

CERTIFICATION  
INTERNATIONAL  
ISO 9001:2000  
ISO 14001:2004  
OHSAS 18001:2007  
CIP/38671/08/11/606



SEMIRARA  
MINING  
CORPORATION



# Rising to the Challenge

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## 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

### ABOUT THE COVER

The proposed theme "Rising to the Challenge" not just instantly connotes positivism but also immediately suggests advancement, improvement and progression. It speaks of focus, confidence and determination. Thus, "Rising to the Challenge" readily encompasses both how 2008 had been and how 2009 is likely expected to be. Visually we show a symbolic representation of all these, as we see a hand raising and lifting a piece of coal against the scenic backdrop of a new beginning... a rising sun signifying not only tomorrow or the days to come but more so, the challenges ahead. Likewise, it connotes raising our product and services a step higher... In other words, raising the bar a notch higher and to a whole new plane, as the company resolutely ventures and expands into the regional market. Furthermore, it also symbolizes raising the quality and extend availability of our products and services to a higher and greater market far beyond the horizon. The hand... represents our services, our combined efforts, as well as our people and the whole company, and the coal... our product.



# Coal Towards an Energy-Sufficient Philippines

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## MESSAGE TO THE STOCKHOLDERS



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



We have not only withstood the arduous tests of nature, but its challenges shaped us to be more resilient than ever.

The year 2008 saw Semirara Mining Corporation literally weathering the storm. The unusually prolonged rainy season brought torrential rains all over the region. However, the forces of nature did not in any way undermine the Company's mettle. In fact, we have not only withstood the arduous tests of nature, but its challenges shaped us to be more resilient than ever.

Our bullish capacity expansion and modernization program that jumpstarted in 2007 made a significant difference. With more new equipment running, we were able to respond better and faster to the devastation caused by the abnormal weather conditions.

Meanwhile, being only in our second year of venturing into the export markets, we have ascertained that we indeed have the capability to go global. With the arrival of 24 units 100-tonner dump trucks, 6 units excavators with bucket capacities ranging from 7 cubic meters to 15 cubic meters, and various complementing support mining equipment this year, we have

effectively increased our capacity to move 39 million bank cubic meters of materials that translates to coal production of 4 – 4.5 million metric tons. Our Company's diligent efforts for coal quality improvement have clearly paid off when the Semirara brand gained acceptance from offshore users of coal. And yet, despite these achievements, we vow not to sit on our laurels and continue our efforts in pursuing excellence.

Amidst this year's challenges, we are equally proud of achieving new and significant milestones. The Company was assessed and successfully certified as conforming to International Standards Organization (ISO) for its Integrated Management System covering Quality Management System (ISO 9001:2000), Environmental Management System (ISO 14001:2004), and Safety Management System (OHSAS 18001:2007).

Moreover, we were able to successfully register our capacity expansion and modernization program with the Board of Investments as an

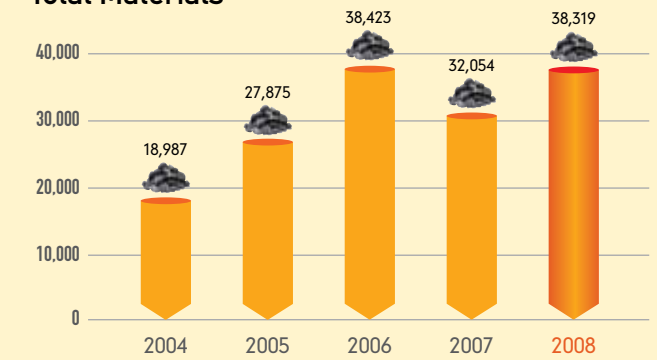
Expanding Producer of Coal on a Non-Pioneer status with Pioneer Incentives such as income tax holiday.

Notwithstanding the global economic collapse in 2008, we were able to attain a 26% growth in our bottom line, and managed to maintain our strong financial condition.

