



surging ahead



COVER RATIONALE

Semirara Mining Corporation established a bigger venture for 2007. With the success of the first export shipment to China in the first part of the year, the Company is taking full advantage of the increasing global demand for coal and bring Semirara Mining Corporation to different parts of the world.

Semirara Mining Corporation will be taking more aggressive tactics and strategies, powered by new capabilities and fired up will to perform all to make a noticeable mark in the local and international coal markets.

Surging Ahead aptly describes how Semirara Mining Corporation has evolved into having ventured into uncharted courses and achieve a major breakthrough in the export of coal. This describes that the company knows no bounds and sets no limits in realizing the Company's potentials for growth.



MISSION AND VISION

Coal Towards an Energy-Sufficient Philippines

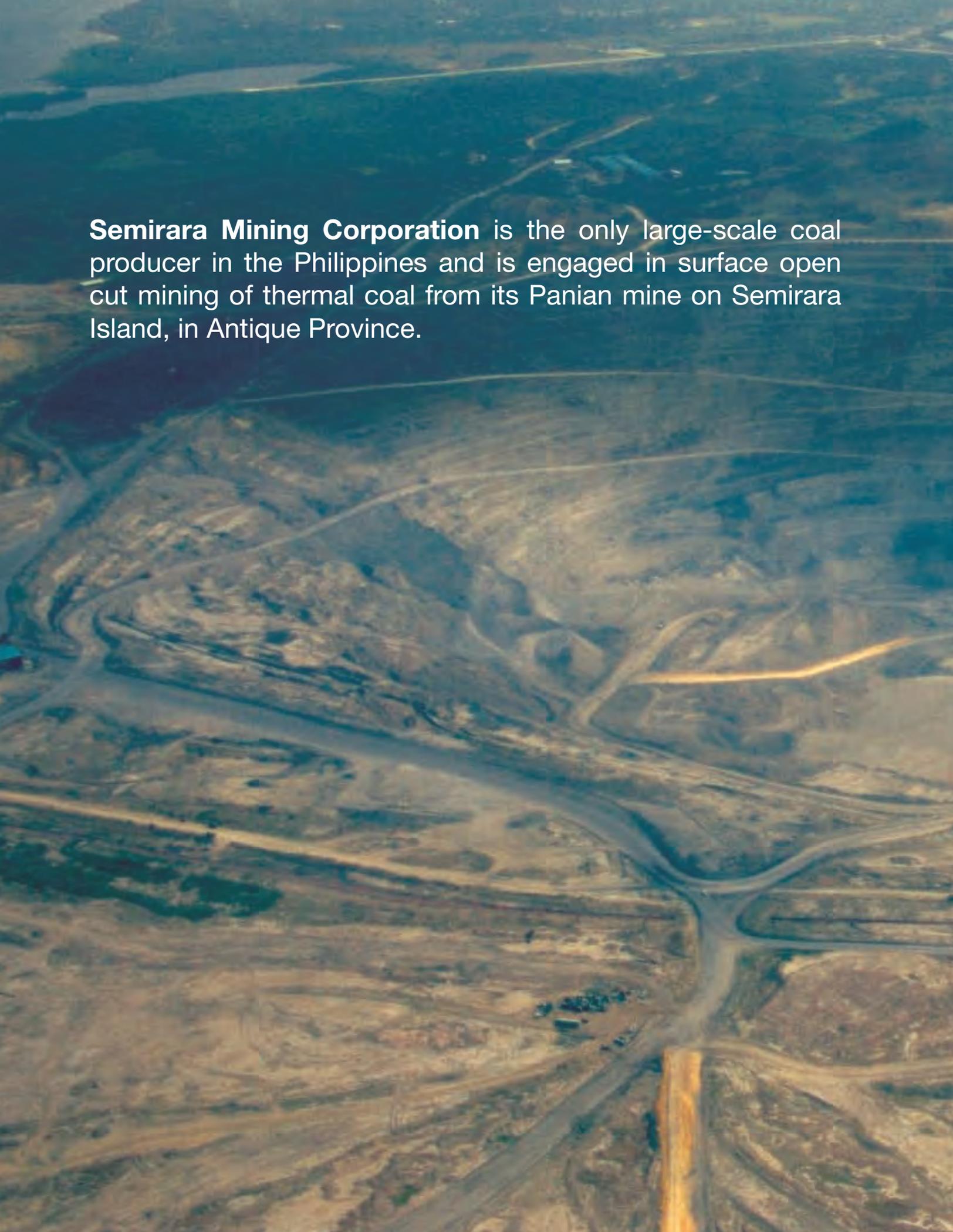
In its quest to promote the use of coal as a major energy source, Semirara Mining Corporation will endeavor to be the undisputed leader in the coal mining industry in the Philippines:

- 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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An aerial photograph of a large-scale coal mining operation on Semirara Island. The image shows extensive open-pit mines, roads, and infrastructure. The terrain is heavily excavated, with numerous pits and roads crisscrossing the landscape. The color palette is dominated by earthy tones of brown, tan, and grey, with some green patches of vegetation. The text is overlaid on the upper left portion of the image.

Semirara Mining Corporation is the only large-scale coal producer in the Philippines and is engaged in surface open cut mining of thermal coal from its Panian mine on Semirara Island, in Antique Province.



After the successful maiden shipment to South China in February 2007, Semirara Mining Corporation has taken full advantage of the increasing global demand for coal by bringing Semirara coal to other parts of Asia.



