P2.19 billion as at end of the current year from previous year's level of P2.74 billion. Meanwhile Total Equity displayed a 3% improvement from P4.19 billion as at yearend 2005 to P4.31 billion in the current period in spite of the combined effects of the payment of P333 million worth of Cash Dividends and

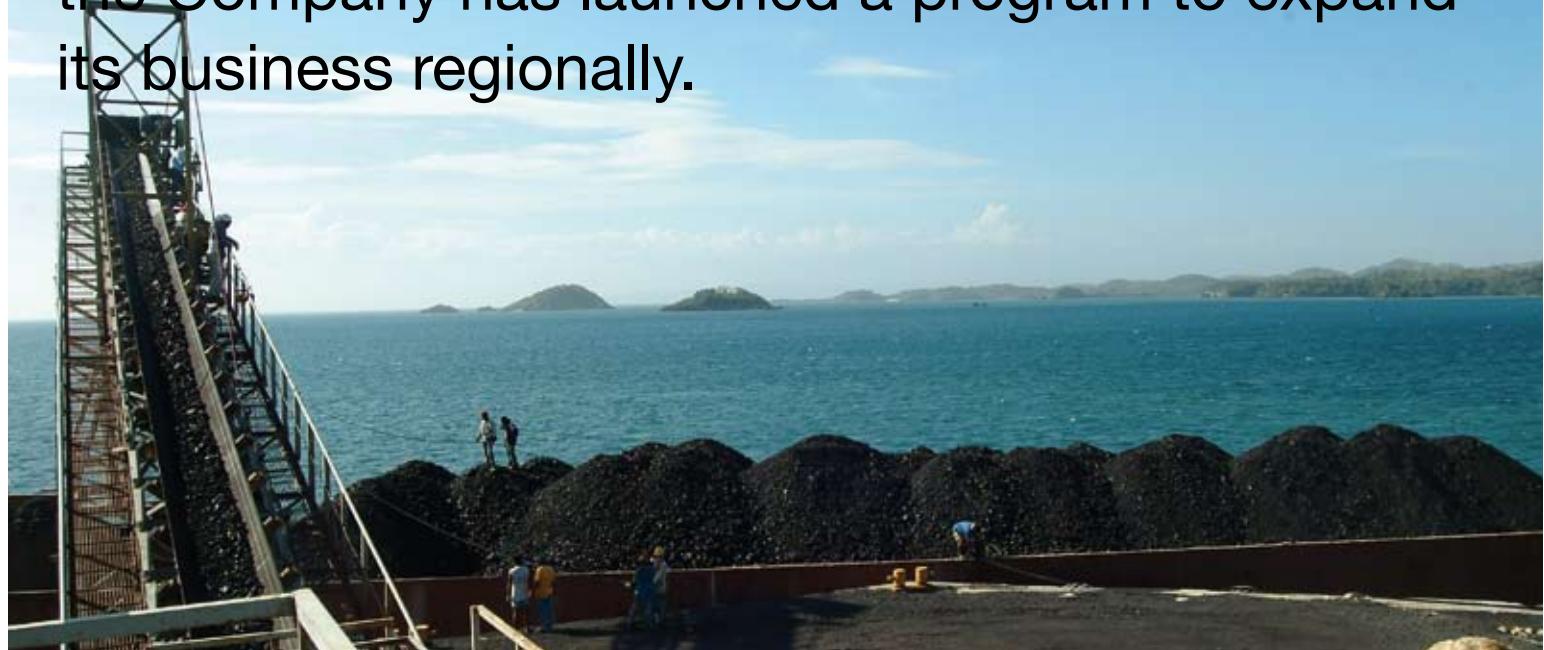
additional purchases of P145.3 million worth of Treasury Shares. The resulting Debt-to-Equity Ratio displayed a further improvement to 0.51:1 from 0.65:1 last year, demonstrating a stronger financial position. Meanwhile, the Reclassification from Long-Term to Current Portion of Long-Term Debts and Availments of Short-term financing resulted to a dip in the Current Ratio from 3.39:1 in 2005 to 2.53:1 this year. Despite the decrease in current ratio, your Company still presents an impressive liquidity condition.

Notwithstanding the downturn in profitability, your Company managed to maintain last year's dividend level of P1.20 per share, or an aggregate amount of P333 million which is a hefty 55% of Net Income After Tax. Although the dividend policy of your Company sets a minimum of 20% of Net Profit After Taxes, management gives value to providing optimum returns for stakeholders' investments.