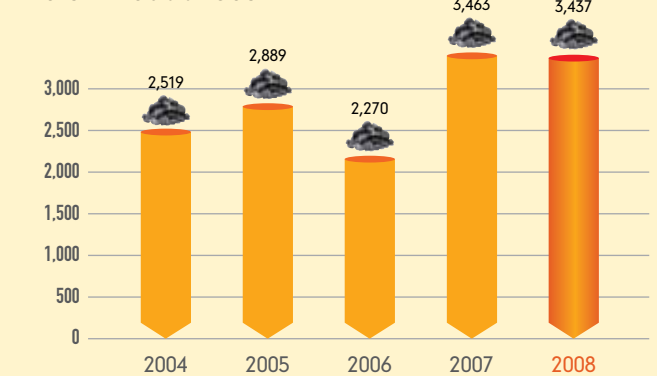
Like the coal that we mine, your Company is where it is today after enduring the forces of nature and the intense pressures of economic challenges over time. It is with deepest gratitude that I acknowledge the invaluable contribution of my fellow stakeholders in achieving our successes - the gracious people of Semirara Island, the local governments of the Municipality of Caluya and the Province of Antique, and my fellow shareholders. Together, we will continue to rise to greater heights.

# EXECUTIVE MANAGEMENT REPORT

Total Materials (in '000 bcm)



Total Product Coal (in '000 MTs)



## PRODUCTION AND OPERATIONS

To cater to increasing demand for coal, both from the domestic and export markets, your Company launched another capacity expansion and modernization program in 2008. A total of 24 units 100-tonner dump trucks, 6 units excavators with bucket capacities ranging from 7 cubic meters to 15 cubic meters, and various complementing support mining equipment arrived in the mine site during the year.

Rainy season at the island is unusually long this year, starting as early as second quarter and extending up to November. Moreover, the downpours were extraordinarily heavy, recording a monthly average rainfall of 279 millimeters. Incessant heavy rains resulted to partial caving in of a portion of the pit and disrupted coal production in the second half of the year. This event prompted your Company to declare a force majeure on 2 July 2008 which lasted until almost the end of the year. The force majeure was

only lifted on 2 December 2008 when the rainy season finally ended.

Although weather conditions were unfavorable, the upgraded capacity generated high Total Material movement of 38,318,623 bank cubic meters (bcm), posting a 20% increase over 2007 material movement of 32,054,236 bcm. Meanwhile to reinforce the slopes that caved in, augmented excavating capacities were used in pit stabilization activities. As a result more focus was directed on movement of waste materials over coal release and caused waste material to coal ratio or strip ratio to inch up at 9.55:1 from 7.82:1 in 2007. Correspondingly Run-of-Mine (ROM) coal production dropped slightly by 1% from 3,754,774 metric tons (MTs) in 2007 to 3,733,001 MTs this year. After washing, Net Total Product Coal also recorded a drop by 1% from 3,462,534 MTs last year to 3,436,879 MTs in the current year.

The commissioning of the 4 MW bunker-fired generator set at the start of the year intended to power dewatering pumps proved to be a prudent and timely decision as these pumps became very handy when rain started to pour early in the year.

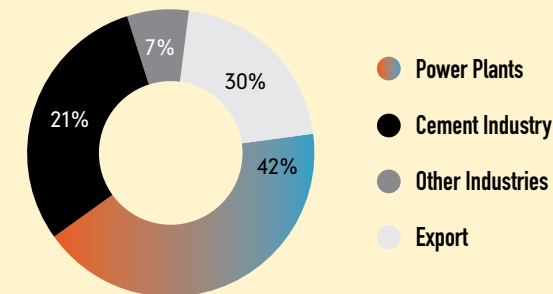
With the improvement in weather conditions, operations pushed capacity to the limit to record a year-end closing coal inventory of 463,802 MTs.

In-house exploration drilling at the eastern side of Panian Mine resulted to the discovery of more coal deposits beyond the pit limit of the mine. The new discovery is designated as East Panian deposit, which stretches to about 1.5 km x .07 km. With the guidance of a Japanese geologist, data gathered from the 44 drilled holes were analyzed to come up with an estimated resource. Currently, additional activities are programmed to determine mineable reserves in the area.

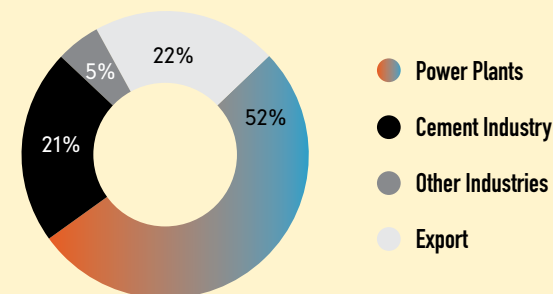
The learning experiences and accomplishments in 2008 arm your Company to continue to rise to every challenge.