Lessons learned in the previous year inspired Semirara Mining Corporation to take extra precaution to fortify its defenses against unfavorable market conditions.

We have worked especially hard to develop new markets in the domestic front and intensified our efforts to establish the Semirara brand in the export markets. After our successful maiden shipment to South China in February 2007, we have taken full advantage of the increasing global demand for coal by bringing Semirara coal to other parts of Asia, like India and Hong Kong.

The pre-stripping activities in 2007 significantly benefited 2008 operations, since the ready inventory in the stockpile and the pre-stripped coal in the pit allowed your Company to speedily react to increasing demand. The availability of our coal also convinced other international coal traders to help us bring our product to the Asian market.

Having established the acceptability of our coal, at least in the Asian region, your Company will continue to take aggressive steps to make a more noticeable mark in the coal industry both in the local and international markets. We are launching another expansion program to increase our capacity by at least 500 thousand tons of saleable coal or up to 4.5 – 5 million metric tons per year. Towards the end of the 2007, we have firm up deliveries of at least two 16-tonner excavators and 16 100-tonner dump trucks to achieve this goal.



DAVID M. CONSUNJI
Chairman of the Board

Meanwhile, our planned forward integration strategy to invest in the power industry is smoothly progressing, as DMCI Power Corporation has been formally organized with the mandate to build coal-fired power plants that will burn 100% Semirara Coal, using the latest clean coal technology known as Circulating Fluidized Bed Technology. Your Board of Directors has formalized its approval to invest in the new company, on the basis of equal participation with DMCI Holdings, Inc. (DMCH-HI).

Furthermore, your Company's healthy liquidity position likewise afforded your Board to evaluate other investment opportunities, carefully considering the core competencies of the group. Again, partnering with DMCI-HI, it has incorporated DMCI Mining Corporation (DMCI Mining) which has entered into a mining contract with Rusina Mining Ltd. (an Australian mining exploration company listed in the Australian Stock Exchange) to operate the Acoje nickel mine, located in Zambales, and market the product. I am pleased to inform you that DMCI Mining has successfully made its first shipment of laterite to China in February 2008.

Clearly, this is an exciting time for your Company. Enjoying a strong financial condition and high level of liquidity, it will engage in sound investment opportunities that promise to add to the long-term viability, stability, and growth of your Company. We shall continue to put our experience from the past to good use and continue to surge forward, to get ready for more challenges, to create more value for your Company, and to build our mark in the global arena.

I would like to convey my deepest gratitude to my fellow stakeholders: the good people of Semirara Island, the local governments of the Municipality of Caluya and the Province of Antique, and my fellow shareholders for your unwavering trust and steadfast support which made every success we have achieved possible. I look forward to a more fruitful year ahead with you.

Favorable market conditions in 2007 further strengthened the financial health of the Company. Robust market demand resulted to higher Coal Revenues in the current year registering a historic level of P6.38 billion, while recording a 39% growth from 2006 Coal Revenues of P4.59 billion.

Production

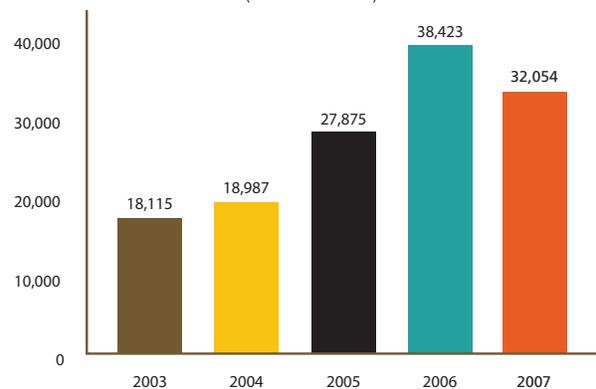
Market conditions directed the pace of operations of Semirara Mining Corporation in 2007. The changes in market scenario provided an opportunity for your Company to break through long established boundaries, surge forward, and make a mark in the global coal industry.

Increased demand from domestic buyers and the breakthrough in the export market drove operations during the year to maximize and focus on coal production. As a result, Total Materials moved in 2007 dipped by 17% over the previous year at 32 million bank cubic meters (bcm). On the other hand, Run-of-mine (ROM) coal posted a 45% increase over last year's volume to a historical high of 3.755 million metric tons (MTs) this year. Consequently, waste material to coal ratio or strip ratio dropped to the standard level of 7.82:1 in 2007 from 14.13:1 in 2006.

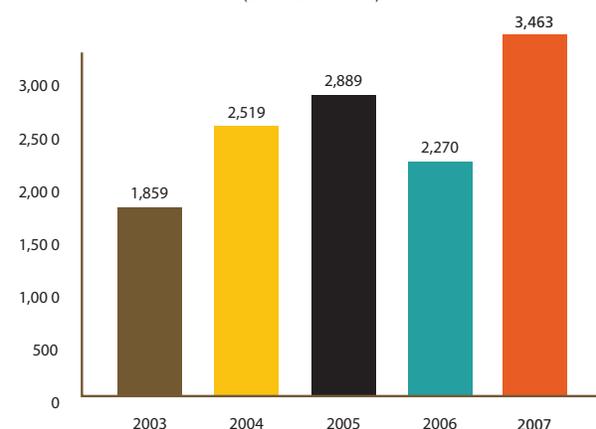
Consistent with the goal to produce more coal, the resulting Total Product Coal (TPC), net of waste after washing, likewise recorded another historical high of 3.463 million MTs in the current year, posting a growth of 53% over the previous period.

