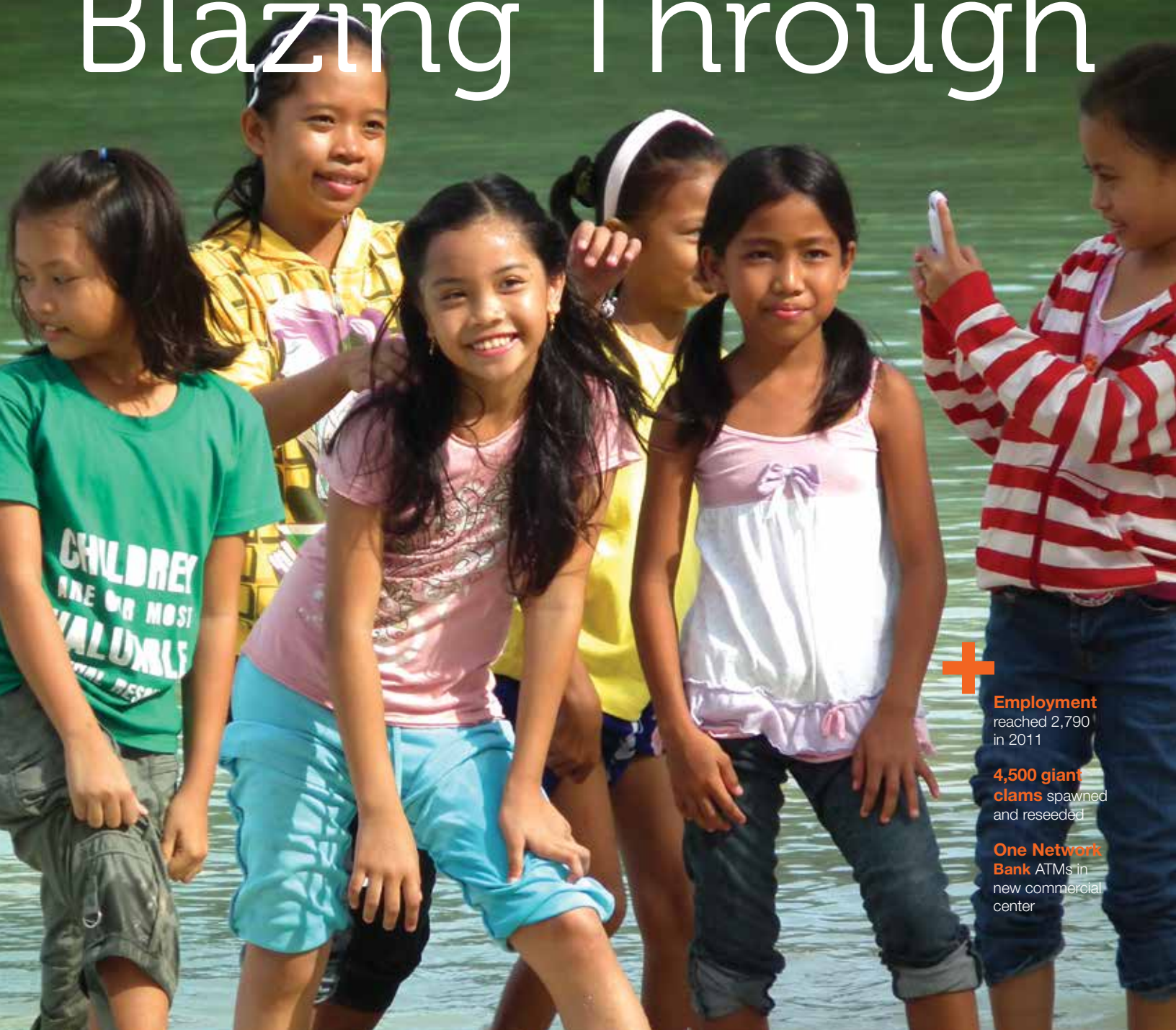




SEMIRARA
MINING
CORPORATION

Corporate Social Responsibility 2011 Annual Report

Blazing Through



Employment
reached 2,790
in 2011

**4,500 giant
clams** spawned
and reseeded

**One Network
Bank** ATMs in
new commercial
center



Corporate Social Responsibility

Semirara Mining Corporation's 5Es program, which focuses on, but is not limited to, education, environmental protection, economic empowerment, employment and livelihood, and electrification paved Semirara Island's way toward economic, social and environmental development. It stimulated the establishment and strengthening of local small businesses, developed and harnessed work relationships with the host communities and the island's key sectors, created awareness on environmental protection and rehabilitation, and provided technical, infrastructure, medical and health support where needed and appropriate.

In 2011, Semirara Mining Corporation continued to find ways to contribute to the sustainability of life on Semirara Island. It provided robust support to the 5Es program, to harness the island's resources to create more jobs, develop the residents' capability to take care of themselves and

their environment, and build the necessary infrastructure to further spur development.