Market Mix 2008



Market Mix 2007



Meanwhile, on 13 May 2008, the Department of Energy granted your Company's request for a fifteen (15)-year term extension of its Coal Operating Contract. Your Company's right to mine in the island is extended up to 14 July 2027.

The end of 2008 marked another milestone for your Company. Continuing efforts to uplift quality of operations earned the Company three ISO certificates for conformance to international quality standards covered by ISO 9001:2000 for Quality Management System, ISO 14001:2004 for Environmental Management System, and OSHAS 18001:2007 for Occupational Health and Safety Management System.

**MARKET**

Growing demand from the local and export markets provided impetus for the Company to beef up capacity to seize the opportunity for further diversification and expansion of its

market base. The sharp inflation of oil prices which motivated some industrial power plants to shift from bunker or diesel to coal for fuel drove the increase in demand. The arrival of new mining equipment at first allowed your Company to match demand. However, when rainy season started early, your Company lost the opportunity to sell and ship 600,000 tons of contracted export volume. Nevertheless, export sales grew by 24% at 992,749 MTs in 2008 from 798,806 MTs in 2007. Total exports claimed a 30% market share.

Meanwhile, local sales dropped by 16% from 2,775,771 MTs in 2007 to 2,320,287 MTs this year. The slump mainly came from the 41% decline in sales to the National Power Corporation (NPC) at 799,190 MTs in the current year from 1,365,168 MTs last year as the Calaca plants in Batangas continued to experience technical problems. On the other hand, sales to other power plants recorded

an 18% improvement at 590,254 MTs from 501,990 MTs in 2007. The increased off-take by Non-NPC power plants tempered the decline in total sales to the power industry at 26% from 1,867,158 MTs in 2007 to 1,389,444 MTs this year. Remarkably, this industry still accounted for the biggest market share at 42%.

On the other hand, sales to other industries posted a 2% increase at 931,043 MTs from 908,613 MTs in 2007. The 53% surge in sales to industrial plants at 235,847 MTs in the current year from 153,732 MTs in 2007 offset the 8% drop in sales to cement plants which posted sales of 695,196 MTs in 2008 from 754,881 MTs in 2007.

Total sales volume in 2008 dipped by 7% from 3,574,577 MTs in 2007 to 3,313,236 MTs this year.

On a positive note, rising demand for coal amidst high oil prices drove FOB selling price at record high in the latter part of the year. Despite weaker first half prices, Composite Average Selling Price for the year marked a 43% growth at P2,549/MT from P1,784/MT in 2007.

**FINANCE**

High coal prices compensated for the slight decrease in sales volume, such that Coal Revenues posted a healthy increase of 32% from 2007 level of P6.38 billion to P8.45 billion this year. On the other hand, the slow down in the Calaca operations translated to a 51% drop in Coal Handling Revenues from P90.7 million in 2007 to P43.99 million in the current period. The resulting Total Revenues showed growth of 31% at P8.49 billion from P6.47 billion last year.

Spike in oil prices, coupled with depreciation of the peso from 2007 level, resulted to cost push inflation in 2008. As a consequence, per metric

ton fuel and lube, materials and supplies, and ship loading costs registered a 74%, 89%, and 62% increase, respectively. Maintenance costs incurred for industrial facilities and campsite facilities also contributed to the increase in production cost per metric ton. These greatly contributed to the 44% increase in Cost of Coal Sold/MT at P2,095.71 this period from P1,453.04 last year. Applied to the volumes sold, Cost of Sales reflected a 34% increase at P6.94 billion from P5.19 billion in 2007. Non-Cash component dropped to 17% since most of the new equipment purchased were covered by operating leases, and are therefore not carried in the books of your Company as depreciable assets.

Gross profit is 22% higher at P1.55 billion this year compared to P1.27 billion last year. Higher Cost of Sales/MT explains the decrease in Gross Profit margin from 20% in 2007 to 18% this period.