Meanwhile, increased coal production necessitated corresponding improvements in logistic support to maintain efficiency in product handling. The successful diversification to export markets required the upgrading of pier facilities to accommodate 50,000-tonne vessels. Currently, dredging activities at the pier are ongoing to accommodate these huge vessels and to load coal more efficiently using the conveyor and shiploader line. As a result, export vessels and smaller barges for local deliveries can now be loaded simultaneously, as the

Total Materials
(in '000 bcm)



Total Product Coal
(in '000 MT s)





new barge loading facility with a rated capacity of 750 MTs/hr which was set up last year is now fully operational to load the smaller vessels.

To complement waste material movement, a second line of Inpit Crusher and Conveyor System was set up and became fully operational during the first quarter of the year. The increase in capacity is effective in offsetting the negative impact of the continuous increase in oil price, as use of trucks for hauling materials was minimized.

As a consequence of a healthier market demand, current year ended with coal inventory lower by 30% at 423,934 MTs from beginning inventory of 606,030 MTs.

The increasing coal demand also inspired your Company to undertake another expansion program to be able to serve its growing markets. Before 2007 ended, negotiations with suppliers to purchase additional mining equipment to increase current capacity by at least 500 thousand MTs of saleable coal were finalized. To ensure product quality, your Company also started working on the blueprint of another coal washing plant, which is necessary to complement the increasing coal production.

Alongside expanding operations of your Company, management is taking serious efforts to improve the quality in delivering services to customers and other stakeholders. To achieve this, it is currently applying and processing ISO certifications 9001 and 14001 for Quality Management System and Environmental Management System, respectively. Likewise, it also seeks to get Occupational Health and Safety Management System (OSHAS) 18001 certification.





Market

Learning from the costly experience of dependence in local markets, your Company intensified efforts to break through the barriers and penetrate the export markets. Demand for Semirara coal dramatically plummeted in 2006 when natural gas-fired plants were given dispatch priorities, while cement plants showed less interest. This event made management realize that to sustain growth targets, your Company needed to diversify overseas. Due to quality limitations of Semirara coal vis-à-vis the requirements of existing Philippine coal plants, which were mostly designed to burn higher-quality coal, the onshore demand growth potential for the product is unfavorably limited. Hence, the regional shortage of thermal coal provided your Company a timely window to introduce its coal to the vast export market. After months of marketing and negotiating with potential end-users and traders, your Company made its maiden shipment of 28,836 MTs of coal to South China in February. When the initial shipment was found acceptable in terms of quality, more interests were received from various buyers. The ensuing months further strengthened the Semirara brand when deliveries to more plants in China, India and Hong Kong were likewise successful. As a result, your Company was overwhelmed with export orders in its maiden year in the international market, that toward the end of the year, some export contract proposals had to be deferred. With the increasing demand for Semirara coal, your Company was able to successfully negotiate for better prices for subsequent shipments.

On the local front, the meteoric rise in the price of oil and the shortage of coal in the region also augured well for your Company as more plants decided to try using Semirara coal as substitute for more expensive diesel and bunker fuel and imported coal. As a result, total local sales posted a 34% increase from 2006 sales volume of 2.076 million MTs to 2.776

million in the current year. With export sales amounting to 798.8 thousand MTs, total sales volume in 2007 registered at 3.575 million MTs, or 72% higher than 2006 volume.

Notably, despite recording a 5% growth over the previous year's volume of 1.3 million MTs, 2007 sales to the National Power Corporation (NPC) of 1.365 million MTs reflected a decrease in market share from 63% in 2006 to 38% this year. Apart from improving volumes from other power plants, two new markets, namely Asia Pacific Energy Corp. and Steag State Power Energy, Inc., augmented total sales to power plants to a record high of 1.876 million MTs this year, posting a 25% growth from 2006.

Demand from the cement industry also recovered in 2007, with sales volume showing a 42% improvement at 754.9 thousand MTs. Similarly, sales to industrial users also skyrocketed by 214% from last year's volume of 48.9 thousand MTs to 153.7 thousand MTs, as more small industrial plants converted from bunker or diesel to coal for fuel.

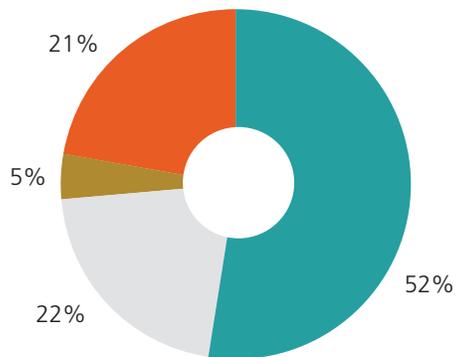
Meanwhile, exports accounted for 22% of sales in 2007. Of the 798.8 thousand MTs exported, 46% went to China, 44% to India, and the remaining 10% to Hong Kong.

On the downside, the steep devaluation of the dollar, which is the currency used in the international coal market, impacted negatively to the Composite Selling Price of coal. FOB average price per MT is 19% lower than 2006 selling price.

Looking forward, however, the continuous upsurge in global demand for coal spells a bright outlook for Semirara coal, in terms of sales volume and prices. Currently, demand and coal prices continue to point north.