The company worked to improve rapport with both its internal and external stakeholders to discover ways to realize the vision of Island Sustainability. The local government units, key sectors and the company discussed at length and in depth how each can mobilize networks and resources to deepen residents' commitment to fellow residents and to the island that continues to support their needs.

Food security deservedly receives priority in 2011. Consolidation and developing partnerships become critical in implementing island-wide projects.

This report summarizes the achievements and challenges that Semirara Mining Corporation faced in 2011 in delivering on its commitment to the communities and the environment as a responsible company that produces 'bridge fuel' to serve the energy requirements of the country, and, thereby, national growth.

PEOPLE

Partnerships for the empowerment of communities

One important theme that underlies the company's Corporate Social Responsibility program in 2011 is partnership and collaboration with its stakeholders. In 2011, Semirara Mining Corporation, thus, deepened its partnership and collaboration with its internal stakeholders, its host local government units and key sectors of the island in pursuing projects for sustainability.

EDUCATION AND SKILLS TRAINING

Synergeia Foundation Inc., a non-government organization that focuses on improving basic education in the Philippines, joins forces with Barangay Semirara, the Municipal Government of Caluya and Semirara Mining Corporation in an Education Governance Reform Program for Semirara Island. The program aims to improve the skills of Grade 1 students in English Reading and Mathematics to prepare them for higher learning. The program also includes island-wide training for teachers on English and Mathematics, and for officers of Parents and Teachers Associations to improve the learning environments of the students both in the schools and the home.

In August 2011, all the grade school teachers took review examinations on both English and Mathematics. The results of the review, combined with the results of a Dolch exam taken by Grade 1 students, would serve as the baseline and point-of-action for the education stakeholders of Semirara

Island in schoolyear 2012-2013.

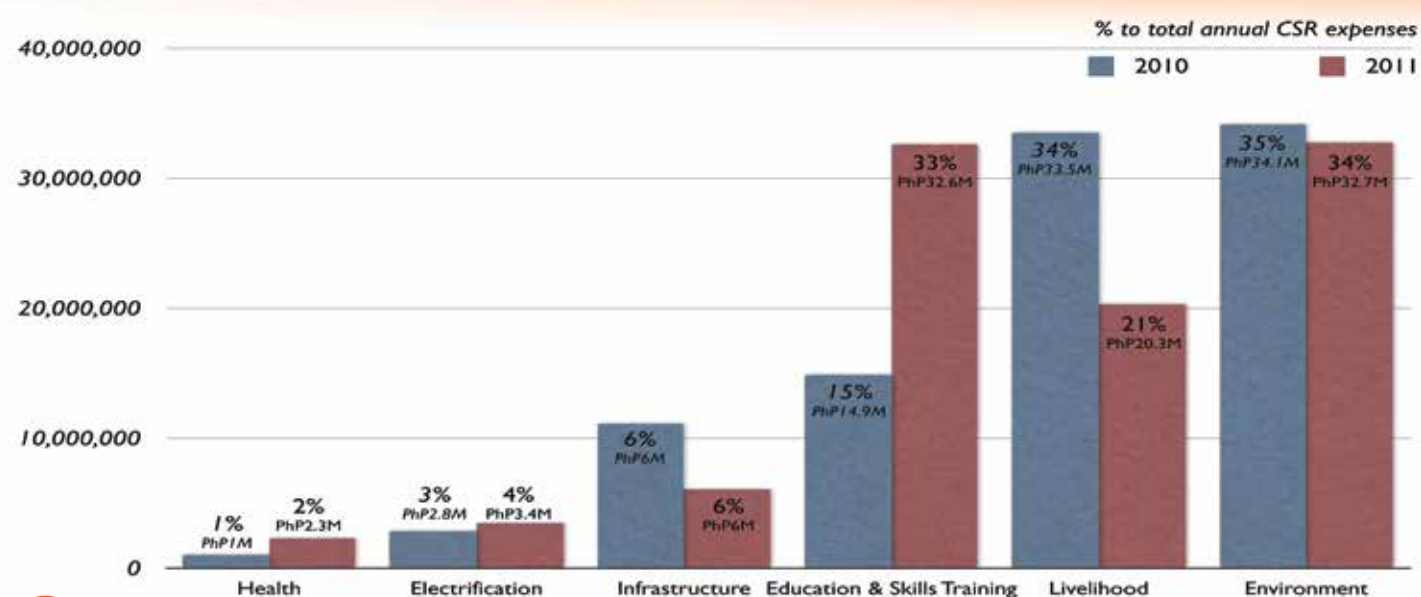
Semirara Mining Corporation built two (2) 12-classroom, two-story brick buildings in 2011. One was built in Divine Word School of Semirara Island, Inc., the elementary and high schools ran by the Societas Verbi Divini (SVD) and where the dependents of company workers go to school for free. The other 12-classroom building was for the students of Semirara National High School.