Government share, which is a function of Net Coal Revenues after operating costs, recorded a corresponding increase by 32% at P253.38 million from P191.29 million in 2007. Government share is maintained at the minimum of 3% of Coal Revenues. Meanwhile, increase in General and Administrative Expenses by 54% at P205.54 million from P133.09 million in 2007 signified expanded operations. This amount, however, included the recognition of P34.04 million wharfage fees billed by the Philippine Ports Authority (PPA) for deliveries made to the NPC Calaca Plants. Although your Company already paid 50% of the amount, it is contesting the payment, citing its exemption under Section 16 (a) of Presidential Decree 972 which provides that your Company is exempt from all taxes except income tax.



With decreased interest bearing loans, Finance Costs fell by 28% from P140.25 million in 2007 to P101.24 million this year. Meanwhile, higher placements in 2008 earned higher Finance Revenues amounting to P77.23 million this year from P40.20 million in 2007. Fluctuations of the US Dollar against the Peso proved to be unfavorable for your Company as it incurred Foreign Exchange Losses amounting to P82.78 million this year. In contrast, your Company's recognized Foreign Exchange Gains of P102.96 million in 2007. Finally, Other Income rose by 478% at P54.44 million from P9.42 million last year. The increase mainly came from sale of a number of retired dump trucks and recoveries from insurance claims.

Net Income Before Tax increased by 8% at P1.03 billion from P960.77 million in 2007. On the other hand, Provision for Current Income Tax fell by 13% at P290.50 million from P333.67 million. After provision for Net Deferred Tax liability of P53.48 million, Net Current Tax provision is

at P237.02 million. In September 2008, your Company successfully registered with the Board of Investments as expanding producer of coal, as included in the Investments Priorities Plan of 2007, and in accordance with the provisions of the Omnibus Investments Code of 1997. One of the incentives of a BOI-registered enterprise is Income Tax Holiday (ITH) for the registered activity. In the case of your Company, registered activity is determined as the expanded capacity with base figure of 2,710,091 MTs. Sales volume beyond this base figure is entitled to an ITH for six years from date of registration.

The resulting Net Income After Tax reflected a 26% growth at P796.40 million from P633.28 million in 2007. Earnings per Share correspondingly increased by 24% from P2.28 in 2007 to P2.87 this year.

In line with the capacity expansion program launched to meet the demands from the newly developed export markets, mining equipment

amounting to P1.68 billion were ordered and paid using internally-generated cash. Most of the new arrivals were later subjected to sale and leaseback transactions, covered by operating leases. Due to timing difference, not all purchased assets during the year were entered into sale and leaseback arrangements as at the end of the year. Moreover, cash dividends declared and paid during the year amounted to P1.11 billion, 233% higher than dividends of P333.09 million paid last year. These translated to a 39% drop in Cash and Cash Equivalents which closed at P1.01 billion from P1.65 billion beginning balance. Meanwhile, the significant increase in Coal Revenues translated to a corresponding increase in Trade Receivables. This largely offset the drop in Cash and Cash Equivalents to cushion the drop in Net Current Assets which closed at P4.50 billion from P4.56 billion beginning balance.

On the other hand, Non-Current Assets decreased by a more significant percentage at

19% from P2.00 billion as at the start of the year to P1.61 billion ending balance. This is mainly caused by the 42% slump in Property, Plant and Equipment which is due to booking of depreciation cost of old mining equipment and other facilities. Although more mining equipment were purchased in 2008, most of these equipment were not carried in the books of your Company since these are covered by sale and leaseback arrangements with a local leasing company. On the other hand, Investments and Advances rose by 176% from P80.87 million spent in 2007 to P223.23 million ending balance. Additional investments were made to DMCI Mining Corporation (DMCI-MC) and DMCI Power Corporation (DMCI-PC) during the year. Total investments to these companies amounted to P225 million, P100 million to DMCI-MC, and P125 million to DMCI-PC. As at the end of the period, your Company accounted for 50% share in equity losses of these start-up companies amounting to P1.77 million.

Total Assets recorded a 7% decline at P6.11 billion from P6.56 billion beginning balance.

Likewise, Total Liabilities recorded a slump of 7%, closing at P1.81 billion from P1.94 billion beginning balance. The 15% increase in Current Liabilities which closed at P1.64 billion from P1.46 billion was offset by the huge 64% drop in Non-Current Liabilities from P482.05 million beginning balance to P173.89 million as at the end of the period.