Market Mix 2007

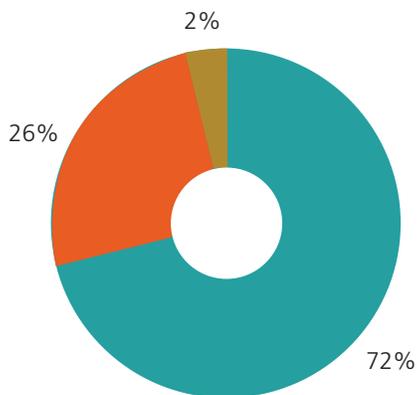


- Power Plants
- Cement Industry
- Other Industries
- Export



Minepit Configuration

Market Mix 2006



- Power Plants
- Cement Industry
- Other Industries



Transporting clean coal to coal blending stockpile.



Finance

Favorable market conditions in 2007 further strengthened the financial health of your Company. Robust market demand resulted to higher Coal Revenues in the current year, registering a historic level of P6.38 billion, while recording a 39% growth from 2006 Coal Revenues of P4.59 billion. Meanwhile, another P90.7 million was generated from coal handling activities at the Calaca coal yard this year, posting a slight 6% decrease from 2006 Coal Handling Revenues of P96.34 million. Reduced dependence on the NPC - Calaca plants also translated to decreased share of Coal Handling Revenues in the Revenue pie from 2% in 2006 to 1% in the current year.

Economies of scale from increased production resulted to lower Cost of Coal Sold/MT to P1,453.04 which showed a 17% decrease from 2006 unit cost of P1,754.82. However, with higher volumes sold this year, total Cost of Sales escalated by 40% from P3.71 billion in 2006 to P5.19 billion in the current period. Non-Cash component of Cost of Sales remained at 32%, reflective of the accelerated depreciation policy of the Company.

The resulting Gross Profit showed a 31% improvement at P1.27 billion from P974.53 million in 2006. However, as a consequence of lower Composite Average Selling Price/MT, Gross Profit margin dipped slightly to 20% from 21% in the previous period.

Operating Expenses showed a significant growth of 144% from P133.12 million in 2006 to P324.38 million in the current year. Although government share was maintained at the minimum of 3% of Coal Sales, because of higher Revenues, the absolute amount posted a 38% growth to P191.29 million from P138.27 million in 2006. Meanwhile, the substantial increase in General and Administrative Expenses (G&A) is attributed to the

uncharacteristically low G & A in 2006 which reflected a negative figure, resulting from the reversal of the Provision of Real Property Taxes amounting to P71.53 million, in accordance with Presidential Decree 972 exempting the Company from all taxes except income tax.

On the other hand, Finance Costs marked a 34% reduction due to the combined effects of lower interest rates and decreasing balances on interest-bearing loans which dropped from P1.69 billion as at the end of 2006 to P1.13 billion at yearend 2007. Finance Costs dipped to P140.25 million this year compared to the P213.04 million incurred last year.

Meanwhile, Finance Revenue registered 26% lower during the current year at P40.30 million from P54.53 million in 2006. This can be explained by the lower Cash balances at the first half of the year. Notably, cash only started to build up during the second half of the year when export sales stepped up and excess cash were placed in short-term investments.

The continued depreciation of the US Dollar against the Peso afforded the Company to continue to book Foreign Exchange Gains amounting to P102.96 million in 2007 (from P49.03: USD1 at beginning of the year to P41.28: USD1 at end of the year). However, this amount is 14% lower than Foreign Exchange Gains of P119.96 million earned in 2006 as dollar-denominated liabilities declined when amortization payments were made during the year.

Other Income also recorded a significant drop of 91% from P107.61 million in 2006 to P9.42 in the current year as collection of insurance claims were lower in 2007 at P4.25 million as compared to 2006 level of P70.21 million. Moreover, more equipment were disposed last year enabling the Company to record more Gains from Sale of Property and Equipment.



The resulting Net Income Before Tax showed a modest growth of 6% from P910.47 million in 2006 to P960.77 million in the current period. Provision for Income Tax in the current year correspondingly increased by 6% at P327.97 million from P309.23 in 2006. Net Income After Tax also posted a slight increase of 5% from P601.24 million in 2006 to P632.80 million this year. Earnings per Share correspondingly recorded a 6% growth at P2.28 in 2007 from P2.161 in the previous year.

Notwithstanding the modest improvement in profitability, your Company's cash position posted a sizeable rise of 223% from end 2006 Cash level of P510.44 million to P1.65 billion as at end of 2007. This is mainly a result of more export sales towards the end of the year which were covered by sight Letters of Credit; thus significantly shortening collection period. Moreover, the Company also terminated its Temporary Investments made in 2006 amounting to P300 million in the current period. Meanwhile, your Company's aggressive depreciation policy resulted to a huge decline in Non-Current Assets, aggravated by the lack of Capital Expenditures during the year, which offset the growth in Current Assets. Consequently, Total Assets dropped slightly by 1% from P6.51 billion in 2006 to P6.42 billion as at the end of the current year. On the other hand, Total Liabilities

plunged by a more significant percentage of 18% from P2.20 billion in the previous year to P1.81 billion in 2007. Conversely, Total Stockholders' Equity posted an increase at P4.61 billion from P4.31 billion at yearend 2006, or a growth by 7% with the payment of cash dividends and the income earned during the year. As a consequence, the Company's Debt-to-Equity ratio further strengthened from 0.51:1 last year to 0.39:1 as at the end of the current period.