A collaboration between the municipal government of Caluya and Semirara Mining Corporation bore a four (4) -classroom building for Tinogboc Elementary School that used to hold classes in darkly-lit classrooms made of wood to accommodate school-age children living in Barangay Tinogboc.

Students of Villaresis Elementary School, the children of families that resettled in Sitio Villaresis due to the expanding operations of the company in 1999, continue to receive educational support from the company. They received in June 2011 free uniforms and school supplies, aside from assistance with school expenses, breakfast everyday except Sunday, and tutorials every Saturday. A total of 75 children, 64 in grade school and 11 in high school, enrolled for schoolyear 2011-2012.

Semirara Training Center, Inc. (STCI), the TESDA-accredited technical and vocational school, has an additional building to accommodate workshops on automotive servicing, industrial electricity, machine shop practice, welding technology, mobile equipment technology, and industrial equipment technology.

CSR expenses, 2010 vs. 2011



A new 12-classroom brick building for Semirara National High School



Students who are accepted and registered in STCI receive free skills training and meal allowance. Performing student-trainees receive apprenticeship and job offers when there are positions that need filling up in the company.

Since it opened in 2006, STCI has produced 528 graduates, 326 of them or 61.7%, found employment and/or apprenticeship in the company.

The company also continued to develop creative and cultural skills of students from various schools on the island in 2011 by providing them access to training in music and visual arts. Donations of musical instruments in 2009 and year-round trainers have produced a rondalla ensemble and drum and lyre and brass bands that make island and school events festive and lively.

The 2011 Summer Art Workshop held in April to May attracted about a hundred students ages 7 to 17. The summer workshop featured choir singing, the rondalla, and drawing and painting sessions that culminated in a one-hour-and-a-half performance by children and an art exhibition at the Semirara Mining Corporation village gym.

ECONOMIC EMPOWERMENT

Farming

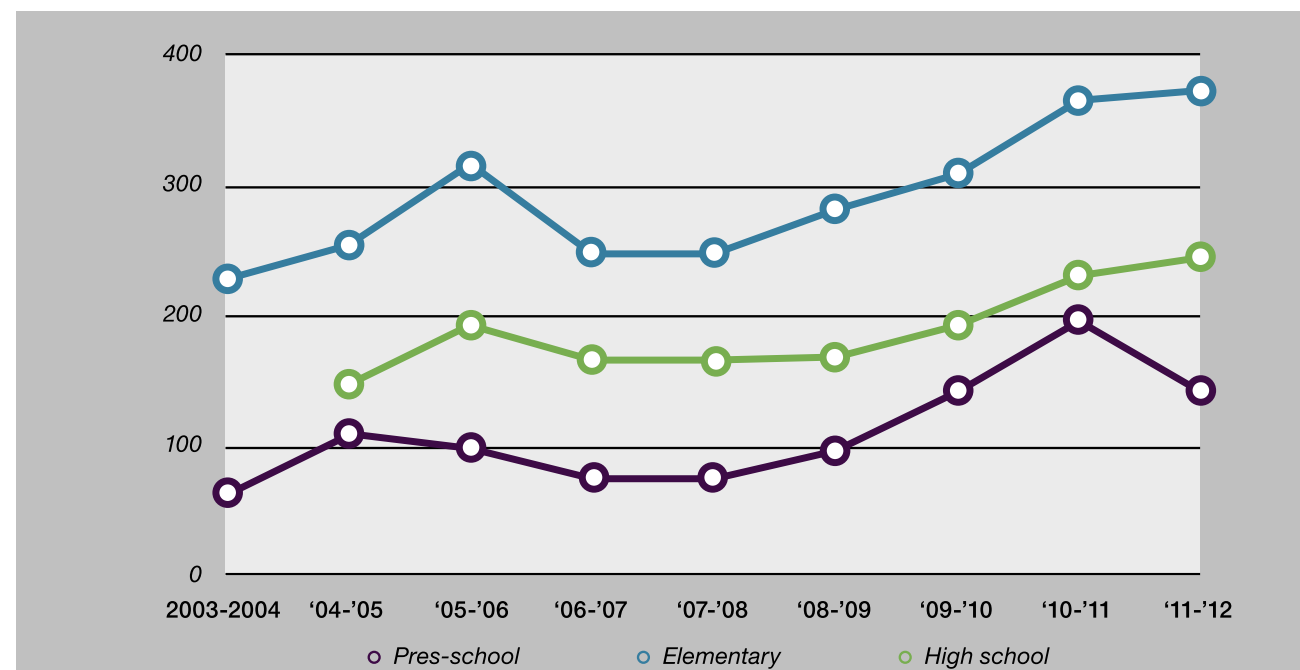
“Saka” in the Visayan language means to go or bring up, while in the Tagalog, “saka” means to farm. The two (2) words together on Semirara Island becomes SAKA SAKA!, a program for sustainability that aims to improve agricultural production to provide the island residents a stable food supply to directly address the island’s food security issues.