Current Ratio remained healthy at 2.75:1 at the close of the current year, although this dropped by 12% compared to 2007 level at 3.12:1.

Meanwhile, despite the 233% increase in total Cash Dividends paid out in 2008 amounting to P1.11 billion as against 2007 Cash Dividends of P333.09 million, Stockholders' Equity only registered a minimal drop of 7%, closing at P4.30 billion from beginning balance of

P4.61 billion after accounting for Net Income generation of P796.4 million. Debt-to-Equity ratio continued to demonstrate the stability of your Company at a low level of 0.43:1, a minimal slide from 0.42:1 in 2007.

### RIISING TO THE CHALLENGE

The year 2008 brought great challenges to your Company. Your Company was pitted against the unrelenting forces of nature. Your Company lost some opportunities to further expand our reach, especially to the newly developed export markets when it missed to ride with the surge in demand.




However, 2008 also brought learning experiences. Your Company was given an opportunity to further hone its mine planning and management skills; a new perspective in risk management was seen; and resilience in the midst of the storm is a lesson relearned.

On the positive note, 2008 also ushered in a number of great accomplishments. Your Company's Coal Operating Contract was extended for another 15 years; exploration drilling activities yielded promising results; BOI registration was attained; and ISO and OSHAS certifications were earned. To add icing on the cake, your Company was subsequently recognized as among the Top 15 Philippine Publicly Listed Companies for Corporate Governance.

By remaining steadfast amidst economic turbulence and threats of nature, your company is ready to hurdle the challenges ahead. The learning experiences and accomplishments in 2008 arm your Company to continue to rise to every challenge.

  
ISIDRO A. CONSUNJI  
Vice-Chairman, Chief Executive Officer

  
VICTOR A. CONSUNJI  
President, Chief Operating Officer



*Your Company's right to mine in the island is extended up to 14 July 2027.*

## CORPORATE GOVERNANCE



### Nomination and Election Committee

**Isidro A. Consunji** - Committee Chair  
**Victor C. Macalincag** - Independent Director  
**Federico E. Puno** - Independent Director

### Audit Committee

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

### Compensation and Remuneration Committee

**Ma. Cristina C. Gotianun** - Committee Chair  
**Victor C. Macalincag** - Independent Director  
**Herbert M. Consunji**

### Compliance Officer

**George G. San Pedro**

### Compliance Committee

**George G. San Pedro** - Compliance Officer  
**Junalina S. Tabor**  
**Atty. John R. Sadullo**

### Good Governance Officer

**Nena D. Arenas**

### 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.

### BOARD PERFORMANCE

The Board had six (6) meetings including its organizational meeting, and one (1) shareholders' meeting in 2008. 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 Board Committees annually assess the effectiveness of their Charters, and recommend any proposed changes

to the Board for approval. The Corporate Secretary, Good Governance Officer and Legal unit provide full support to the 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.

In 2008, the Committee had one (1) meeting attended by all Members. It reviewed the qualifications of Board nominees for directorship ensuring they meet the requisite qualifications and endorsed the final list of nominees for election. It developed an

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.



*Environmental stewardship and social responsibility are core values of the Company.*

Executive Succession Plan Policy and Board performance evaluation system involving full board self-assessment and individual director peer evaluation which were subsequently approved by the Board.

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. It also requires Directors and Officers 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.

In 2008, the Committee had one (1) meeting attended by all Members. It reviewed and discussed the overall director and executive remuneration and benefits package. It also discussed and recommended for Board approval the financial and non-financial metrics for CEO performance evaluation.

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. Management of the finance and legal functional units are regularly invited to Committee meetings to discuss updates in financial performance, regulatory developments and compliance matters.

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

The Committee also reviewed and discussed with Executive Management the Company's budget, strategic risk management issues, investments in subsidiaries, conflict-of-interest, tax planning, industry developments, market and marketing issues. The Committee's summary of significant activities during the year is presented in a separate Audit Committee Report section.

The Internal Audit functionally reports directly and has unrestricted access to the Audit Committee. It provides independent scrutiny of the control systems and risk management procedures.