Growth in Current Assets, augmented by the decrease in Current Liabilities, resulted to a remarkable increase in Current Ratio by 32% from 2.53:1 in 2006 to 3.34:1 in the current year, thus showing a significant improvement in your Company's liquidity position.

The continued strengthening of your Company's financial condition and liquidity allowed the declaration on P4 cash dividend per share, which marked a hefty increase from previous years' dividend of P1.20 per share, and significantly more than the minimum dividend set by the Board approved policy of 20% of Net Profits After Tax. Subsequently, on 27 March 2008, total cash dividends amounting to P1.02 billion were paid to shareholders.

A healthy solvency condition enables the Company to consider investment opportunities that add to its long term value. The Company is investing in a nickel mine and is putting in money in the power generation business to augment and guarantee future markets for its product.

Surging Ahead

2007 has been a remarkable year for your Company. From a relatively anemic market in 2006, the scenario has completely turned around in the current year when regional demand for coal skyrocketed, giving your Company the opportunity to grow locally and penetrate the international market. This is a huge milestone for your Company as Semirara coal has finally gained international acceptance. Breaching the export market opens a long-term avenue for growth, stability, and profitability, painting bright prospects for your Company.

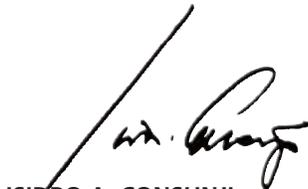
The continuous strengthening of your Company's financial condition, boosts the trust and confidence of both investors and creditors. A healthy solvency condition also enables your Company to consider investment opportunities that add to its long term value. Synergistic with its core competencies, your Company is investing in a nickel mine to take advantage of the bright prospects of the business. Also, as a forward integration strategy, it is putting in money in the power generation business to augment and guarantee future markets for its product.



Through the years, you have witnessed how your Company struggled to stay afloat, toiled to gain more markets, and strived to prove its reliability as a stable supplier of coal. Now that we have achieved all these, your Company has successfully elevated its business to a new and higher platform as an international player, and is gearing up for new challenges.

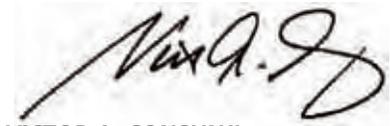
With our successes, we humbly acknowledge that the same could not have been realized without the support of the communities of the Island of Semirara. In appreciation, we have committed to continue and strengthen our Five-pointline corporate social responsibility program - The 5 E's (Electrification, Education, Environment, Employment and Economics) – as our way of showing our appreciation to our hospitable host. We reaffirm our steadfast dedication to enhance the lives of the people in the island to correspond to your Company's growth.

In this note, in behalf of the management of Semirara Mining Corporation, we would like to reiterate our sincere gratefulness to all the stakeholders of Semirara Mining Corporation for their untiring support and cooperation, and their unwavering faith in our management.



ISIDRO A. CONSUNJI

Vice Chairman, Chief Executive Officer



VICTOR A. CONSUNJI

President, Chief Operating Officer



Semirara Mining Corporation will be launching another expansion program to increase capacity by at least 500 thousand tons of saleable coal or up to 4.5 – 5 million metric tons per year. Towards the end of 2007, the Company has firming up deliveries of at least two 16-tonner excavators and 16 100-tonner dump trucks to achieve this goal.



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 establishes key policies, provides strategic guidelines and ensures adequate control mechanisms are in place to manage and conduct the affairs of the Company. The Board's other mission is to maintain a sense of responsibility to the Company's customers, employees, suppliers and the communities in which it operates.

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

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.

The Board had five (5) meetings including its organizational meeting, and one (1) shareholders' meeting during the year. Board meetings are open and candid with independent views given due consideration. The Independent Directors bring an objective mindset during Board deliberations. Board meeting attendance of the Directors met the Securities and Exchange Commission (SEC) requirement of more than 50% attendance.

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 responsibilities. The Corporate Secretary, Good Governance Officer and Legal unit provide full support to the 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, Amended Manual on Corporate Governance and pertinent SEC rules.

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

Ma. Cristina C. Gotianun
Committee Chairman

Victor C. Macalincag
Independent Director

Herbert M. Consunji

Compliance Officer

Nestor D. Dadvias

Compliance Committee

Nestor D. Dadvias

George G. San Pedro

Atty. John R. Sadullo

Good Governance Officer

Nena D. Arenas



In 2007, the Committee had one (1) meeting attended by all Members. It reviewed the qualifications of the nominees for directorship and endorsed the final list of nominees for election. It also assessed its Charter and recommended to the Board new provisions on succession planning and annual Board performance evaluation, among others.

The Committee Chairman has consistently attended the Annual General Meetings in the past two years to give shareholders an opportunity to address the Committee.

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.

In 2007, the Committee had one (1) meeting attended by all Members. Additionally, the Committee Chairman joined an Audit Committee meeting to collectively discuss conflict-of-interest issues.

During the year, the Committee reviewed and discussed the overall executive compensation package, performance metrics and Committee initiatives to be undertaken. It reviewed and discussed strengthening programs on conflict-of-interest and ethical conduct. It also reviewed its Charter and recommended to the Board new provisions on CEO performance evaluation, among others.

The Committee Chairman has consistently attended the Annual General Meetings of the Company's shareholders in the past two years.