Led by the local governments of Caluya Municipality and Barangays Semirara and Alegria, supported by Semirara Mining Corporation as a local development partner, SAKA SAKA! is joined by Semirara Mining Corporation’s workers’ cooperatives, namely, Semirara Multipurpose Cooperative (SEMCO) and Integrated Workers Multipurpose Cooperative (IWMPC), in the creation and/or intensification of community economic and agricultural activities.

In November 2011, SAKA SAKA! initially invested in hog raising that is made possible through:

- Tapping Bgy. Alegria for labor and allowing residents

DWSSII Student Population, SY 2003-2011



access to training and development, thereby testing the barangay’s capability to become Semirara Island’s food basket

- Seed money from the pioneer settlers of Semirara who received PhP50,000 financial support from Barangay Semirara. Half of the said grant was given to the pioneer settlers in cash and the remaining half invested in the SAKA SAKA! livelihood projects to ensure the sustainability of the funds.
- Semirara Mining Corporation committing to provide technical and capital infrastructure support
- SEMCO and IWMPC sharing the cooperatives’ expertise and skills in financial management and accounting, procurement, marketing and distribution.

SAKA SAKA! aims to promote island sustainability by:

- directly addressing Semirara Island’s food security issues
- encouraging entrepreneurship and provision to locals, both company workers and island residents, practical “investment” options
- to create and increase local employment / livelihood opportunities for the residents of the island.

SAKA SAKA! plans to register as an organization after the trial run of its hog raising project.

Still on agricultural development, demonstration farms that started in 2009 continue to receive support from the company.

In Bagong Barrio in Barangay Semirara, four farmers are each given at least one (1) hectare of ricefield to manage, where an 80-20 sharing system is applied (80% of the total harvest will go to the company through the Community Relations Office and 20% is kept by the farmer). All farm input is provided by the company while the farmer is responsible for the care of the crop and maintenance of the field until harvest.

25 farmers tilling about 20 hectares of land in Sitio Bunlao in Barangay Alegria received for free 62 bags of humic acid, a soil conditioner derived from coal, for their rice crops. The same farmers have requested for the soil conditioner for their next cropping.

Vegetable farming is strongly being encouraged in company housing and among families in various communities. Company workers and their dependents, in particular, are urged to raise vegetables instead of ornamental plants in their backyards to promote food sufficiency and to maximize

EMPLOYMENT

Jobs to sustain families

2,790 employees

regular, probationary, contractual and apprentice as of December 2011



ISO 9001:2000
Quality Management System
OHSAS 18001:2007
Occupational Health and Safety Management System



Minesite employees enjoy free housing with support for utilities, transportation, and health and physical well-being programs. Free education are also provided the dependents of minesite employees.

the space allotment of 300 square meters per family in company housing facilities.

Growing vegetables in the backyard started in Sitio Bunlao in 2011. A vegetable nursery was developed to support distribution of seedlings to 58 company housing occupants and 44 residents of Barangay Alegria. About 1,500 seedlings were released in 2011.

Fishing

In 1999, Semirara Mining Corporation started organizing fishing associations to provide livelihood to the fisherfolk of the island, especially those from Sitio Villaresis, Barangay Semirara.

By 2010, 455 fishermen belonging to various fishing associations on the island were operating a total of 15 mother boats and were harvesting an average of 432 tons of deep-sea fish a year.

In 2011, of the nine (9) fishing associations being supported by the company, six (6) were operating. Of the six (6) associations, only three (3) earned.

The aggregate harvest and days of successful operations of the organizations for the year are at its highest since 2008. Volume of harvest was 77,320 kilograms, and sales reached a total of PhP6.2 million. This was achieved even though



Demonstration farm in Bagong Barrio, Brgy. Semirara



Rehabilitation of the company's level one hospital started in 2011



Giant clams reseeded in the Tabunan Marine Sanctuary



A new pier in Sitio Pinagpala, Brgy. Semirara



the cost of fuel increased, and the ice plant in Semirara had to close for repairs in June to September, thus, driving operating costs.

However, observations on fishing operations reveal that many of the boats' fishing crew come from the nearby islands. This may mean that the company's target beneficiaries may not exactly be the ones benefiting from the support being given the associations.

Also, many of the fishing crew preferred to go 'sambo,' which means to join fishing trips without necessarily minding the responsibilities of maintaining the boats, preferring to receive share of the harvest after every trip instead. The sustainability of the program is, thus, put in question.