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

**COMPLIANCE**

George G. San Pedro, the Company's Vice President and Resident Manager, 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 chaired by the Compliance Officer and is comprised of two (2) other Members who are executive officers tasked with compliance covering SEC, PSE, accounting and reporting standards, environmental, health and safety matters aligned to their functional scope of work responsibilities. The Compliance Members regularly report to the Audit Committee for assurance reporting. Continuous monitoring of regulatory developments and of compliance matters, including environmental, safety and governance issues assure the Board of effective

management and strategic sustainability of these concerns.

■ **SEC and PSE**

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

■ **Environment**

Environmental stewardship and social responsibility are core values of the Company. The Philippine coal industry is subject to stringent regulations of the Philippine government's Department of Environment and Natural Resources (DENR). The Company is compliant with all the conditionalities of its Environmental Compliance Certificate issued by the DENR relative to the development and opening of the Panian coal mine, and



the closing and rehabilitation of its old mine. A Multi-Partite Monitoring Team (MMT) comprised of various government sector representatives and surrounding stakeholders, oversees the Company's compliance with the ECC conditions and all other applicable laws, rules and regulations. Consequently, the MMT issues a Compliance Monitoring and Verification Report on a quarterly basis.

■ **Safety**

Safety is a core value of the Company. It defines the Company's culture as a responsible energy company. The Company adopts the Australian standards and best practices in open-pit coal mining operation. It strictly adheres to safety procedures, health and safety standards and worker education and training which have resulted to reduced accidents, 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. It reviews the risk strategies and agrees on policies for managing these risks.

The Audit Committee assists the Board in its risk management oversight. Risk oversight ensures that policies are followed, limits are respected and controls are put in place. Functional unit heads are required to undertake a full assessment process to identify and quantify the risks inherent to and facing their respective business functions, and assess the adequacy of the prevention, monitoring and mitigation measures in addressing such risks.

Results of the risk reviews are reported to the Audit Committee and thereafter to the Board.

**GOOD GOVERNANCE PROGRAM**

The Company's good governance initiatives aim to foster a culture of compliance, performance, transparency and accountability within the organization and to enhance shareholder value.

■ **Board Performance Review**

The Company adopts best practices of good corporate governance for its Board performance evaluation processes which include scorecard measures, full Board self-assessment, peer director evaluation and CEO evaluation.

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

culture of integrity and an opposition to fraud and corruption. It sets out the ways in which employees and other stakeholders can voice their concerns and how the Company will deal with such issues.

■ **Insider Trading Policy**

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

■ **Governance Training and Continuing Education**

The Board Directors, Officers and key Legal staff have participated in training on Corporate Governance and relevant governance topics. Directors are periodically provided reading materials on subjects relevant to their duties as part of their continuing education. In 2008, Directors made several visits to the Company's mine site to gain a closer understanding of the current business operations and ongoing community projects.

■ **Good Governance Guidelines for Board Directors**

The Board formalized and approved good governance guidelines for its Directors regarding tenure, performance evaluation and conflict of interest, among others.

■ **Code of Conduct**

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

■ **Fraud and Ethics Response Policy**

This Policy reinforces the Company's commitment and determination to maintain a

achievements affirm the Company's significant and continuing progress in its overall corporate governance framework through the adoption of global best practices promoting higher standards of performance, transparency and accountability to all stakeholders.

In December 2008, the Company's coal mining activity has been assessed and certified as conforming to international standards for Integrated Management System covering International Standards Organization (ISO) 9001:2000, 14001:2004 and OHSAS 18001:2007 Standards on Quality Management System, Environmental Management System and Health and Safety Management System, respectively.

**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. Its investor relations program aims to provide better understanding of the Company through dialogue, engaging in conference calls, meeting with institutional investors, analysts and the financial community, as appropriate. Corporate information is communicated to shareholders by timely and adequate disclosures to the SEC and PSE.

**WEBSITE**

The Company's organization structure, performance and significant corporate information, including disclosures may be viewed at the Company's website, [www.semiramining.com](http://www.semiramining.com).

**RECOGNITION**

The Company ranked among the Top 15 Publicly-Listed Companies in the 2008 "Corporate Governance Scorecard for Publicly-Listed Companies in the Philippines", a partnership project of the Institute of Corporate Directors, SEC, PSE and Ateneo Law School. The Scorecard project adopts the East Asian Template as part of a regional effort to improve corporate governance in East Asia and already used in Thailand, Hongkong, China and Indonesia. The Company scored highly with 92% as compared to the Philippine aggregate score for all participating companies of 72%. Likewise, the Company was among the Top 20 Philippine Listed Companies given due recognition in the same Scorecard project in 2007. These

## CORPORATE SOCIAL RESPONSIBILITY



In order to equip the people of Semirara island with sufficient tools for sustainable progress and development, the Company devotes huge efforts to improve the educational systems of the schools in the island, public and private schools alike.