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 fulfilling its oversight responsibilities of financial reporting, external audit performance, internal audit performance, 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 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 Chief Finance Officer (CFO) and the finance management team are regularly invited to the Committee meetings to discuss updates in financial performance.

Minutes of the Committee meetings are subsequently circulated to all Board Directors.

The Committee assessed its Charter and determined that there were no provisions or matters that necessitated amendment to said Charter. It also reviewed and discussed with Management strategic issues, new investments, conflict-of-interest, tax planning, industry developments, market and marketing issues. The Committee presented herein a summary of its significant activities during the year in a separate Audit Committee Report section.

The Committee Chairman has consistently attended the Annual General Meetings of the Company's shareholders in the past two years.

Compliance

Nestor D. Dadvivas, the Company's CFO 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 Amended Manual on Corporate Governance.

The Compliance Committee, a sub-committee shares in the responsibility of ensuring compliance with the Company's regulatory requirements. It is lead by the Compliance Officer and is comprised of three (3) Members who are executive officers tasked with compliance covering SEC, PSE, environmental, health and safety matters aligned to their functional scope of work responsibilities. The Compliance Members regularly meet with the Audit Committee for assurance reporting on such matters. Compliance monitoring and reporting of environmental, safety and governance issues further 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 (ECC) 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 government sector representatives and the 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.



Safety

Safety is a core value of the Company. It 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 and zero fatality. The Company is compliant with the regulatory and reporting requirements of various Philippine government agencies tasked to oversee health and safety, among others.

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 its risk management oversight. The Board reviews the risk strategies and agrees on policies for managing these risks.

Good Governance Program

The Company's good governance initiatives aim to foster a culture of compliance, transparency and accountability within the organization and enhance shareholder value. The Company's good governance guidelines for the Board of Directors have been formalized and subsequently approved by the Board.

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 also promote fair dealings with the Company's customers, service providers, suppliers, and other stakeholders. Directors, Officers and Employees are required to annually certify compliance with the Codes.

The Audit Committee recommended to the Board enhanced guidelines to strengthen fundamental provisions on insider trading, conflict of interest and ethical conduct. These supplementary policies and implementing guidelines were subsequently approved by the Board.

The Compensation and Remuneration Committee recommended to the Board the adoption by the Company's affiliates of a Code of Conduct similar in substance to the Company's Codes as part of its commitment to espouse good governance principles within its group of related companies.

Full Business Interest Disclosure

Directors and Officers are required to declare under penalty of perjury all their existing business interests or shareholdings that may directly or indirectly cause conflict of interest in the performance of their duties.

Governance Training and Continuing Education

The Board Directors, Officers and key Legal staff have participated in training on Corporate Governance and relevant governance topics.

As part of the Directors' continuing education, the Good Governance Officer periodically provides materials for all Directors on subjects relevant to their duties as Board members.

Performance Review

The Company annually conducts an assessment and review of its corporate governance performance using a self-rating form covering leading practices and principles of good corporate governance.

The Audit Committee conducts a review of its own performance annually with a self-assessment questionnaire. Moreover, it solicits feedback from Executive Management team to affirm and/or improve its Committee performance.

The Board's good governance Committees annually assess the effectiveness of the Committee Charters, and recommend any proposed changes to the Board for approval. Recommended amendments to the Committee Charters in 2007 include among others, annual Board and CEO performance evaluation which were subsequently approved by the Board.

Recognition

Semirara Mining Corporation was among the Top 20 Philippine Listed Companies which scored highly in the SEC's 2007 Corporate Governance Scorecard Project jointly conducted with the Institute of Corporate Directors. This affirms the Company's significant 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.

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.

Website

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



AUDIT COMMITTEE REPORT

The Audit Committee ("Committee") assists the Board of Directors ("Board") in fulfilling oversight of the following matters consistent with its Board-approved Audit Committee Charter:

- (1) Internal control environment,
- (2) financial reporting process and the financial statements,
- (3) external audit performance,
- (4) internal audit performance,
- (5) risk management, and
- (6) compliance on reporting, legal and regulatory matters.

The Committee is comprised of three (3) Members of the Board, two of whom are Independent Directors. The Committee Members meet the experience, financial literacy and other qualification requirements of the Securities and Exchange Commission.

In 2007, the Audit Committee had nine (9) meetings, all of which were in-person meetings that included separate sessions with the Executive Management, independent auditor SGV & Co., senior internal auditor, corporate counsel and the Compliance Committee. Meetings were presided by the Committee Chairman with attendance by all its Members, except in March, August and November 2007 when meetings were held with a quorum of two Members. Additionally, the Committee Chairman conducted three (3) informal meetings with finance management relating to equity matters.

In the discharge of its roles and responsibilities, the Audit Committee confirms that:

- *The Committee recommended to the Board the re-appointment of SGV & Co. as independent auditor for 2007;*
- *The Committee reviewed and pre-approved SGV & Co.'s audit work engagement, scope and fee for such service;*
- *The Committee reviewed the quarterly unaudited and annual audited financial statements of Semirara Mining Corporation as of and for the year ended December 31, 2007 with Management and SGV & Co., including the processes affecting financial reporting. It also reviewed the adequacy of disclosures, including significant related party transactions to ensure a transparent and fair view that meet shareholder needs. The review is done in the context that Management has the primary responsibility for the financial statements and the reporting process, and that SGV & Co. is responsible for expressing an opinion on the conformity of the Company's audited financial statements with Philippine Financial Reporting Standards;*
- *The Committee reviewed and discussed audit and compliance issues with SGV & Co. and the Compliance Committee ensuring that Management responded appropriately in a timely manner;*