Options are currently being weighed to achieve the company's CSR objectives and targets while improving the performance of operating fishing associations. Re-organization may be in order to ensure that the support given to local fisherfolk are maximized and are reaching intended targets, and that fishing activities support the efforts to address the island's food security issues.

STAKEHOLDER COMMUNICATION

In 2010, Semirara Mining Corporation launched an internal campaign for Island Sustainability, taking off from the Bruntland Commission's definition of sustainable development.

Presenting itself as a coal mining company that is sincere in contributing to the development of Semirara Island and its people, and in preparing same for a future that continues to sustain life, the company then invited its employees, who gain from living and working on the island, to participate in engaging with and 'giving back' to their hosts.

Stakeholder communications expanded, starting from the above-mentioned internal campaign, through the development of audio-visual (AV) materials that started airing on a local cable channel.

One AV material that shows on Channel 3 of the local cable service is "Organic C: Semirara's Coal Mining Process." Using the Filipino language and subtitled in English, the six-minute material describes how coal is mined, washed, prepared for shipping, and finally loaded onto boats.

Another AV material is on the Tabunan Marine Sanctuary. This material includes clips of interviews with Hon. Noeli Lim, Barangay Captain of Barangay Semirara, and Dr. Ronnie Estrellada, marine biologist and head of the Tabunan Marine Hatchery and Laboratory, on how consultations with the residents of Barangay Semirara led to the establishment of the marine sanctuary, which now spawns giant clams, abalone and sea cucumber.

Through this means of communicating with stakeholders, the company has reached a wide set of audience, allowing these stakeholders a better understanding of company operations and commitment to rehabilitate its environment.

PLANET



Environmental protection: harnessing the gifts of nature while improving Semirara Island's environmental sustainability

Semirara Mining Corporation faces the challenge of environmental rehabilitation and development --- beyond protection --- on Semirara Island.

Giant clams

Semirara Mining Corporation purchased 96 pieces of broodstock *Tridacna gigas* from the University of the Philippines in Bolinao, Pangasinan in 2009.

Three things were considered when the company decided to pursue the giant clams project in the waters of Semirara Island:

The giant clams, locally called 'taklobo,' have a symbiotic relationship with corals and fishes. Reseeding the giant clams can rapidly improve biodiversity, and therefore catalyze the rehabilitation of Semirara's coastal environment that suffered overfishing, including dynamite fishing, in the 1990's.

If the giant clams can successfully spawn in the Tabunan marine sanctuary, this could mean 1) a new livelihood for the island residents, and 2) removing the giant clams from the island's list of endangered species.

The giant clam is a very good indication for pollution because it sips water and filters plankton for food, then

releases clean and clear seawater to its environment. If the company can successfully grow giant clams in Semirara, they will serve as living proof that mining operations on the island do not harm the seas.

The Tabunan Marine Hatchery and Laboratory was established in 2010 following the declaration of 150 hectares of Barangay Semirara's seawater area as a marine sanctuary in 2009.

Since the facility started spawning the broodstock from UP-Bolinao, it has produced 4,500 giant clams, which reached five to 20 centimeters in shell length by end-2011, and which have already been reseeded in the marine sanctuary.