### ELECTRIFICATION

Power is an important catalyst of progress. Over the years, energizing communities brought forth evident changes to the lifestyles of the residents of the island. New businesses and livelihood activities sprouted when electricity became available. Also, this enabled Semirara island to get connected to the world when people gained access to internet, cable TV, and mobile communication technologies.

The goal to fully energize the whole island of Semirara is nearing its completion as more electrical connections were established during the year. In 2008, 90% of total households were already energized. Total consumption further inched up by 3% to 786,485 kwh this year.

### EDUCATION

In order to equip the people of Semirara island with sufficient tools for sustainable progress and development, the Company devotes huge efforts to improve the educational systems of the schools in the island, public and private schools alike.

The implementation of the P35 million Applied Academic for Excellence (Apex) program designed by Seameo Innotech, which is an exciting innovation designed to enhance the learning process through more active student participation, has finally jumpstarted in the second quarter of 2008. Phase I of its implementation included a 4-week training program for teachers; 9-day project management training for school administrators; formation of steering committee, community orientation, first and second coaching sessions; first technical assistance of materials development; and first project monitoring and evaluation visit. This program is aimed to be applied to all elementary and secondary schools in the island. Three pilot schools, which are Divine Word School of Semirara Island, Semirara National High School, and Tinogboc National High School, were identified in the preliminary phase of the program.

Meanwhile, the Company also provides for the continuous upgrade of learning facilities. In 2008, a six-classroom building for Bunlao

Elementary School in Barangay Alegria, complete with tables and chairs, was donated to the Department of Education, Region VI. Materials for the construction of an eight-classroom building was also donated to Semirara Elementary School in Barangay Semirara. The Company also bought additional 30 units of computers for Tinogboc National High School in Barangay Tinogboc. Furthermore, teachers of Divine Word School were given assistance in procuring personal computers to supplement their teaching preparation with online research.

### EMPLOYMENT

Semirara Mining Corporation is the single largest employer in the island of Semirara. Out of the 1,649 employed work force of the Company in 2008, 1,621 are based in the minesite. As the Company is currently expanding its operations, still more jobs are expected to be generated in the succeeding periods. With the goal of employing more local residents, the Company applied for accreditation with the Technical Education and

Carrying on its commitment to further enrich its Corporate Social Responsibility programs, Semirara Mining Corporation remained steadfast in finding ways to improve its service to the people of Semirara Island. The Company focuses on FIVE Es - Electrification, Education, Employment, Economics and Environment –to promote holistic development of the host community who graciously extends its warm welcome and unwavering support to the Company's endeavors. In 2008, the Company continued to enhance its CSR activities and projects in consonance with these priority areas of development.



Skills Development Authority (TESDA) to set up the Semirara Training Center, Inc. which started operating in 2006. Out-of-school-youths in the island took advantage of this training center to learn vocational skills through on-the-job trainings. This gives opportunity for some of the graduates to be absorbed in the Company's work force.

Meanwhile, in 2008, the Company upgraded its over-all working environment to be at par with international standards. Series of employee orientations and seminars were conducted in consonance with the processing of ISO 9001:2000 certification for Quality Management System and Occupational Health and Safety Management Sytem (OSHAS) 18001:2007 certification. In December, the Company was certified as conforming to these international standards.

The Company promotes employee welfare and reaffirms its commitment to foster growth and development of the valued hands that help shape the success of the Company. Minesite employees now enjoy more comfortable lives with the various programs currently undertaken by the Company such as, housing, health, transportation and physical well being programs. Meanwhile, the free education provided to dependents of minesite employees offers an opportunity for a brighter future for their families.

**ECONOMICS**

Aligned with its thrust for holistic development, the Company aims to effect synergism in the island to make it self-sufficient. All programs of the Company are designed to create a balanced economy in the island.