- *The Committee reviewed and discussed the internal audit scope, work procedures and performance with the senior internal auditor ensuring that Management provides support to the internal audit function;*
- *The Committee through its control review initiative continues to monitor the overall internal control environment. The oversight is done in the context that Management has the responsibility and accountability for addressing identified control gaps & weaknesses and for taking the necessary corrective actions;*
- *The Committee reviewed and discussed SGV & Co.'s performance, experience, independence and qualifications, and considered the opinion of Management;*
- *The Committee reviewed and recommended to the Board good governance initiatives and supplementary policies such as Insider Trading Policy and Fraud & Ethics Response Policy to strengthen fundamental provisions on ethical conduct;*
- *The Committee reviewed and discussed with Management significant risk issues and exposures, ensuring that the Company's enterprisewide risk management system is adequately supported by risk mitigation measures and initiatives. It recommended to Management the development of a Crisis Management Program as part of contingency measures. The review is done in the context that Management has the primary responsibility for the risk management process.*

Based on the reviews and discussions referred to above, and subject to limitations on the Committee's roles and responsibilities referred to above, the Audit Committee recommended to the Board of Directors the inclusion of the Company's audited financial statements as of and for the year ended December 31, 2007 in the Company's Annual Report to the Stockholders and for filing with the Securities and Exchange Commission. Finally, the Audit Committee also recommended to the Board of Directors the re-appointment of SGV & Co. as the Company's independent auditor for 2008.

Victor C. Macalincag, Committee Chairman

Federico E. Puno, Member

Victor A. Consunji, Member

March 7, 2008

CORPORATE SOCIAL RESPONSIBILITY

The success of Semirara Mining Corporation is made possible with the wholehearted and inspiring support of the people of Semirara Island. In recognition of the vital contribution of the host community to the Company's triumphs, management is dedicated to ensure that it will share in its bounty. In 2006, the Company redefined its Community Social Responsibilities program to address the basic requirements for a sustainable growth and development of the community. It has then launched the FIVE Es - Electrification, Education, Employment, Economics and Environment – to lay down the foundation of an enduring progress. In 2007, the Company carried on its mission of securing the future of Semirara.

Electrification

To jumpstart development, the Company is resolute in providing electricity to the whole island. As at the end of 2007, 88% of the total households in the island were already energized. Total consumption of the communities reached 763,963 kwh in the year, a 56% jump from the average annual consumption of the past 6 years. This is a result of the rippling effects of the community getting powered up, which triggered the flourishing of small businesses and livelihood activities.

The electrification program of the Company also spurred the improvement of telecommunications facilities of the island, which has been brought at par with the telecommunication capabilities of nearby more developed islands. Accessibility of mobile communications technologies, internet connections, and cable TV by the residents brought Semirara closer to the world.

Education

To provide the residents of Semirara island the primordial tools in embarking for growth and development, the Company's zeal is not only to provide basic education, but also to deliver quality education. This is evidenced by its sizeable investments in educational facilities.

The success of the Company's educational drive is demonstrated by the continuous increase in enrollees, at all levels, of all company-sponsored schools throughout the island. To support this growth in student registry, the Company incessantly provides additional school buildings and other facilities. 2007 marked the completion of a four-classroom building in Semirara Elementary School and the start of construction of another six-classroom building in Bunlao Elementary School which is targeted to be finished by April 2008. A 12-room school building intended for Tinogboc National High School, which was completed in 2006 was finally donated and turned-over to the Department of Education Culture and Sports, Region VI in 2007 together with 50 sets of computer units for its computer laboratory. Meanwhile, the construction of a gymnasium at the Divine Word School of Semirara Island (DWSSI), a private school offering primary to secondary education established by the Company to provide free education to the children of its employees, is 97% complete as at the end of the year.

To upgrade the computer facilities of the schools in the island, the Company replaced a total of 76 computer units, 31 units for the DWSSI, and other 45 units for Semirara National High School. In addition, the Company installed four air condition units for the latter's computer laboratory and library.

This year, a total of 2,000 monobloc chairs were purchased by the company for DWSSI.

Finally, the Company is taking a huge step in the total upgrading of the educational system in the island by partnering with Seameo Innotech to incorporate Applied Academic for Excellence (Apex) program — a teaching method which encourages student participation in classroom learning, while transforming teachers as facilitators. The P35 million Apex project will run for five years, and will not only benefit the Company-owned school, but the local public elementary and secondary schools as well.

Employment

The Company's labor-intensive operations in the island provide employment opportunities, not only to the residents of Semirara, but to qualified individuals all over the country. Currently, a total of 1,577 employees compose the workforce of the Company at the mine site.

In its continuous quest to improve the working environment, the Company is currently applying for ISO 9001 certification for Quality Management System and Occupational Health and Safety Management System (OSHAS) 18001 certification. Considering the inherent physical risks of a mining operation, the Company aims to set its safety standards at par with international standards.

Moreover, the Company aims to create a workplace that encourages growth and career opportunities. Heavy equipment operators and mechanics are kept up-to-date with technological advancements in the mining industry, whereas to continually hone their skills and expertise, the Company tapped the Technical Education and Skills Development Authority (TESDA) to provide a training program through a series of seminars for these employees.