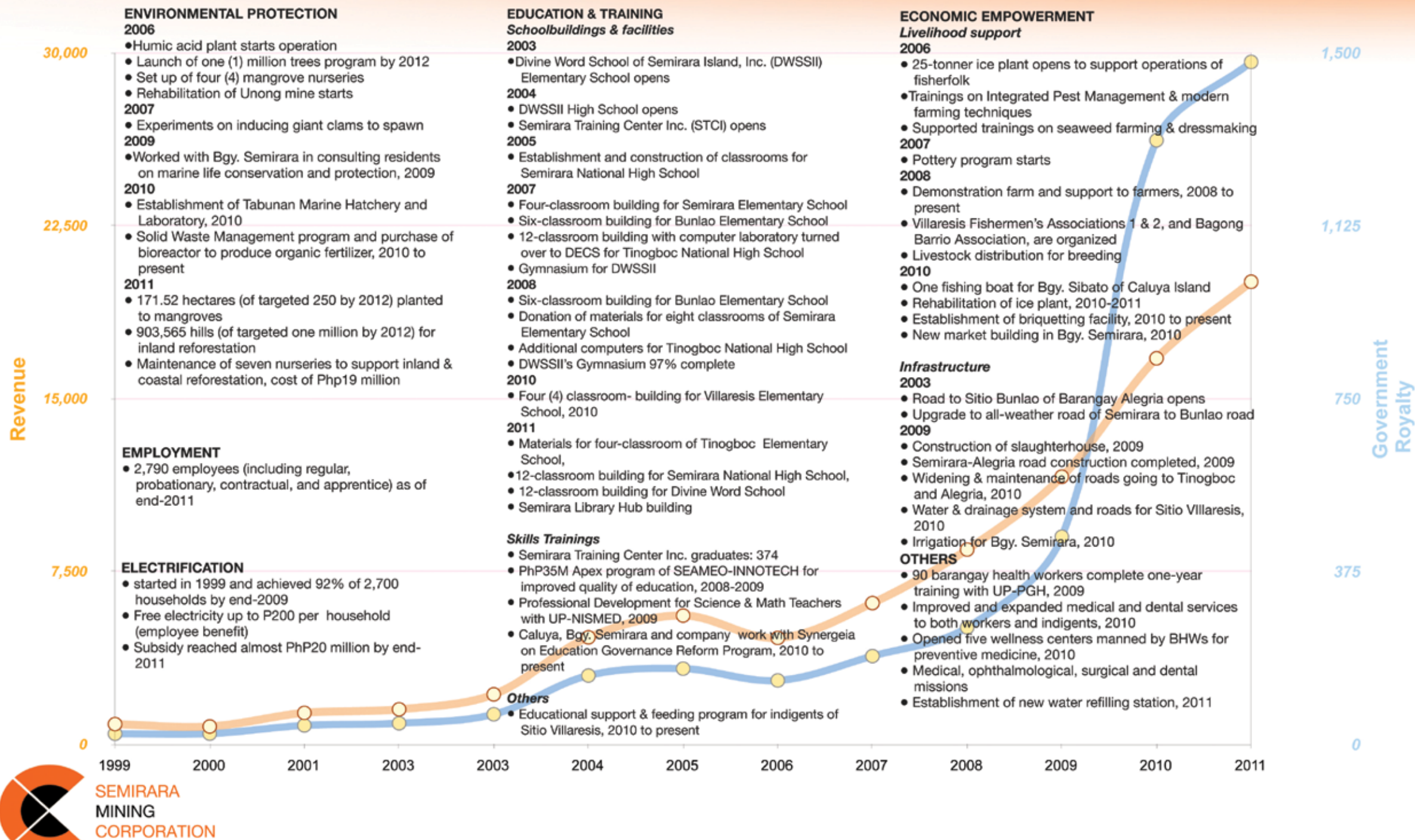
It has also increased its number of broodstock of native species of the giant clams. *Hippopus hippopus*, gathered from the waters around Semirara Island, particularly shows much promise as its larvae and juveniles exhibit good survival rates in the hatchery.

The Tabunan hatchery and laboratory, headed by Dr. Ronnie Estrellada, targets to have 100,000 giant clams in ten (10) years of propagation reseeded in the Semirara Marine Sanctuary. He says, "Semirara can also now reseed giant clams in other marine sanctuaries in other parts of the Philippines."

The hatchery has also started an abalone project in late 2011. It aims to engage local fisherfolk as growers in the next year or two, with the supply of juvenile seeds coming from the hatchery.



Economic, Social & Environmental Contribution



PANIAN REFORESTATION and UNONG REHABILITATION Update on Species Planted in 2011			
	Scientific name	Common name	2011
1	<i>Bambusa spinosa</i>	BAMBOO	4,486
2	<i>Lagerstroemia speciosa</i>	BANABA	10,338
3	<i>Casuarina equisetifolia</i>	BEACH AGOHO	2,836
4	<i>Bauhinia malabarica</i>	BUTTERFLY TREE	600
5	<i>Caesalpinia pulcherrima</i>	CABALLERO	4,679
6	<i>Citrofortunella microcarpa</i>	CALAMANSI	71
7	<i>Cocos nucifera</i>	COCONUT	1,028
8	<i>Dracontomelon dao</i>	DAO	100
9	<i>Heritiera littoralis</i>	DUNGON	108
10	<i>Cassia fistula</i>	GOLDEN SHOWER	219
11	<i>Intsia bijuga</i>	IPIL	713
12	<i>Diospyros blancoi</i>	KAMAGONG	100
13	<i>Pithecellobium dulce</i>	KAMATCHILE	189
14	<i>Mangifera indica</i>	MANGO	730
15	<i>Vitex parviflora</i>	MOLAVE	12,742
16	<i>Pterocarpus indicus</i>	NARRA	3,280
17	<i>Azadiracta indica</i>	NEEM TREE	114
18	<i>Citrus aurantiifolia</i>	ORANGE	141
19	<i>Pandan odoratissimus</i>	PANDAN	167
20	<i>Citrus maxima</i>	POMELO	141
21	<i>Albizia lebbek</i>	RAIN TREE	15
22	<i>Sindora supa</i>	SUPA	25
23	<i>Cananga odorata</i>	YLANG-YLANG	7,194
		Total planted	50,016

A nursery at Unong Lake





Inland reforestation and mangroves development

Semirara Mining Corporation is set to complete in 2012 its One Million Trees and 250 Hectares of Mangroves programs.