FINE TUNING

The completion of the modernization and expansion programs of the mining equipment and facilities of your Company is one of the most important milestones of the past year. The economies of scale that are the direct

Armed with a modernized and expanded capacity the Company has launched a program to expand its business regionally.



result of this will bring about reduced costs, paving the way for competitiveness and consequently continued Growth, Stability and Profitability.

Easier coal extraction also increases your Company's competitive edge against imports and advances delivery timetables for possible exports. The investment made into waste stripping activities will be offset with the expected increase in production capacity of the mining sites. The decision to use available capacity for waste stripping not only maximizes equipment utilization but also aids in bringing down potential inventory losses due to overstocking.

New coal reserves are being discovered in Panian as confirmatory drilling activities continue in accordance with internationally accepted methods of establishing mineable reserves under the supervision of internationally recognized experts in the coal industry. This development complements the long term prospects of your Company.

Another important achievement for the year was the increasing success in diversification of your Company's market mix. The marked 55% increase in volume to non-traditional users is quite significant. The coal demand from the cement industry players continued to expand while business from NPC is back on the uptrend with the complete resumption of their Calaca plants' activities.

While the domestic market experienced a decline in 2006, this provides impetus for your Company to go full speed ahead in taking its business into the Southeast Asian region. Exploring potential export markets across the region will help move the business forward with very positive results. The improved productivity and modernization efforts will fuel this move towards success.

Your Company looks forward to a greater and profitable year ahead. With all the key elements in place, we look forward to 2007 with renewed energy. Buoyed by growing market opportunities and modern facilities, we are working towards this shared vision with you. We are optimistic that you will continue to put your faith in your Company.

While your Company is set on increasing its profitability

and efficiency, it also recognizes the role that the communities of Semirara Island have played in our success. As such, we are committed to giving back to them with our five-point corporate social responsibility program – The 5 E's (Electrification, Education, Environment, Employment and Economics). Your management put its weight behind implementing the infrastructure to improve the way of life of its constituents and provide them with livelihood. With everything in place, there is much to be expected and to be seen.

Lastly, in behalf of the management of Semirara Mining Corporation, we wish to express our thanks to the people of Semirara Island, the local governments of the Municipality of Caluya and the Province of Antique for their unwavering support and cooperation; to our suppliers, creditors, the Department of Energy and Department of Environment and Natural Resources for their continued support; and last but not least, to our fellow stockholders who share our vision for Semirara for their inspiring trust and confidence in the management of Semirara Mining Corporation.



ISIDRO A. CONSUNJI
Vice Chairman, Chief Executive Officer



VICTOR A. CONSUNJI
President, Chief Operating Officer

CORPORATE GOVERNANCE

Semirara Mining Corporation is committed to the principles and leading practices of good corporate governance that will promote a compliance culture of accountability and transparency, provide effective oversight of the Company's business, and ensure long-term shareholder value.

The Board of Directors and Management support this commitment and are guided by the Company's Amended Manual on Corporate Governance, along with the Charters of the Board Committees and Codes of Conduct of Directors and Employees.

The Board of Directors. The Board is responsible for the overall corporate governance of the Company. It establishes key policies, provides strategic guidelines and ensures adequate control mechanisms are in place to manage and conduct the affairs of the Company.

The full Board consists of eleven (11) members. It has two (2) Independent Directors in compliance with the Philippine regulatory requirement for publicly-listed companies.

Separation of the Roles of Chairman and CEO. The roles of the Chairman and Chief Executive Officer (CEO) are made separate to ensure an appropriate balance of power, increased accountability and greater 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 Meetings. The Board had six (6) meetings, including its organizational meeting in May 2006, during the year. The Directors are regularly informed of the Company's operating and financial performance by presentation of the Executive Management, and are provided the opportunity to discuss issues and actions during Board meetings. The Independent Directors bring an objective mindset to Board discussions.

Remuneration. Total compensation paid to Directors and key management are disclosed annually in the Definitive Information Statement submitted to Securities and Exchange Commission (SEC) and sent to shareholders.

Board Committees. The Board created three (3) Committees in aid of good governance to support its fiduciary functions and to achieve effective checks and balances. The Board approved the Charters of these Committees to define their purposes, duties and responsibilities.