In 2006, the Company also set up the Semirara Training Center, Inc., a TESDA – accredited vocational school that aims to provide technical and on-the-job trainings to out-of-school youth with the goal of providing employment to them when they finish the course. The Company is continuously campaigning to empower the unemployed youth in the island by motivating them to enroll at the training center.

Meanwhile, the Company's concern for enhancing its thrust in providing better working and living conditions of employees in the island has creatively evolved into many faces. First, it has continuously provided, prioritized and improved the delivery of government mandated social



benefits. Second, the Company intensified its efforts in providing better living conditions through housing programs and free utilities for its employees. Thirdly, in its efforts to secure the future benefits of employees, the Company maintains a non-contributory retirement plan for them.

Economics

To provide alternative employment opportunities to the rest of the residents of the island, the Company takes an active role in setting up support mechanisms for different livelihood projects.

In 2007, the Humic Acid plant and the pottery program set up by the Company alone employed a total of 60 locals.

Meanwhile, to further empower the Semirara Fishermen Association (SEMFA), a cooperative set up by the Company to organize the fisher folks in the island, was given assistance in building 2 additional units of fishing vessels for deep-sea fishing, complete with all fishing gears and equipment. The vessels will be ready for operation in April 2008.

Currently, the Company also formalized the organization of more fisher folks from the village of Villaresis. To ensure that the organization starts on the right track, the Company sponsored a Values Formation and Leadership Training seminar for the members.

In addition to its efforts in organizing the fishermen in the island, the Company is also considering putting in place mariculture and aquaculture projects, in coordination with the Southeast Asian Fisheries Development Center (SEAFDEC) for abalone, sea bass, seaweeds, mud crabs, and caged lapu-lapu cultures.

The Company also extends its full support to the farmers of the island. It is continuously monitoring its Pest Management projects in three barangays, namely, Bunlao, Alegria, and Tinogboc.

To augment vegetable farming at local communities and Company housing projects, the Company introduced humic acid as an organic fertilizer for vegetable gardens.

Also, to foster synergism among farmers, the Company provided technical and financial assistance to farmers associations in barangays Alegria and Tinogboc.

Livelihood projects for employee dependents were also set up. The Company sponsored a dressmaking program for the employees' wives who are commissioned to make rugs for use in the Company's operations. There is also a move to formally register the organization with the Securities and Exchange Commission.

Finally, the Company spearheaded the planting of pandan seedlings at the Unong area for another livelihood program on handicraft making using pandan.

The varied livelihood projects set up by the Company is foreseen to provide a synergistic effect to the economic growth and development of the island.

Environmental Protection And Preservation

Recognizing its obligation to give back to the environment what is being taken by its mining activities, the Company takes extra effort in protecting and preserving the island's natural resources. To achieve this, it has launched reforestation projects in different areas of the island.

Congruent to its goal to plant a million trees in the island by 2012, the Company continues to amplify its inland reforestation activities. In 2007, a total of 20,196 trees were planted within the area, while the plantation of new seedlings within the nine nurseries maintained by the Company brought total seedlings stock to 152,620 hills.

The Company also cares for and maintains several mangrove areas surrounding the island, totaling 184.3 hectares. This year, a total of 28,919 hills of mangrove propagules are available at the mangrove nurseries.

Meanwhile, the Company launched a new project in 2007 on the protection and management of 367 pieces of giant clams that are sheltered in the marine sanctuary in the Dalit-Illugao area. Of the total population 300 pieces of 3 varieties of clams, namely, Derasa, Maxima, and Hiperpa, come from the shores of Semirara. The other 67 clams are Gigas variety purchased from Bolinao, Pangasinan.

Lastly, to ensure that the mining operations of the Company is compliant with international standards in terms of environmental preservation, it is currently processing its application for ISO 14001 certification for Environmental Management System.



Congruent to its goal to plant a million trees in the island by 2012, Semirara Mining Corporation continues to amplify its inland reforestation activities.

BOARD OF DIRECTORS



David M. Consunji
Chairman of the Board



Isidro A. Consunji
*Vice Chairman of the Board
Chief Executive Officer
Chairman–Nomination and
Election Committee*



Victor A. Consunji
*President and Chief Operating Officer
Member–Audit Committee*



Jorge A. Consunji
Director



Herbert M. Consunji
*Director
Member–Compensation and
Remuneration Committee*



Cesar A. Buenaventura
Director



Ma. Cristina C. Gotianun
*Vice President–Administration
Chairman–Compensation and
Remuneration Committee*



Ma. Edwina C. Laperal
Director



George G. San Pedro
*Vice President–Operations
Resident Manager*



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*



OTHER OFFICERS

Finance

Nestor D. Dativas
Chief Finance Officer

Junalina S. Tabor
Chief Accounting Officer

Antonio R. delos Santos
Treasury Officer

Sharade E. Padilla
Investor Relations Officer

Good Governance

Nena D. Arenas
Officer

Information and Communications Technology

Teresita B. Alvarez
Manager

Legal

Atty. John R. Sadullo
Corporate Secretary and Counsel

Marketing

Francisco B. Aragon
Consultant

Cesar T. Villanueva
Manager

Minesite

Ruben P. Lozada
Asst. Resident Manager

Juniper A. Barroquillo
Administration Division Manager

Procurement & Logistics

Jaime B. Garcia
Vice President

Special Projects

George B. Baquiran
Vice President

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Semirara Mining Corporation has finally elevated its business to a new and higher platform, and it is gearing up for new challenges.