Since the launch of One Million Trees in 2006, the reforestation team has 940,703 trees as the project's aggregate accomplishment as of end-December 2011. The total number of trees planted in 2011 is 50,016.

An area that will undergo rehabilitation and reforestation in 2012 is some 200 hectares in Panian where mining operations have significantly declined, thus, opening the opportunity for the company to do progressive rehabilitation. An area for the nursery has been identified and water will soon be available at the site.

The reforestation team has also been given the instruction to prepare in 2012, way in advance, the seedlings that will be planted around Panian mine in two to three years to ensure better survival of the trees and more time-efficient rehabilitation of the pit.

In mangroves development, new area planted to mangroves reached only 2.21 hectares in 2011. Accomplishment, in terms of new planting area, is low because the reforestation team spent much time and effort replanting where there is boat traffic. A total of 35.15 hectares were affected, of which 21 hectares were replanted with 92,802 hills of various species of mangroves.

Project accomplishment of the mangroves project stands at 69% or 171.52 hectares.

Unong rehabilitation

Rehabilitation of the former mine in Sitio Unong of Barangay Tinogboc continued in 2011. The pit that closed in 2000 filled up with water over the years, forming a lake that now hosts meter-long eels, tilapia and other fish that grow in brackish water.

A nursery is located right by the lake and serves as source of seedlings of high-value trees and ornamental plants for growing along the lake's rim.

The development of the the lake's circumferential bike trail continues to provide locals and company workers a place for recreation.

A water pump is on standby to supply water for washing coal in Panian. It supplied about 536,400 cubic meters of water to the coal washing plant in 2010 when the El Nino nearly dried up the Sanglay catchment.

Solid Waste Management

Semirara Mining Corporation bought a bio-reactor in 2010 to produce compost from kitchen wastes and materials from brushing activities of the reforestation team. It has a capacity of processing one (1) ton of materials per day.

The Bio-Waste Composting Project produced a total of 68,110 kilograms in 2011 after one full year of operations.

The organic fertilizer produced at the composting facility is used in reforestation and vegetable gardening in communities.

The project plans to improve production by improving collection of household wastes and by campaigning for garbage segregation in the communities.

PROGRESS

Building primary and support infrastructure

ELECTRIFICATION

When DMCI Holdings, Inc. took over management of coal mining operations on Semirara Island in 1997, only the mine site and the employees' village had electricity. In 1999, it worked with the Antique Electric Cooperative (ANTECO) to install power lines to provide electricity to communities all over the island.

Semirara has come a long way since the electrification of communities. Hours for business, study and recreation have extended, thereby contributing to higher productivity among residents.

The company gives each employee's household free power

allocation of 300 kwh per month and any excess usage is paid through salary deduction. The island residents also enjoy PhP200 free electric utility, a benefit the local government of Barangay Semirara has been providing for almost four years now.

Power on Semirara Island is generated from two (2) x 7.5-megawatt (MW) coal-fired power plant and the two (2) x 4.8 MW Mirlees Blackstone bunker engines.

Running the diesel power generators, however, is expensive, and the still increasing demand for power is taking its toll on the 30-year old coal-fired power plant.

The company started to work on setting up another 15MW coal-fired power plant utilizing modern Circulating Fluidized Bed technology, also known as a "clean-coal" technology, which is designed to have significantly reduced sulfur and nitrous oxides and particulate emissions compared to traditional power plants.



Unong Lake



ELECTRIC GENERATION & CONSUMPTION SUBSIDY			
	in kwh		in PhP
1999	47,610		119,025.00
2000	253,151		632,877.500
2001	293,964		734,910.00
2002	322,555		806,387.500
2003	350,325		875,812.500
2004	500,745		1,251,862.500
2005	552,187		1,380,467.500
2006	617,470		1,543,675.00
2007	764,413		1,911,032.500
2008	785,103		1,962,757.500
2009	952,067		2,380,167.500
2010	1,118,510		2,796,275.00
2011	1,381,521		3,453,802.500
Total	6,558,100	PhP	19,849,052.50

The new coal plant will utilize low-grade coal as fuel, thereby further maximizing the island's coal resources while having minimal impact on the environment.

However, ANTECO released in 2011 a waiver declaring Semirara Island as unviable for its operation both financially and operationally. Semirara Mining Corporation is, thus, seriously considering to apply with the Energy Regulations Commission as Qualified Third Party to adequately service the requirements of the communities on the island.

Mobile and data communications

With electric power available 24 hours a day, telecommunication companies set up towers to provide mobile and data communications to the island residents in 2006. In 2011, the company was able to work out with Smart Communications, Inc. to set up a new tower in Sitio Bunlao, Barangay Alegria, where the company started to build housing clusters in 2009.