Nomination and Election Committee

The Nomination and Election Committee's main function is to review, recommend and promulgate guidelines involving the nomination process and criteria for the Board of Directors.

In 2006, the Committee reviewed the qualifications of the nominees for directorship and endorsed the final list of nominees for election. It also improved procedures and guidelines involving the nomination and election process of the Board Directors and endorsed changes in executive

management requiring Board appointment.

Compensation and Remuneration Committee

The Compensation and Remuneration 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.

The Committee implemented a form on Full Business Interest Disclosure requiring officers to declare their existing business interests or shareholdings that may directly or indirectly cause conflict of interest in the performance of their duties.

Audit Committee

The Audit Committee members possess requisite levels of financial and accounting competencies, and have an adequate understanding of the Company's mining business and related industries.

The Committee had nine (9) meetings in 2006. Meetings were scheduled at appropriate points to address matters on a timely basis. Written agenda and materials were distributed in advance to allow for meaningful review and full discussion during meetings. The CFO is regularly invited to the Committee meetings to discuss updates in financial performance.

In 2006, the Committee assisted the Board in fulfilling effective oversight of the following functions:

- **Financial reporting**

The Committee reviewed the quarterly and annual financial statements before submission to the Board. It ensured that financial statements are in accordance with the required accounting and reporting standards. It promoted the adequacy of financial reporting disclosures, including significant related party transactions to provide a transparent and fair view that meet shareholder needs.

- **Internal control environment**

The Committee's internal control review initiative aims to strengthen checks and balances within the organization. The Committee has recommended improvements in structures and processes involving accounting, treasury, capital expenditures, fixed asset movement, information technology, sales

and procurement, which were implemented or for subsequent implementation by Management.

- **Internal audit**

The Committee established an internal audit charter to enhance the internal audit function.

- **External audit**

The Committee recommended to the Board the reappointment of SGV & Co. as external auditor. It approved audit work engagements, scope, fees and terms. It reviewed and discussed with the external auditor and Management significant financial reporting issues, audit adjusting entries noted or proposed, including audit findings and ensured that Management responded appropriately with timely corrective action.

- **Risk management**

The Committee assessed and reviewed the Company's key policies and management of risks on economic dependency, mine operation, insurance, credit, liquidity, interest rates and foreign currency exchange. It recommended changes in the risk management of insurance and financial risks to become more cost-effective and strategic which were implemented by Management.

- **Compliance with regulatory and legal requirements**

The Audit Committee held substantive meetings with the Compliance Committee to monitor compliance on environmental, safety, tax, legal, SEC and other regulatory compliance matters.

Enterprise Risk Management. The Board sets the tone and establishes the risk appetite level for the Company's enterprise risk management system which provides reasonable assurance that risks are identified, assessed, managed and monitored in a timely manner. The Audit Committee assists the Board in risk management oversight. The Board reviews the risk strategies and agrees on policies for managing these risks.

Compliance. Nestor D. Dadivas, CFO is appointed by the Board as Compliance Officer designated to ensure adherence to corporate principles and best practices, as well as compliance to the Company's Amended Manual on Corporate Governance. He also leads the Compliance Committee tasked with assurance reporting to the Board on compliance matters.

Good Governance Program. The Company's good governance program aims to promote a culture of compliance, transparency and accountability within the organization and ensure long-term shareholder value.

It has adopted Codes of Conduct for Directors & Executive Officers, and Employees to affirm the Company's standards of professional and ethical business conduct, workplace safety and environmental responsibilities. Directors, Officers and Employees

are required to annually certify compliance with the Codes.

The Company annually conducts an assessment and review of its corporate governance performance through a self-rating and evaluation system. The Audit Committee conducts its own annual self-assessment review, and obtains feedback from Executive Management of its own Committee performance.

The Board's good governance Committees shall annually review and reassess the adequacy of Committee Charters, and recommend any proposed changes to the Board for approval.

Shareholder Rights and Relations

Semirara Mining Corporation promotes a good governance culture of transparency and equal respect of shareholders rights embodied in its Amended Manual on Corporate Governance. It maintains a share structure that gives all shares equal voting rights.

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. Corporate information is communicated to shareholders by timely and adequate disclosures to the SEC and Philippine Stock Exchange.