To provide employment to the rest of the island's residents, as well as to attain food security, the Company actively implements livelihood enhancement projects. To maximize the production and earning potentials of the farmers and fisher folks, they are encouraged to group together as formal organizations. The Villaresis Fishermen Association (VIFAS 1 and VIFAS 2) and Bagong Barrio Association are newly organized associations in 2008.

To expand fishing activities in the coasts of Semirara, additional 7 fishing outfits with complete fishing gears were fabricated during the year, 3 of which were already released to targeted beneficiaries.

Also, to enhance livestock production in the island, the Company distributed five junior purebred American Brahman bulls and 10 heads of bear goats to three barangays for breeding purposes.

Meanwhile, the Company continues to support and monitor all the other existing livelihood programs that were already set up in the previous years, like the pottery and humic acid plants; mariculture and aquaculture projects; pest management program; cultivation of vegetable gardens; and dressmaking programs, to mention a few.

Each livelihood program implemented by the Company is carefully planned with the goal of fostering synergism in attaining a sustainable growth and development for the whole island of Semirara.

**ENVIRONMENTAL PROTECTION AND PRESERVATION**

The Company acknowledges that in order to successfully continue its mining operations in the island, it must take an active role in the protection and preservation of the environment.

Over the years, the biggest project that the Company undertakes in relation to this objective is to plant a million trees by 2010. For its inland reforestation program, as at the end of 2008, 748,286 hills had already been planted all over the island, with another 224,531 hills of seedlings in the nurseries.

Meanwhile, a total of 184.3 hectares of coastlines were already planted with mangroves and maintained by the Company to protect and expand the breeding grounds of marine resources and serve as marine sanctuaries.

Also, the Company continues to enhance its giant clam culture to protect the existence of some endangered species.

Finally, the Company's activities were attested as confirming to international standards when it was issued an ISO 14001:2004 certification for Environmental Management System in December 2008.

**OTHER PROJECTS**

Apart from the projects under the FIVE Es program, the Company also undertakes other activities that are designed to compliment growth and development.

In July 2008, a one-year training program for Barangay Health Workers conducted by three doctors from the University of the Philippines – Philippine General Hospital (UP PGH) was launched. This program is aimed to improve the skills of local health workers in providing primary health care to the residents.

Meanwhile, to enhance social skills of the youth, the Company also sponsors summer programs for students, which include theater and arts workshops.



## BOARD OF DIRECTORS

- 1 DAVID M. CONSUNJI**  
Chairman of the Board
- 2 ISIDRO A. CONSUNJI**  
Vice Chairman of the Board  
Chief Executive Officer  
Chairman-Nomination and Election Committee
- 3 VICTOR A. CONSUNJI**  
President and Chief Operating Officer  
Member-Audit Committee
- 4 JORGE A. CONSUNJI**  
Director

- 5 HERBERT M. CONSUNJI**  
Director  
Member-Compensation and Remuneration Committee
- 6 CESAR A. BUENAVENTURA**  
Director
- 7 MA. CRISTINA C. GOTIANUN**  
Vice President-Administration  
Chairman-Compensation and Remuneration Committee
- 8 MA. EDWINA C. LAPERAL**  
Director

- 9 GEORGE G. SAN PEDRO**  
Vice President-Operations  
Resident Manager
- 10 VICTOR C. MACALINCAG**  
Independent Director  
Chairman-Audit Committee  
Member-Nomination and Election Committee  
Member-Compensation and Remuneration Committee
- 11 FEDERICO E. PUNO**  
Independent Director  
Member-Audit Committee  
Member-Nomination and Election Committee



## OTHER OFFICERS

### FINANCE

**NESTOR D. DADIVAS**  
Chief Finance Officer

**JUNALINA S. TABOR**  
OIC-Chief Finance Officer

**ANTONIO R. DELOS SANTOS**  
Treasury Officer

**SHARADE E. PADILLA**  
Investor Relations Officer

**MARY JANE C. PENETRANTE**  
Accounting Manager

### GOOD GOVERNANCE

**NENA D. ARENAS**  
Officer

### HUMAN RESOURCES

**MAE ANNE A. DELA CRUZ**  
Officer

### INFORMATION & COMMUNICATIONS TECHNOLOGY

**TERESITA B. ALVAREZ**  
Manager

### INTERNAL AUDIT

**EMELYN B. JAVILINAR**  
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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