This development contributes much to better island integration.

Banking

Another benefit that recently stemmed from the set up of both power and telecommunications systems on the island



Connecting barangays through road rehabilitation on Sibay Island



Circumferential road for Caluya Island

is access to bank services.

One Network Bank, owned by DACON and DFC Holdings, Inc., set up three (3) Automated Teller Machines (ATMs) in the new commercial complex in Barangay Semirara. Although the bank does not have a branch on the island yet, the ATMs have allowed residents the convenience of electronic payroll and e-banking services, and access to the country's major bank networks, Bancnet, Megalink and Expresslink.

Water

Semirara Island relies on rainfall and some groundwater for water for both industrial and domestic use. Without a watershed, the island, thus, requires prudent water management.

In 2011, average household consumption reached and average of 135 cubic meters per hour, while industrial consumption ranged from 65 to 80 cubic meters per hour. The Sanglay water catchment with holding capacity of four (4) million cubic meters remains the main source of water for domestic use. Coal washing, on the other hand, uses 60% recycled water, about 186,000 liters per hour, supplemented



Ships waiting to load coal



Company housing in Sitio Bunlao, Barangay Alegria



The nativity in a cave behind the Our Lady of Guadalupe Parish Church



by water from a deep well near the plant.

Per a water sampling conducted in July 2011, water turbidity on the island is at 13 nephelometric turbidity units (NTU). Setting <0.1 NTU as target, Semirara Mining Corporation is investing about PhP40 million in water filtration and refilling systems.

The location of the filtration station and service coverage were considered prior to finalizing targets in terms of water quality and distribution. Filtration system installation and setting up of the refilling station in the new commercial center in Barangay Semirara commenced in March 2011.

The company expects demand for water to increase to 300 cubic meters per hour in 2012. The systems currently on installation can produce 145 cubic meters of filtered water per hour, while the new refilling station has a capacity of 240 liters per hour or an average of 5,000 liters per day.

Water supply lines are being laid out and/or upgraded to better serve the households, including all company housing units and Sitio Villaresis, in Barangay Semirara. Supply lines to and from Sitio Bunlao in Barangay Alegria

are also scheduled for rehabilitation in 2012 to ensure that housing units are serviced and agricultural activities amply supported.

Road network

Having completed connecting Barangays Semirara, Tinogboc and Alegria through roads, Semirara Island continues to maintain and pave new access roads on Semirara Island. It has also extended support to Caluya and Sibay Islands by widening and rehabilitating a total length of 50 kilometers of roads that connect communities with each other.

Beautiful brick houses from mine waste

Long classified as mere overburden or mine waste, the layer of red clay on top of Semirara's coal is transforming the island's landscape.

Literally a mine on top of a mine, bricks, hollow blocks, roof tiles, floor tiles, and paving bricks are just a few of the products that Semirara Island may be producing from clay that abound on the island.

Semirara Mining Corporation's Ceramic Engineer, Dean Jacob, said, "Results of test firing indicate that we may be able to produce structural clay products of European quality using the island's resources."

No longer a "burden," Semirara's supply of red clay can last more than a hundred years. The strength of hollow blocks made from this clay, based on initial studies, is double the strength of concrete.

"Everything that we need to make the bricks is available on the island. The clay and the sand we get from Panian," Engr. Jacob says.

"Energy that will fire the kilns is crucial to be competitive. If we are to develop Semirara's clay products manufacturing industry, we need to perfect our firing technique, and for this we are using spillages and briquettes made from Semirara coal," Engr. Jacob added.

Although the project is still in development stage and feasibility studies are being undertaken, more than a hundred island residents work at the plant. They produce bricks and hollow blocks that save the company money

by replacing cement with these clay-based products in construction and refurbishing work on the island.

Among the structures that feature Semirara's red clay are the houses in the workers' villages, the new public market, and the Our Lady of Guadalupe Chapel that houses the work of national artist Napoleon V. Abueva,. The old buildings the company refurbished took on a more aesthetic yet homey appeal because of the bricks.

Ugu Bigyan, another national artist, also visits Semirara Island and guides homegrown terracotta artists at the pottery. These local artists created for the local Catholic community a *belen*, a tableau of Christ's manger in Bethlemlen, using Semirara clay.

Semirara's horizon expands with this re-discovered gift of the land. President Manuel L. Quezon, who declared the island as a coal mining reservation area in 1940, would be happy to see the wisdom in his government's proclamation.

www.semiraramining.com



**SEMIRARA
MINING
CORPORATION**

2/F DMCI Plaza, 2281 Don Chino Roces Avenue Extension
Makati City, Philippines 1231
Telephone: +632 867-3379
Facsimile: +632 816-7185