Good Governance Committees and Officers

Nomination and Election Committee

Isidro A. Consunji, *Committee Chairman*
Victor C. Macalincag, *Independent Director*
Federico E. Puno, *Independent Director*

Audit Committee

Victor C. Macalincag, *Committee Chairman, Independent Director*
Federico E. Puno, *Independent Director*
Victor A. Consunji

Compensation and Remuneration Committee

Cristina C. Gotianun, *Committee Chairman*
Victor A. Consunji
Victor C. Macalincag, *Independent Director*

Compliance Committee

Nestor D. Dadivas, *Compliance Officer*
George G. San Pedro
George B. Baquiran
Atty. John R. Sadullo

Compliance Officer

Nestor D. Dadivas

Good Governance Officer

Nena D. Arenas

CORPORATE SOCIAL RESPONSIBILITY

It has always been the thrust of Semirara Mining Corporation to ensure that it gives back to the people and the island that has been so generous and hospitable to us. The year 2006 marked many milestones in projects - Educational institutions, technological facilities and vocational industries – that were implemented to ensure the growth and betterment of the community. Our over-all mission was to fulfill the FIVE Es – Electrification, Education, Employment, Economics and Environment. Providing work for the locals was Semirara's contribution towards helping the province take a huge step into a prosperous future. Coupled with programs to rehabilitate and protect existing eco-systems, Semirara Island is set for continued sustainability.

ELECTRIFICATION

There has been a strong push by the Company in 2006 for the electrification of the island. By the end of the year, 83% of the community was fired up with electrical facilities, kicking off a boom of small businesses and cottage industries.

Small-scale businesses that opened in the community included internet cafes, welding shops, restaurants and hotels. On the telecommunications front, public telephones were set up in key areas while mobile communications facilities have also set up communications towers in the area. Cable TV viewing has also become a new past time for the residents.

Powering up the island has become a starting point for new sources of income that will lead to increased growth for the locals in the coming years.

EDUCATION

We have always believed that the way to progress is to educate the country's youth. In 2006, the Company put into place projects to bring technology and information to the schools to bring the students up to speed in this tech-savvy world.

New computers were brought in for the students' use in their classes with computer applications being included in the curriculum. Access to the Internet also aided the students in their research work. This improvement helped the students keep abreast of the news and information vital to the community's moving forward.

Two new school buildings were also built on the island last year while renovations and additions are being made to existing structures. New facilities, such as an air-conditioned library, an audio-visual room and a fully-equipped speech laboratory were put up to cater to the students' various academic needs.

At the Semirara Training Center, Inc., vocational studies are provided to poor but deserving high school graduates who want to learn skills for future employment in the mining, construction and manufacturing industries. This is part of our thrust to create

highly-efficient future additions to the workforce. Technologically advanced workshops and laboratories balance theoretical with practical knowledge.

All of these projects have also helped increase student enrollment across-the-board, as more facilities are being provided to the community. Getting to and from school is also made easier via free shuttles and school buses provided to students and teachers.

EMPLOYMENT and ECONOMICS

Two of the E's – Economics and Employment – in Semirara's corporate social responsibility vision for 2006 were designed to work hand-in-hand. Successful implementation of economic plans results in an upsurge of employment opportunities, as more businesses are opened up. Hence, the community flourishes.

Employment in the mining sector made up for a huge chunk of the jobs available to the locals while non-mining industries account for about 20% of the pie. As Semirara Mining continues to provide funding and additional infrastructure to the community, business diversification will balance out the employment pie.

Four programs are currently generating a buzz on the economics and employment front – deep sea fishing, farming (with integrated pest management), seaweed farming (using the "lantay" method) and dressmaking.

Since 2001, a total of five SEMFA fishing boats have been helping the fishermen bring hefty fish harvests to the community. Over 200 families have benefited from this program. A 25-tonner ice plant was also opened last May to support the fishing activities and provide the townsfolk with food security.

Innovations in farming, specifically in pest management also helped pave the way for continued self-sustainability. Efficient methods in planting rice, corn and vegetables promise lower planting and harvesting costs, consistently sufficient food supplies and increased income. Integrated pest management also reduces the hazards caused by the use of pesticides on





the food crops. Farmer and fishermen cooperatives provide the necessary support and continued training to uphold the quality of the farm products.

Seaweed farming is also fast becoming a new source of income for the community as the locals are taught how to propagate this crop. Since the seaweeds have a short planting to harvest period, the earning potential is tremendous.

Another program which is quickly gaining speed as a cottage industry is dressmaking, primarily as a source of livelihood for the women. Dressmaking seminars are constantly conducted to train future seamstresses. To help strengthen their efforts, the group has also been organized as a cooperative.

ENVIRONMENT

Being a coal-mining Company, it has also been important for us to institute efforts to help preserve the environment. These projects run the entire gamut of rehabilitating the old mine site to reforestation activities.

One of the largest and most ambitious projects to date is the inland reforestation program with a vision to plant a million trees in the area by 2012. To date, new planted trees in two sites already make up more than 50% of the target. Nurseries all over the island are also being cultivated to prepare for the next tree-planting season. Mangrove reforestation projects are also another important achievement with four nurseries currently being cultivated to set this program into motion.

The most important achievement for 2006 was the rehabilitation of the Unong Lake, which was a previous mine site. Today the lake is thriving and wildlife have already migrated to the lake.

All in all, Semirara Mining Corporation is dedicated to creating a mutually beneficial and self-sustaining community for its employees and constituents. The growth of the community will also lead to everyone's continued success.



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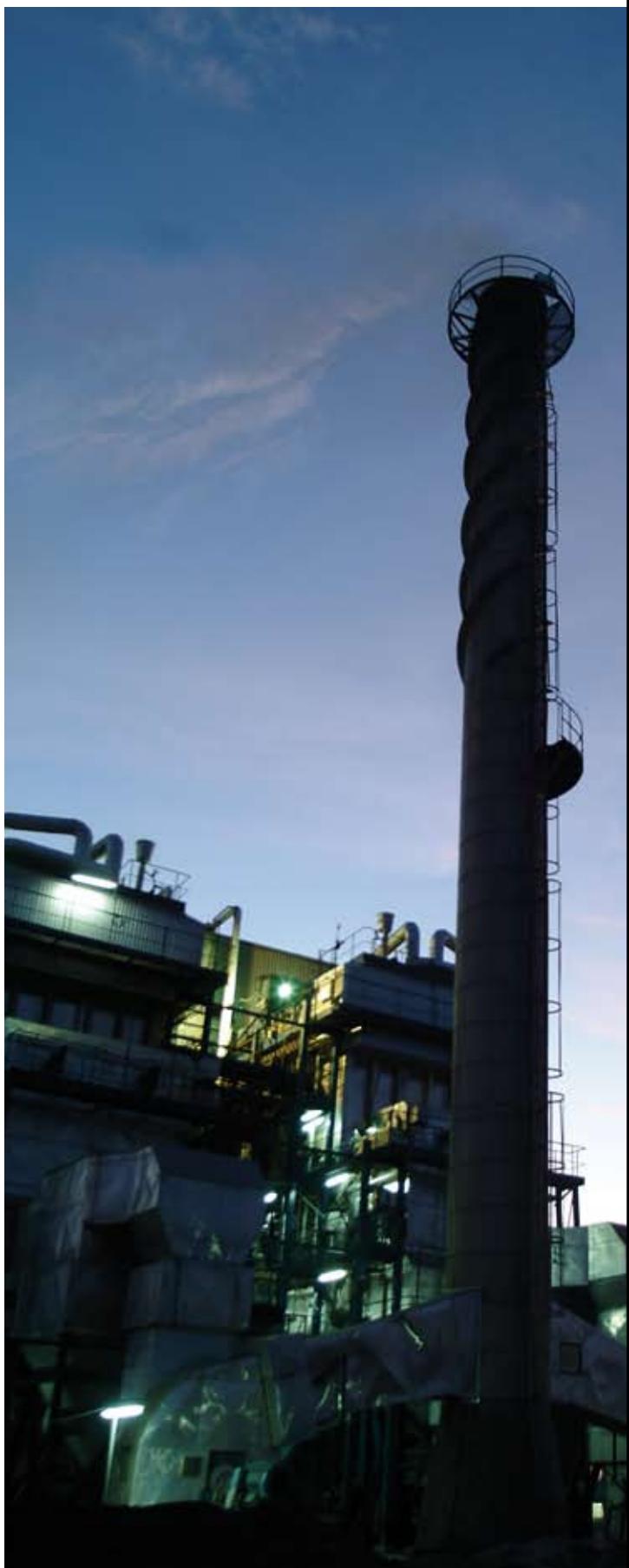
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